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## FUND INFORMATION

Period of Trust	: Subject to occurrence of any events as stated under Clause 11.37 of the Guidelines on Unit Trust Funds
Fund Category	: Bond
Fund Type	: Income
Relevant Benchmark	: Maybank's 12-Month Fixed Deposit Rate
Distribution Policy	: Income (if any) will be distributed during the financial year

## INVESTMENT OBJECTIVE, STRATEGY AND POLICY

### Investment Objective

- To provide investors with higher than average income returns compared to fixed deposits over the medium to long term through investments in bonds and other fixed income securities with minimum risk to capital invested.

### Investment Strategy and Policy

- The prospectus states that the Fund will invest in quality fixed income securities which carry a minimum long term credit rating of BBB and above assigned by Rating Agency of Malaysia Berhad ("RAM") or its equivalent. To contain credit risk, the Manager will ensure that the diversification of credit rating (and duration standing) in the bond portfolio mitigates the overall risk position of the portfolio.
- The strategy adopted by the Fund for the financial year under review is consistent with the strategy above.

## MANAGER'S OVERVIEW

We are pleased to present to you the Annual Report of RHB Bond Fund ("the Fund") incorporating the Audited Financial Statements for the financial year ended 30 September 2011.

Based on the Audited Financial Statements, the Net Asset Value ("NAV") per unit of the Fund increased 3.15% from RM0.9303 per unit as at 30 September 2010 to RM0.9596 per unit on 30 September 2011. The increase in NAV per unit is in line with the positive performance of the corporate bond market during the financial year under review. The number of units in circulation decreased from 38.99 million units as at 30 September 2010 to 27.43 million units as at 30 September 2011.

During the financial year under review, the Fund registered a gain of 8.69%\* compared to the benchmark, which is the Maybank's 12-Month Fixed Deposit Rate's return of 2.95%\*. The total gain since inception amounted to 109.05%\*, outperforming its benchmark's return of 74.74%\*.

The Fund has declared gross distributions of 2.00 sen per unit on 29 October 2010 and 3.00 sen per unit on 30 September 2011 respectively to all registered unitholders. As a result of the distributions, the NAV per unit has dropped from RM0.9379 to RM0.9179 and from RM0.9896 to RM0.9596 respectively during the financial year under review.

For the financial year under review, the Fund has met its objective in line with the positive performance in the local bond market.

\* Source: Lipper Hindsight, 19 October 2011

**MANAGER'S REPORT**

**Fund Performance Review**

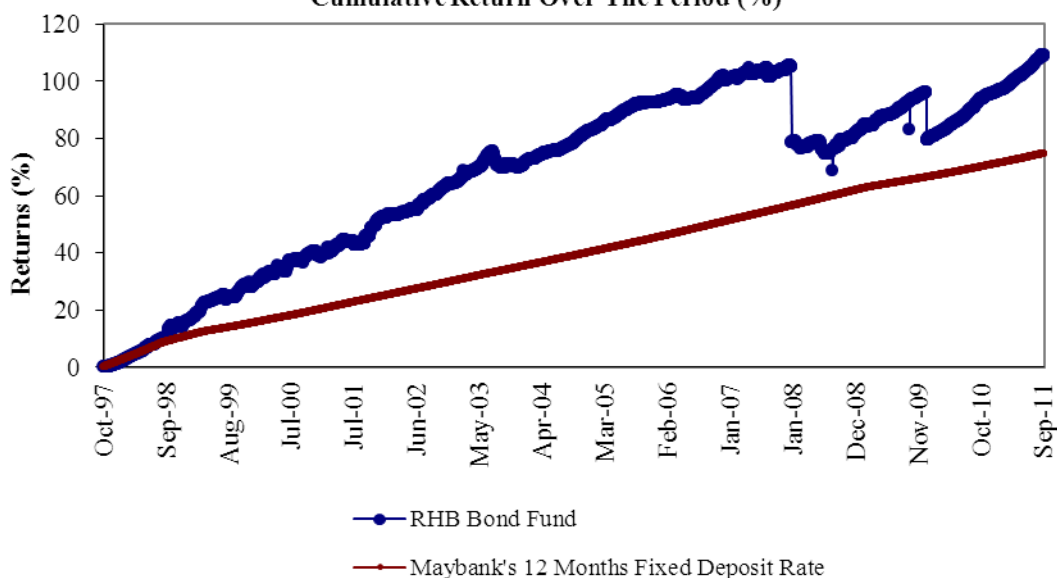
For the financial year ended 30 September 2011, the RHB Bond Fund (“the Fund”) registered a gain of 8.69%\* as compared to the benchmark, which is the Maybank 12-Month Fixed Deposit’s return of 2.95%\*. The Fund’s positive return was attributed to the Fund manager’s active management in strategising the portfolio duration and tactical asset allocation which was well invested during the financial year under review in line with the positive corporate bonds performance. As at 30 September 2011, the Fund’s investments have a weighted average credit risk of A2.

**Asset Allocation**

Asset Class	30 Sept 2010	30 Sept 2011
Unquoted Fixed Income Securities	78.68%	96.91%
Liquid assets & other net current assets	21.32%	3.09%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

\* Source: Lipper Hindsight, 19 October 2011

**Performance of RHB Bond Fund for the period from 10 October 1997 (Date of Inception) to 30 September 2011  
Cumulative Return Over The Period (%)**



Source: Lipper Hindsight, 19 October 2011

The aforesaid information is for the period from 10 October 1997 (Date of Inception) to 30 September 2011 using NAV-NAV prices and assuming reinvestment of distributions (if any) for the Fund, gross investment based in RM.

**Past earnings or the Fund’s distribution record is not a guarantee or reflection of the Fund’s future earnings/future distributions. Investors are advised that unit prices, distributions payable and investment returns may go down as well as up.**

## **RHB Bond Fund**

### **Strategies and Policies**

For the financial year under review, the strategy adopted by the Fund is in line with the disclosure in the prospectus. The Fund employed an active management style and invested in debt securities to provide investors with above-average returns. As at 30 September 2011, the portfolio duration was approximately 4.62 years (2010: 3.02 years), denoting the weighted average tenure of bonds in the portfolio. The longer duration allowed the portfolio to position itself to take advantage of the positive bond market performance. The portfolio duration could vary during the period under review, reflecting the prevailing strategies in different market conditions. Separately, the assets of the Fund were diversified across issues and sectors to mitigate credit risk.

### **Market Review**

The Malaysian Government Securities (“MGS”) market traded in rangebound during the financial year under review. Profit taking on MGS was prominent during the first six months of 2011, leading the yields which moved up by 30basis points (“bps”) to 49bps across the curve. The sell-off of the MGS was triggered by the reversal of the ringgit gains, supply concerns on MGS/GII issuances for 2011 and higher inflationary pressure. Losses in MGS was subsequently pared by the safe haven trades during the 2<sup>nd</sup> half of 2011, as global equity markets nose-dived on risk aversion, causing MGS yields to fall by 19bps to 41bps across the benchmark papers. However, MGS prices are capped by the concerns over the Eurozone debt crisis, especially on the possibility of a Greece sovereign default, the rush back into longer-tenure United States (“US”) Treasuries by foreigners causing a strengthening of the US dollar (and a weakening Ringgit) and sell-off of the MGS which resulted in the decline in MGS prices. On a yearly basis, the 3- and 5-year MGS benchmarks surged 5bps and 17bps to 3.20% and 3.41%, whilst the 7- and 10-year benchmark closed higher by 8bps at 3.57% and 3.69%, respectively.

Similar to MGS, traders were seen buying up corporate bonds, leading to a bullish flattening yield curve which suggested demand was strong for longer tenure bonds. The Bond Pricing Agency of Malaysia’s mark-to-market yields indicated that the long-end yields declined the most i.e. up to 86bps YoY, while the short-end yields fell by up to 56bps YoY. High grade credits remained in demand as the supply remain scarce (including along the secondary segment due to investors’ buy-and-hold tendency) and most investors remained confident that yield levels may be contained, seeing most economists expect the Overnight Policy Rate

(“OPR”) to remain at 3.0% well into next year (Bloomberg survey: 6 out of 10 economists view the OPR at 3.0% till 2<sup>nd</sup> Quarter 2012).

On policy rate decision, Bank Negara Malaysia (“BNM”) hiked the overnight policy rate OPR by 25bps to 3.0% during the Monetary Policy Committee (“MPC”) meeting on 5 May 2011. The OPR was subsequently held steady at 3.0% for two consecutive meetings on 7 July 2011 and 8 September 2011. BNM cited that inflation is expected to remain relatively stable for the rest of the year. Meantime, BNM Governor also commented that inflation has probably peaked as the global financial turmoil lessened the inflationary pressures, making interest rate hike(s) unlikely in the near future.

### **Market Outlook**

Global growth concerns, increasing worries of a widening European debt crisis, and the trigger of the Fed’s ‘Operation Twist’ saw investors adjusting their respective portfolio strategies which resulted in the sell-off in emerging Asia debt markets. Going forward, USD/MYR is expected to remain volatile. Risk aversion may stay for the near-term given the uncertainties globally. There are growing concerns that the European sovereign debt and fiscal deficit problems are expected to prolong and thus negatively affecting global trade, economies, business, consumer and investor confidence.

The local government bond market is expected to trade range bound in the near-term given the recent exodus of foreign flows and volatility in currencies (USD/MYR). The MGS market should continue to take cue from events over in the Eurozone as well as the USD/MYR movements. Looking ahead, market players await the coming 2012 Malaysian Budget to be tabled on 7 October 2011. The Budget is of interest for bond players as it will signal the government’s 2012 borrowing requirements.

We expect Private Debt Securities (“PDS”) flows to remain active with net buying activities anticipated along the high grade and more liquid names, whilst demand for longer duration bonds is expected to remain buoyant for yield enhancement. In light of the above, we maintain invested in PDS, targeting longer duration to benefit from the bullish outlook in the PDS market.

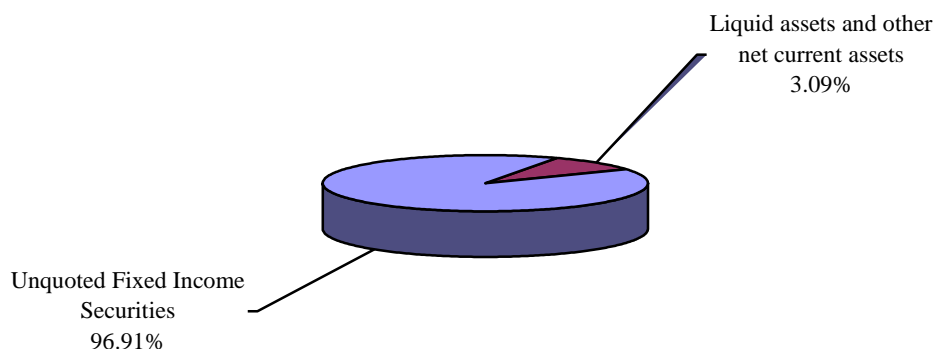
**PORTFOLIO STRUCTURE**

**PORTFOLIO STRUCTURE AS AT 30 SEPTEMBER 2011**

As at 30 September 2011, the Fund has invested 96.91% in Unquoted Fixed Income Securities and the balance of 3.09% in liquid assets and other net current assets.

As compared with 30 September 2010, the Fund has invested 78.68% in Unquoted Fixed Income Securities and the balance of 21.32% held in liquid assets and other net current assets.

The Fund's detailed holdings in the various sectors are shown below:-



**PERFORMANCE OF FUND AND BENCHMARK**

	Annual Total Return					
	2011 %	2010 %	2009 %	2008 %	2007 %	Since Inception (10 October 1997) %
RHB Bond Fund	8.69	(0.39)	7.71	(11.84)	3.45	109.05
Maybank's 12-Month Fixed Deposit Rate	2.95	2.65	2.90	3.72	3.72	74.74

	Average Total Return		
	One-Year %	Three-Year %	Five-year %
RHB Bond Fund	8.69	5.54	1.27
Maybank's 12-Month Fixed Deposit Rate	2.95	2.92	3.40

Source: Lipper Hindsight, 19 October 2011

The above Annual Total Return and Average Total Return are indicative returns based on daily Net Asset Value of a unit (as per Lipper Database) since inception.

The calculation of the above returns is based on computation methods of Lipper.

Average Total Return is derived by this formulae:-

$$\frac{\text{Total Return}}{\text{Number of Years Under Review}}$$

Notes: Unit prices and returns may fluctuate, past performance figures shown are not necessarily indicative of future performance.

**RHB Bond Fund**

**Other Performance Data**

<b>Performance Data</b>	<b>30 Sept 2009</b>	<b>30 Sept 2010</b>	<b>30 Sept 2011</b>
<u>Portfolio Composition (%)</u>			
Unquoted Fixed Income Securities	92.91	78.68	96.91
Quoted Investment	0.61	-	-
Collective Investment Scheme	2.21	-	-
<b>Others</b>			
Liquid assets and other net current assets	4.27	21.32	3.09
Total Portfolio Holdings	100.00	100.00	100.00
Net Asset Value (RM)*	46,428,953	36,273,759	26,316,154
Units in Circulation*	49,714,000	38,992,000	27,425,000
Net Asset Value per unit (RM)*	0.9339	0.9303	0.9596
Net Asset Value per unit – Highest (RM)*	0.9831	0.9496	0.9898
Net Asset Value per unit – Lowest (RM)*	0.9126	0.8682	0.9178
Management Expense Ratio (%)	1.11	1.13	1.15♦
Portfolio Turnover Ratio (Times)	0.26	0.33	1.08#
Total Return (%)	7.71	(0.39)	8.69**
Return on Capital (%)	2.23	(0.39)	3.15**
Return on Income (%)	5.48	-	5.54**
Maybank's 12-Month Fixed Deposit Rate (%)	2.90	2.65	2.95**
<u>Distribution Per Unit (Sen)</u>			
Gross/Net	5.0000/5.0000	-	2.0000/2.0000
Date of distribution	30 Sept 2009	-	29 Oct 2010
Gross/Net	-	-	3.0000/3.0000
Date of distribution	-	-	30 Sept 2011

♦ The increase in the Management Expense Ratio for the financial year ended 30 September 2011 was due to the decrease in the Fund's average net asset value.

# The Portfolio Turnover Ratio increased to 1.08 times for the financial year ended 30 September 2011 compared to 0.33 times previously. This is in line with the Manager's active tactical strategy to enhance the Fund's potential returns.

\* Ex-distribution

\*\* Source: Lipper Hindsight, 19 October 2011

**BREAKDOWN OF UNITHOLDINGS AS AT 30 SEPTEMBER 2011**

<b>Size of Holdings</b>	<b>Unitholders</b>		<b>Unitholdings</b>	
	<b>Number</b>	<b>%</b>	<b>('000) units</b>	<b>%</b>
5,000 and below	234	40.91	379	1.38
5,001 to 10,000	128	22.38	880	3.21
10,001 to 50,000	176	30.77	3,738	13.63
50,001 to 500,000	27	4.72	3,100	11.30
500,001 and above	7	1.22	19,328	70.48
Total*	572	100.00	27,425	100.00

\*Note: Including Manager's Stock.

**AUDITED FINANCIAL STATEMENTS AND  
NOTES TO THE FINANCIAL STATEMENTS**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2011**

	<u>Note</u>	<u>2011</u> RM	<u>As restated</u>	
			<u>2010</u> RM	<u>2009</u> RM
<b>ASSETS</b>				
Financial assets at fair value through profit or loss/investments	4	25,502,930	28,539,070	44,450,925
Deposits with a licensed financial institution	5	1,630,256	7,217,534	3,820,000
Bank balance	5	19,268	21,743	11,055
Amount due from Manager		30,284	6,513	-
Interest receivable		-	600,833	718,699
Other receivable		-	-	253
<b>TOTAL ASSETS</b>		<u>27,182,738</u>	<u>36,385,693</u>	<u>49,000,932</u>
<b>LIABILITIES</b>				
Amount due to Manager		-	60,460	25,266
Accrued management fee		22,379	30,049	40,423
Amount due to Trustee		1,791	2,404	3,225
Income distribution payable		822,360	-	2,486,000
Other payables and accruals	6	20,054	19,021	17,065
<b>TOTAL LIABILITIES</b>		<u>866,584</u>	<u>111,934</u>	<u>2,571,979</u>
<b>NET ASSET VALUE</b>		<u>26,316,154</u>	<u>36,273,759</u>	<u>46,428,953</u>
<b>UNITHOLDERS' FUNDS</b>				
Unitholders' capital	7	23,924,423	34,850,190	44,526,576
Retained earnings		2,391,731	4,998,136	2,312,524
Fair value reserve		-	(3,574,567)	(410,147)
		<u>26,316,154</u>	<u>36,273,759</u>	<u>46,428,953</u>
<b>UNITS IN CIRCULATION</b>	7	<u>27,425,000</u>	<u>38,992,000</u>	<u>49,714,000</u>
<b>NET ASSET VALUE PER UNIT (EX-DISTRIBUTION*)</b>		<u>0.9596*</u>	<u>0.9303</u>	<u>0.9339*</u>

The notes on pages 10 to 33 form an integral part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011**

	<u>Note</u>	<u>2011</u> RM	<u>2010</u> RM
<b>INVESTMENT INCOME</b>			
Income distribution from collective investment scheme		-	3,555
Interest income from deposits with licensed financial institutions		86,384	75,766
Interest income from quoted investment		-	1,925
Interest income from unquoted fixed income securities		1,608,750	2,373,730
Net gain from investments:			
- financial assets at fair value through profit and loss ("FVTPL")	4	1,173,410	-
- net realised gain on sale of investments		-	694,898
Amortisation of premium, net of accretion of discount		-	(3,685)
		<u>2,868,544</u>	<u>3,146,189</u>
<b>EXPENSES</b>			
Management fee	8	(305,165)	(407,806)
Trustee's fee	9	(24,413)	(32,652)
Audit fee		(8,500)	(8,500)
Tax agent's fee		(5,000)	(3,200)
Other expenses		(6,104)	(8,419)
		<u>(349,182)</u>	<u>(460,577)</u>
Profit before taxation		2,519,362	2,685,612
Taxation	10	-	-
Profit after taxation and total comprehensive income for the financial year		<u>2,519,362</u>	<u>2,685,612</u>
Profit after taxation is made up as follows:			
Realised amount		2,634,933	2,659,151
Unrealised amount		(115,571)	26,461
		<u>2,519,362</u>	<u>2,685,612</u>
Distributions for the financial year:			
Net distributions	11	<u>1,551,200</u>	-
Gross/net distributions per unit (sen)	11	<u>5.0000</u>	-

The notes on pages 10 to 33 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN NET ASSET VALUE  
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011**

	<u>Note</u>	<u>Unitholders' capital</u> RM	<u>Retained earnings</u> RM	<u>Fair value reserve</u> RM	<u>Total net asset value</u> RM
At 1 October 2009, as previously stated		-	-	-	-
Prior year adjustment for adoption of amendments to FRS 132	17	44,526,576	2,312,524	(410,147)	46,428,953
As at 1 October 2009, as restated after adoption of amendments to FRS 132		44,526,576	2,312,524	(410,147)	46,428,953
Movement in net asset value:					
Total comprehensive income for the financial year		-	2,685,612	-	2,685,612
Creation of units arising from distribution		2,260,498	-	-	2,260,498
Creation of units arising from application		496,012	-	-	496,012
Cancellation of units		(12,432,896)	-	-	(12,432,896)
Net change in fair value reserve		-	-	(3,164,420)	(3,164,420)
Balance at 30 September 2010		34,850,190	4,998,136	(3,574,567)	36,273,759
At 1 October 2010, as previously stated		-	-	-	-
Prior year adjustment for adoption of amendments to FRS 132	17	34,850,190	4,998,136	(3,574,567)	36,273,759
As at 1 October 2010, as restated after adoption of amendments to FRS 132		34,850,190	4,998,136	(3,574,567)	36,273,759
Adjustment for adoption of FRS 139	17	-	(3,574,567)	3,574,567	-
As at 1 October 2010, as restated after adoption of FRS 139		34,850,190	1,423,569	-	36,273,759
Movement in net asset value:					
Total comprehensive income for the financial year		-	2,519,362	-	2,519,362
Creation of units arising from distribution		652,068	-	-	652,068
Creation of units arising from application		776,799	-	-	776,799
Cancellation of units		(12,354,634)	-	-	(12,354,634)
Distributions	11	-	(1,551,200)	-	(1,551,200)
Balance at 30 September 2011		23,924,423	2,391,731	-	26,316,154

The notes on pages 10 to 33 form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011**

	<u>Note</u>	<u>2011</u> RM	<u>2010</u> RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sale of investments		33,465,500	16,544,528
Proceeds from redemption of unquoted fixed income securities		4,900,000	8,123,443
Purchase of investments		(33,776,510)	(11,229,322)
Income distribution received from collective investment scheme		-	3,555
Interest received from deposits with licensed financial institutions		86,918	75,436
Interest received from quoted investment		-	1,925
Interest received from unquoted fixed income securities		1,829,610	2,491,926
Management fee paid		(312,835)	(417,927)
Trustee's fee paid		(25,027)	(33,473)
Payment for other fees and expenses		(18,571)	(18,164)
		<hr/>	<hr/>
Net cash generated from operating activities		6,149,085	15,541,927
		<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		1,405,096	2,749,997
Payment for cancellation of units		(12,415,094)	(12,397,702)
Payment for income distribution		(728,840)	(2,486,000)
		<hr/>	<hr/>
Net cash used in financing activities		(11,738,838)	(12,133,705)
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		(5,589,753)	3,408,222
Cash and cash equivalents at the beginning of the financial year		7,239,277	3,831,055
		<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year		1,649,524	7,239,277
		<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents comprise:			
Deposits with a licensed financial institution	5	1,630,256	7,217,534
Bank balance	5	19,268	21,743
		<hr/>	<hr/>
		1,649,524	7,239,277
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 10 to 33 form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS – 30 SEPTEMBER 2011**

**1 THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES**

The RHB Bond Fund (hereinafter referred to as “the Fund”) was constituted pursuant to the execution of a Deed dated 25 September 1997 and Supplemental Deeds dated 28 June 2000, 10 August 2001, 23 August 2007 and 25 January 2008, between RHB Investment Management Sdn Bhd (“the Manager”), HSBC (Malaysia) Trustee Berhad (“the Trustee”) and the registered Unitholders of the Fund. The Fund is now governed by a Master Deed dated 12 June 2008 and subsequent Supplemental Master Deeds (collectively referred to as “the Deeds”), which shall hereafter supersede all existing deeds relating to the Fund.

The Fund was launched on 10 October 1997 and will continue its operations until terminated as provided under Clause 4 of the Master Deed.

The principal activity of the Fund is to invest in ‘Permitted Investments’ as defined under Item 15 of Schedule 3 of the Master Deed, which comprises fixed income securities, derivatives, all types of collective investment schemes and any other form of investments as may be approved by the relevant authorities from time to time.

All investments will be subject to the Securities Commission’s (“SC”) Guidelines on Unit Trust Funds, SC requirements, the Deeds, except where exemptions or variations have been approved by the SC, internal policies and procedures and objective of the Fund.

The main objective of the Fund is to provide investors with higher than average income returns compared to fixed deposits over the medium to long term through investments in bonds and other fixed income securities with minimum risk to capital invested.

The Manager, a company incorporated in Malaysia, is a wholly-owned subsidiary of RHB Investment Bank Berhad, effective 6 January 2003. Its principal activities include rendering of investment management services to institutions, trust funds, pension and retirement funds, insurance funds, private clients, management of unit trust funds and provision of investment advisory services.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation of the financial statements**

The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and in accordance with the Financial Reporting Standards (“FRS”) in Malaysia.

- (a) The new accounting standards that are effective for the Fund’s financial year beginning on or after 1 January 2010 are as follows:
- FRS 7 “Financial instruments: Disclosures” (effective 1 January 2010) provides information to users of financial statements about an entity’s exposure to risks and how the entity manages those risks. The improvement to FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the statement of comprehensive income. This standard does not have any impact on the classification and valuation of the Fund’s financial statements.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **2.1 Basis of preparation of the financial statements (continued)**

(a) The new accounting standards that are effective for the Fund's financial year beginning on or after 1 January 2010 are as follows: (*continued*)

- The revised FRS 101 "Presentation of financial statements" (effective 1 January 2010) prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. 'Non-owner changes in equity' are to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

Where entities restate or reclassify comparative information, they will be required to present a restated statement of financial position as at the beginning comparative period in addition to the current requirement to present the statement of financial position at the end of the current period and comparative period.

- FRS 107 "Statement of cash flows" (effective 1 January 2010) clarifies that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities.
- FRS 110 "Events after the balance sheet date" (effective 1 January 2010) reinforces existing guidance that a dividend declared after the reporting date is not a liability of an entity at that date given that there is no obligation at that time.
- FRS 118 "Revenue" (effective 1 January 2010) provides more guidance when determining whether an entity is acting as a 'principal' or as an 'agent'. This standard does not have any impact on the classification and valuation of the Fund's financial statements.
- Amendment FRS 132 "Financial Instruments: Presentation"

In the previous financial year, the Fund had classified its puttable instruments as liabilities in accordance with FRS 132, 'Financial instruments: Presentation'. However, the FRS 132 (amendment), 'Financial instruments: Presentation', and FRS 101 (amendment), 'Presentation of financial statements' - 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2010) (the 'amendment') requires puttable financial instruments that meet the definition of a financial liability to be classified as equity where certain strict criteria are met.

Those criteria include: (i) the puttable instruments must entitle the holder to a pro-rata share of net assets; (ii) the puttable instruments must be the most subordinated class and that class's features must be identical; (iii) there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and (iv) the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer. As a result, the prior year financial statements are restated from amounts previously reported to conform with the amendment. The amendment has been applied retrospectively.

The effects as a result of adoption of the amendment on the statement of financial position for the prior periods are set out in Note 17(a).

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **2.1 Basis of preparation of the financial statements (continued)**

(a) The new accounting standards that are effective for the Fund's financial year beginning on or after 1 January 2010 are as follows: *(continued)*

- FRS 139 "Financial Instruments: Recognition and Measurement" (effective 1 January 2010) establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted under strict circumstances. The amendments to FRS 139 provide further guidance on eligible hedged items. The amendment provides guidance for two situations. On the designation of a one-sided risk in a hedged item, the amendment concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. The improvement to FRS 139 clarifies that the scope exemption in FRS 139 only applies to forward contracts but not options for business combinations that are firmly committed to being completed within a reasonable timeframe.

The effects as a result of adoption of the new standard on the opening balances of the statement of financial position at the beginning of the financial year are set out in Note 17(b).

In respect of FRS 7 and FRS 139, the Fund has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the standards on the financial statements of the Fund. Comparatives related to financial instruments have not been adjusted and therefore the corresponding balances are not comparable.

(b) The new standards, amendments and interpretations to published standards which are relevant to the Fund and have not been early adopted are as follows:

- Amendments to FRS 7 "Financial instruments: Disclosures" and FRS 1 "First-time adoption of financial reporting standards" (effective 1 January 2011) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The Fund will apply this standard when effective.

The Fund has applied the transitional provision which exempts entities from disclosing the possible impact arising from the initial application of this amendment on the financial statements of the Fund.

### **2.2 Financial Assets**

#### Classification

Financial assets are designated as fair value through profit or loss when they are managed and their performance evaluated on a fair value basis.

The Fund designates its investments in unquoted fixed income securities as financial assets at fair value through profit or loss at inception.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been included in current assets. The Fund's loans and receivables comprise cash and cash equivalents and amount due from Manager which are all due within 12 months.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **2.2 Financial assets (continued)**

#### Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value. Transaction costs are expensed in the statement of comprehensive income. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Unrealised gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income in the financial period in which they arise.

Unquoted fixed income securities denominated in Ringgit Malaysia are revalued on a daily basis based on fair value prices quoted by a bond pricing agency ("BPA") registered with the SC as per the SC Guidelines on Unit Trust Funds. Where such quotations are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed income security differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

- (i) Records its basis for using a non-BPA price;
- (ii) Obtains necessary internal approvals to use the non-BPA price; and
- (iii) Keeps an audit trail of all decisions and basis for adopting the market price.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

For assets carried at amortised cost, the Fund assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If 'loans and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **2.3 Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

The Fund's financial liabilities which include accrued management fee, amount due to Trustee, income distribution payable and other payables and accruals are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised, and through the amortisation process.

### **2.4 Creation and cancellation of units**

The Fund issues cancellable units, which are cancelled at the unitholder's option and are classified as equity. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if the unitholder exercises the right to put the unit back to the Fund.

Units are created and cancelled at the unitholder's option at prices based on the Fund's net asset value per unit at the time of creation or cancellation. The Fund's net asset value per unit is calculated by dividing the total net asset value with the total number of outstanding units.

### **2.5 Proceeds and payments on creation and cancellation of units**

The net asset value per unit is computed for each dealing day. The price at which units are created or cancelled is calculated by reference to the net asset value per unit as at the close of business on the relevant dealing day. Units in the Fund are classified as equity in the statement of financial position and are stated at fair value representing the price at which unit holders can redeem the units from the Fund.

### **2.6 Distribution**

Distributions are at the discretion of the Fund. A distribution to the Fund's Unitholders is accounted for as a deduction from realised reserves. A proposed distribution is recognised as a liability in the period in which it is approved by the Board of Directors of the Manager.

### **2.7 Unitholders' capital**

The unitholders' contributions to the Fund meet the definition of puttable instruments classified as equity instruments under the revised FRS 132. Consequently, the Unitholders' capital which was previously classified as financial liabilities, have been reclassified as equity instruments. Comparative figures have been restated.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **2.8 Income recognition**

Interest income from deposits with licensed financial institutions and unquoted fixed income securities are recognised on an accrual basis using the effective interest method.

Income distribution from collective investment scheme is recognised when the Fund's right to receive payment is established.

Realised gain or loss on sale of unquoted fixed income securities is measured by the difference between the net disposal proceeds and the carrying amounts of the investments (adjusted for accretion of discount or amortisation of premium).

### **2.9 Taxation**

Current tax expense is determined according to Malaysian tax laws and includes all taxes based upon the taxable income earned during the financial year.

### **2.10 Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balances and deposits with a licensed financial institution that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **2.11 Presentation and functional currency**

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Fund's presentation and functional currency.

### **2.12 Segmental information**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographic segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The operating results are regularly reviewed by the Manager and the Investment Committee. The Investment Committee assumes the role of chief operating decision maker, for performance assessment purposes and to make decisions about resources allocated to the investment segment based on the recommendation by the Investment Strategic Sub-Committee.

### **2.13 Fair value of financial instruments**

Financial instruments comprise financial assets and financial liabilities. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the date of the statement of financial position.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.13 Fair value of financial instruments (continued)**

Financial instruments as at 30 September 2011 are as follows:

	<u>Loans and receivables</u> RM	<u>Financial assets at fair value through profit or loss</u> RM	<u>Total</u> RM
Financial assets at fair value through profit or loss	-	25,502,930	25,502,930
Cash and cash equivalents	1,649,524	-	1,649,524
Receivables	30,284	-	30,284
	<u>1,679,808</u>	<u>25,502,930</u>	<u>27,182,738</u>

All current liabilities are financial liabilities which are carried at amortised cost.

**2.14 Critical accounting estimates and judgments in applying accounting policies**

The preparation of financial statements in conformity with the FRS in Malaysia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported financial year. Although these estimates are based on the Manager's best knowledge of current events and actions, actual results may differ from those estimates.

Estimates and judgments are continually evaluated by the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Funds' results and financial position are tested for sensitivity to changes in the underlying parameters.

Estimate of fair value of unquoted fixed income securities

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC Guidelines on Unit Trust Funds.

Ringgit-denominated unquoted fixed income securities are valued using fair value prices quoted by a bond pricing agency ("BPA"). Where the Manager is of the view that the price quoted by BPA for a specific unquoted fixed income security differs from the market price by more than 20 basis points, the Manager may use market price, provided that the Manager records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of non-BPA price. This is allowed for under the SC Guidelines on Unit Trust Funds.

### 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks, which include management risk, market risk (price risk and interest rate risk), credit/default risk, liquidity risk, issuer risk, non-compliance risk and capital risk management.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated in the SC Guidelines on Unit Trust Funds.

#### Management risk

Poor management of the Fund may jeopardise the investment of each unitholder. Therefore, it is important for the Manager to set the investment policies and appropriate strategies to be in line with the investment objective before any investment activities can be considered. However, there can be no guarantee that these measures will produce the desired results.

#### Market risk

##### (a) Price risk

Price risk is the risk that the fair value of an investment in unquoted fixed income securities will fluctuate because of changes in market prices (other than those arising from interest rate risk).

The price risk is managed through diversification and selection of securities and other financial instruments within specified limits according to the Deeds. As at 30 September 2011, the Fund's overall exposure to price risk was as follows:

	<b>2011 RM</b>
Financial assets at fair value through profit or loss	25,502,930*
	<u><u>25,502,930*</u></u>

\* Include interest receivable of RM437,840

The table below summarises the sensitivity of the Fund's net asset value to movements in prices of unquoted fixed income securities as at 30 September 2011. The analysis is based on the assumptions that the price of the unquoted fixed income securities fluctuates by 5% with all other variables held constant.

<b>Change in price of unquoted fixed income securities %</b>	<b>Market value RM</b>	<b>Change in net asset value RM</b>
-5%	24,249,675	(1,253,255)
0%	25,065,090	-
5%	26,756,185	1,253,255
	<u><u>26,756,185</u></u>	<u><u>1,253,255</u></u>

##### (b) Interest rate risk

In general, when interest rates rise, unquoted fixed income securities prices will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund hold an unquoted fixed income security till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

This risk is crucial since bond portfolio management depends on forecasting interest rate movements. Bonds with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

(b) Interest rate risk (continued)

Investors should note that fixed income securities (such as the bonds held by the Fund) and money market instruments are subject to interest rate fluctuations. Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of interest and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The table below summarises the sensitivity of the Fund's net asset value to movements in prices of unquoted fixed income securities and interest income from deposits with licensed financial institutions held by the Fund as at 30 September 2011 as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate increased and decreased by 1% with all other variables held constant.

<b>Changes in price of financial assets at fair value through profit or loss</b>	<b>Market value of financial assets at fair value through profit or loss</b>
<b>%</b>	<b>RM</b>
-1%	320,363
0%	-
1%	(386,131)

Credit/default risk

Credit/default risk refers to the ability of an issuer or a counter party to make timely payments of interest, principals and proceeds from realisation of investments. For investments in fixed income securities, risk is minimised by spreading its maturity profile. The risk arising from placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions. The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC Guidelines on Unit Trust Funds.

Credit/default risk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer or counter party.

The following table sets out the credit risk concentration of the Fund:

<b><u>As at 30.09.2011</u></b>	<b><u>Unquoted fixed income securities</u></b> RM	<b><u>Bank balance and deposits</u></b> RM	<b><u>Other assets</u></b> RM	<b><u>Total</u></b> RM
Finance	-	1,649,524	-	1,649,524
Unquoted fixed income securities				
- AAA	1,021,621	-	-	1,021,621
- AA2/AA	3,089,890	-	-	3,089,890
- AA3	14,120,205	-	-	14,120,205
- A1	1,310,490	-	-	1,310,490
- A2	1,038,642	-	-	1,038,642
- BB & below	4,922,082	-	-	4,922,082
Others	-	-	30,284	30,284
	<b>25,502,930</b>	<b>1,649,524</b>	<b>30,284</b>	<b>27,182,738</b>

## 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellations of units by unitholders. Liquid assets comprise cash, deposits with licensed financial institutions and other financial assets which are capable of being converted into cash within 7 days.

The following table summarises the maturity profile of the Fund's financial assets and financial liabilities. Balances due within six months equal their carrying amounts, as the impact of discounting is insignificant. The table also analyses the maturity profile of the Fund's financial assets (undiscounted where appropriate) and equity in order to provide a complete view of the Fund's contractual commitments and liquidity.

<b><u>30.09.2011</u></b>	<b><u>Less than 1 month</u></b> RM	<b><u>Up to 1 year</u></b> RM	<b><u>1 year but not more than 5 years</u></b> RM	<b><u>More than 5 years</u></b> RM	<b><u>Total</u></b> RM
Financial assets:					
Financial assets held at FVTPL	-	4,922,082	2,381,922	18,198,926	25,502,930
Deposits with a licensed financial institution	1,630,256	-	-	-	1,630,256
Other assets	49,552	-	-	-	49,552
Total undiscounted financial assets	<u>1,679,808</u>	<u>4,922,082</u>	<u>2,381,922</u>	<u>18,198,926</u>	<u>27,182,738</u>
Financial liabilities:					
Other liabilities	866,584	-	-	-	866,584
Total undiscounted financial liabilities	<u>866,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>866,584</u>
Unitholders' Funds	<u>26,316,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,316,154</u>
Liquidity gap	<u>(25,502,930)</u>	<u>4,922,082</u>	<u>2,381,922</u>	<u>18,198,926</u>	<u>-</u>

\*\* Other assets comprise bank balance and amount due from Manager

^ Other liabilities comprise accrued management fee, amount due to Trustee, income distribution payable and other payables and accruals

Notes:

(a) Financial assets

Analysis of financial assets at fair value through profit or loss into maturity groupings is based on the expected date on which these assets will be realised. For other assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date on which the assets will be realised.

(b) Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest year in which the Fund can be required to pay.

(c) Unitholders' Funds

As unitholders can request for redemption on their units at anytime from the Manager, they have been categorised as having a maturity of "Less than 1 month". As a result, it appears that the Fund has a liquidity gap within "Less than 1 month". However, the Fund believes that it would be able to liquidate its investments should the need arise to satisfy all the redemption requirements of the Fund.

**3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

Issuer risk

The value of each fixed income security that the Fund invests may decline for a number of reasons which is directly related to the issuer, such as, the management performance, financial leverage and reduced demand for the issuer's goods or services. Such risk can be reduced by using diversification that is expected to reduce the volatility as well as the risk for the Fund's portfolio.

Non-compliance risk

The operations and administration of the Fund by the Manager or its delegate are governed by the Fund's Deeds, all relevant laws and regulations or internal policies and procedures. Non-compliance risk may adversely affect the investment of the Fund especially if the Manager is forced to sell the investment of the Fund at a lower price to rectify the non-compliance.

Capital risk management

The capital of the Fund is represented by equity consisting of unitholders' capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of shareholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

**4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/INVESTMENTS**

	<u>2011</u> <b>Financial assets</b> <b>at FVTPL</b> <b>RM</b>	<u>2010</u> <b>Investments</b> <b>RM</b>
Unquoted fixed income securities	25,502,930	28,539,070

Prior to 1 October 2010, the investments of the Fund, although carried at fair value, were classified as investments with changes in fair value recognised in fair value reserve.

Financial assets at FVTPL

	<u>2011</u> <b>RM</b>
Financial assets designated as FVTPL:	
- unquoted fixed income securities	25,502,930*

\* Unquoted fixed income securities include interest receivable of RM437,840.

	<u>2011</u> <b>RM</b>
Net gain on financial assets at FVTPL comprised:	
- net realised gain on sale of investments	1,288,981
- unrealised changes in fair values	(115,571)
	<u>1,173,410</u>

**RHB Bond Fund**

**4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/INVESTMENTS  
(CONTINUED)**

Financial assets designated as FVTPL as at 30 September 2011 are as follows:

<b>Nominal value RM</b>	<b><u>Name of Counter</u></b>	<b><u>Cost RM</u></b>	<b><u>Fair value as at 30.09.2011 RM</u></b>	<b><u>Fair value as at 30.09.2011 expressed as a percentage of value of Fund %</u></b>
<b>UNQUOTED FIXED INCOME SECURITIES</b>				
5,000,000	0.00% Aldwich Bhd 15/08/2014 D*	4,258,962	-	-
1,000,000	4.82% Alliance Bank (Malaysia) Bhd 08/04/2021 A2	1,019,220	1,038,642	3.95
5,000,000	9.30% Ample Zone Bhd 27/01/2012 B-	5,093,312	4,922,082	18.70
3,500,000	5.36% Besraya (M) Sdn Bhd 28/07/2028 AA3	3,532,780	3,630,430	13.80
2,000,000	6.10% Binariang GSM Sdn Bhd 28/12/2017 AA3	2,181,452	2,203,953	8.37
2,000,000	6.60% Binariang GSM Sdn Bhd 27/12/2019 AA3	2,178,748	2,292,556	8.71
2,200,000	6.70% CIMB Bank Bhd 07/10/2038 AA	2,286,920	2,538,559	9.65
2,300,000	5.30% CIMB Group Holdings Bhd 05/04/2060 AA3	2,359,781	2,454,311	9.33
1,000,000	4.90% Gulf Investment Corporation Bhd 03/08/2016 AAA	1,014,277	1,021,621	3.88
400,000	9.05% Jimah Energy Ventures Sdn Bhd 10/05/2019 AA3	530,875	530,778	2.02
800,000	9.20% Jimah Energy Ventures Sdn Bhd 12/11/2019 AA3	1,078,699	1,078,575	4.10
1,400,000	3.90% Kencana Petroleum Bhd 05/08/2016 AA3	1,360,242	1,360,301	5.17
500,000	6.382% Malakoff Corporation Bhd 30/04/2019 AA3	543,414	569,301	2.16
500,000	6.30% Malayan Banking Bhd 25/09/2068 AA2	506,017	551,331	2.09
400,000	8.00% RHB Bank Bhd** 31/03/2039 A1	429,124	482,608	1.83
400,000	20.42% Special Power Vehicle Bhd 19/05/2021 A1	819,245	827,882	3.15
	<b>TOTAL FINANCIAL ASSETS AT FVTPL</b>	<b>29,193,068</b>	<b>25,502,930</b>	<b>96.91</b>
	<b>EXCESS OF COST OVER FAIR VALUE</b>	<b>(3,690,138)</b>		

\*\* a company related to the Manager

**RHB Bond Fund**

**4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/INVESTMENTS  
(CONTINUED)**

Investments as at 30 September 2010 are as follows:

<b>Nominal value RM</b>	<b>Name of Counter</b>	<b>Cost RM</b>	<b>Fair value as at 30.09.2010 RM</b>	<b>Fair value as at 30.09.2010 expressed as a percentage of value of Fund %</b>
<b>UNQUOTED FIXED INCOME SECURITIES</b>				
5,000,000	0.00% Aldwich Bhd 15/08/2014 D*	4,258,962	-	-
5,000,000	9.30% Ample Zone Bhd 27/01/2012 B+	5,047,007	4,319,500	11.91
2,000,000	6.60% Binariang GSM Sdn Bhd 27/12/2019 AA3	2,157,933	2,214,000	6.10
2,200,000	6.70% CIMB Bank Bhd 07/10/2038 AA-	2,217,155	2,418,680	6.67
2,300,000	5.30% CIMB Group Holdings Bhd 05/04/2060 AA3	2,300,000	2,368,540	6.53
5,000,000	8.95% Jimah Energy Ventures Sdn Bhd 12/11/2018 AA3	5,563,393	6,243,000	17.21
3,000,000	6.35% Konsortium Lebuhraya Utara Timur (KL) Sdn Bhd 18/10/2010 A+	3,000,345	3,001,200	8.27
500,000	6.30% Malayan Banking Bhd 25/09/2068 AA2	506,212	529,900	1.46
1,500,000	0.00% Pasir Gudang Municipal Assets Bhd 28/02/2011 AAA	1,478,763	1,480,650	4.08
1,000,000	2.00% PLUS SPV Bhd 11/03/2016 AA1	860,804	888,000	2.45
2,000,000	5.10% PBB IT-1 Capital Securities 22/12/2036 AA2	1,897,736	2,055,600	5.67
400,000	8.00% RHB Bank Bhd** 31/03/2039 A1	431,928	452,920	1.25
400,000	3.00% Special Power Vehicle Bhd Sdn Bhd 19/05/2011 A1	393,399	394,680	1.09
2,000,000	6.70% The Industrial Bank of Korea 22/04/2014 AAA	2,000,000	2,172,400	5.99
	<b>TOTAL UNQUOTED FIXED INCOME SECURITIES</b>	<u>32,113,637</u>	<u>28,539,070</u>	<u>78.68</u>
	<b>FAIR VALUE RESERVE</b>	<u>(3,574,567)</u>		

\*\* a company related to the Manager

**4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/INVESTMENTS  
(CONTINUED)**

\* Aldwich Berhad (“Aldwich”) RM246.0 million Class A Senior Bonds and RM47.0 million Class B Senior Bonds

For financial year ended 30 September 2010

The senior bonds were issued by Aldwich Berhad totalling RM293.0 million in 15 tranches with legal maturity of 15 August 2020.

The Fund invested RM5.0 million in Tranche 9 of Class A Senior Bonds.

On 18 November 2009, RAM Rating Services Bhd (“RAM Ratings”) suspended the ratings of Aldwich’s debt issues, as a result of the persistent unavailability of critical information and clarification required for meaningful assessment of the transaction’s credit position. On 13 October 2009, RAM Ratings reiterated the Rating Watch due to their concerns over Aldwich’s failure to meet the minimum requirement vis-à-vis the Debt Service Reserve Account (DSRA).

Pursuant to Aldwich’s failure to remedy the breaches within the timeline given, the bondholders have officially called for Event of Default (EOD) via a circular resolution on 18 February 2010. As such, all sums payable under the bonds are immediately due and payable. The Security Agent had been instructed to enforce their rights against the security.

The bondholders subsequently appointed a Receivers & Managers (R&M) for the receivership of Aldwich on 8 March 2010.

The Manager was informed by the R&M that the Revenue Account and Receiver's Account was frozen by the Police under AMLA investigations. In the interest of maximising recovery, it was proposed that a separate arrangement can be made between the R&M and bondholders who are willing to provide financing to the R&M to assist in the receivership process. This financing will be deemed as an expense of the receivership and by virtue of the Debenture, the R&M is able to reimburse the Contributing Bondholders ahead of the non-contributing bondholders on the amount contributed to the Operational Contingency Fund (OCF).

A special resolution was circulated to the bondholders to give approval to the R&M to proceed with Waste Oil Recovery Plant (WOP) in “safemode” and Operations of Catalyst Recovery Plant (CRP) for a period of 6 months (“Interim Operational Period”), to set up a legal contingency fund of RM30,500.00, and to allow any bondholders to enter into an interest free contribution arrangement directly with the R&M (for operational cost purposes). Contributing Bondholders will be paid in priority to all of the bondholders with respect to the contributing amount. The resolution was carried with 81.8% votes. The Manager contributed to the legal contingency fund (proportionate to its holdings).

A total of 1 open tender exercise and 3 closed tender exercises had been conducted for the sale of plant. The market value and forced sale value of the plant is RM40.0 million and RM25.0 million respectively, as valued by Jones Lang Wootton in July 2010.

On 2 November 2010, the bondholders accepted the sale of plant to the highest bidder at RM21.05 million. The R&M had subsequently sent the Letter of Acceptance (“LOA”) to the successful bidder on the same date. The Sale & Purchase Agreement would be executed within 30 days from the date of the LOA (or otherwise extended by the R&M).

As at the date of the statement of financial position, the Manager has valued the fair value of the bonds at zero as recoverability of the amount is uncertain.

**4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/INVESTMENTS  
(CONTINUED)**

\* Aldwich Berhad (“Aldwich”) RM246.0 million Class A Senior Bonds and RM47.0 million Class B Senior Bonds (continued)

For financial year ended 30 September 2011

The bondholders had passed the resolution to sell the plant on 2 November 2010 for RM21.05 million and the Sale and Purchase Agreement (SPA) was subsequently executed on 5 January 2011. Consent of State Authority in respect of the transfer of Aldwich plant to the purchaser was obtained on 14 June 2011 from Pejabat Tanah Terengganu. The purchaser was required to pay the balance purchase price within 14 days from the said date but requested for extension of time, which was granted by the bondholders. The disposal of the plant was completed on 27 September 2011 with the receipt of the balance purchase price from the purchaser. The distribution of the disposal proceeds to bondholders is pending transfer of the property in favour of the purchaser at the relevant Land Office.

As at the date of the statement of financial position, the Manager has valued the fair value of the bonds at zero as recoverability of the outstanding amount is uncertain.

On 31 October 2011, the Fund received the sales proceeds of the plant from Aldwich amounting to RM627,664, which translates to 12.6% recovery. The interim distribution will be from the excess cash in the Designated Accounts after paying off utilities, legal fees and other expenses. The R&M will update the bondholders of the timing and amount of the distribution in due course.

**5 CASH AND CASH EQUIVALENTS**

	<u><b>2011</b></u> <b>RM</b>	<u><b>2010</b></u> <b>RM</b>
Deposits with a licensed financial institution	1,630,256	7,217,534
Bank balance	19,268	21,743
	<u>1,649,524</u>	<u>7,239,277</u>

Deposits with a licensed financial institution include interest receivable of RM256 (2010: Nil).

	<u><b>2011</b></u> <b>%</b>	<u><b>2010</b></u> <b>%</b>
Weighted average effective interest rate	<u>2.97</u>	<u>2.70</u>
	<u><b>2011</b></u>	<u><b>2010</b></u>
Average maturity	<u>3 days</u>	<u>1 day</u>

**6 OTHER PAYABLES AND ACCRUALS**

	<u>2011</u> RM	<u>2010</u> RM
Audit fee payable	8,500	8,500
Tax agent's fee payable	6,300	5,000
Sundry payables and accruals	5,254	5,521
	<u>20,054</u>	<u>19,021</u>

**7 NUMBER OF UNITS IN CIRCULATION AND UNITHOLDERS' CAPITAL**

	<u>2011</u>		<u>2010</u>	
	Units	RM	Units	RM
At the beginning of the financial year	38,992,000	34,850,190	49,714,000	44,526,576
Creation of units during the financial year:				
Arising from distribution during the financial year	708,000	652,068	2,413,000	2,260,498
Arising from application during the financial year	802,000	776,799	537,000	496,012
Cancellation of units during the financial year	(13,077,000)	(12,354,634)	(13,672,000)	(12,432,896)
At the end of the financial year	<u>27,425,000</u>	<u>23,924,423</u>	<u>38,992,000</u>	<u>34,850,190</u>
Approved size of the Fund	<u>1,000,000,000</u>		<u>1,000,000,000</u>	

The maximum number of units that can be issued out for circulation is 1,000,000,000. As at 30 September 2011, the number of units yet to be issued is 972,575,000 (2010: 961,008,000).

**8 MANAGEMENT FEE**

Item 10 of Schedule 3 of the Master Deed provides that the Manager shall be entitled to a fee at a rate agreed between the Manager and the Trustee which the rate shall not exceed 1.5% per annum of the net asset value of the Fund, calculated on a daily basis.

The management fee provided in the financial statements is 1.0% (2010: 1.0%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial year.

**9 TRUSTEE'S FEE**

Item 11 of Schedule 3 of the Master Deed provides that the Trustee shall be entitled to a fee at a rate agreed between the Manager and the Trustee which the rate shall not exceed 0.1% per annum and subject to a minimum of 0.08% per annum of the net asset value of the Fund, calculated on a daily basis.

The Trustee's fee provided in the financial statements is 0.08% (2010: 0.08%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial year.

**RHB Bond Fund**

**10 TAXATION**

(a) Tax charge for the financial year

	<u>2011</u> RM	<u>2010</u> RM
Current taxation	-	-

(b) Numerical reconciliation of income tax expense

The numerical reconciliation between the profit before taxation multiplied by the Malaysian statutory income tax rate and the tax expense of the Fund is as follows:

	<u>2011</u> RM	<u>2010</u> RM
Profit before taxation	2,519,362	2,685,612
Tax calculated at a tax rate of 25%	629,841	671,403
Tax effects of:		
- Income not subject to tax	(760,629)	(786,066)
- Losses not deductible for tax purposes	43,493	-
- Expenses not deductible for tax purposes	7,957	9,479
- Restriction on tax deductible expenses for unit trust funds	79,338	105,184
Tax expense	-	-

**11 DISTRIBUTION**

Distribution to unitholders is from the following sources:

	<u>2011</u> RM	<u>2010</u> RM
Prior financial years:		
Income distribution from collective investment scheme	4,499	-
Interest income from deposits with licensed financial institutions	74,368	-
Interest income from quoted investment	3,183	-
Interest income from unquoted fixed income securities	1,129,941	-
Net realised gain on sale of investments	661,313	-
	1,873,304	-
Less:		
Expenses	(322,104)	-
	1,551,200	-

**11 DISTRIBUTION (CONTINUED)**

<u>Distribution on 29 October 2010</u>	<u>sen per unit</u>	<u>sen per unit</u>
Gross distribution per unit (sen)	2.0000	-
Net distribution per unit (sen)	2.0000	-
	<u>                    </u>	<u>                    </u>
<u>Distribution on 30 September 2011</u>		
Gross distribution per unit (sen)	3.0000	-
Net distribution per unit (sen)	3.0000	-
	<u>                    </u>	<u>                    </u>

As at 30 September 2011, there are unrealised losses on investments of RM3,690,138.

Included in distribution for the financial year ended 30 September 2011 was an amount of RM1,873,304 made from previous years' realised income.

Gross distribution is derived using total income less total expenses.

Gross distribution per unit is derived from gross realised income less expenses divided by the number of units in circulation, while net distribution per unit is derived from gross realised income less expenses and taxation divided by the number of units in circulation.

**12 MANAGEMENT EXPENSE RATIO ("MER")**

	<u>2011</u> %	<u>2010</u> %
MER	1.15	1.13
	<u>                    </u>	<u>                    </u>

$$\text{MER} = \frac{(A + B + C + D + E)}{F} \times 100$$

- A = Management fee
- B = Trustee's fee
- C = Audit fee
- D = Tax agent's fee
- E = Other expenses
- F = Average net asset value of the Fund for the financial year, calculated on a daily basis

The average net asset value of the Fund for the financial year, calculated on a daily basis is RM30,479,808 (2010: RM40,818,456).

**13 PORTFOLIO TURNOVER RATIO**

	<u>2011</u>	<u>2010</u>
The portfolio turnover ratio for the financial year (times)	1.08	0.33

The portfolio turnover ratio is derived from the following calculation:

$(\text{Total acquisition for the financial year} + \text{total disposal for the financial year}) \div 2$   
 Average net asset value of the Fund for the financial year calculated on a daily basis

where:

total acquisition for the financial year = RM33,776,510 (2010: RM11,229,322)  
 total disposal for the financial year = RM32,295,200 (2010: RM15,925,290)

**14 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER**

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

<u>Related parties</u>	<u>Relationship</u>
RHB Investment Management Sdn Bhd	The Manager
RHB Investment Bank Bhd	Holding company of the Manager
RHB Capital Bhd	Ultimate holding company of the Manager
RHB Bank Bhd	Company related to the Manager

The number of units held by the Manager is as follows:

	<u>2011</u>		<u>2010</u>	
	<u>Units</u>	<u>RM</u>	<u>Units</u>	<u>RM</u>
The Manager	1,110	1,065	1,337	1,244

The units are held beneficially by the Manager for booking purposes and were transacted at the prevailing market price.

Other than the above, there were no units held by Directors or parties related to the Manager.

15 TRANSACTIONS BY THE FUND

Details of transactions by the Fund for the financial year ended 30 September 2011 are as follows:

<u>Broker/Financial institution</u>	<u>Value of trades</u> RM	<u>Percentage of total trades</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage fees</u> %
Affin Bank Bhd	32,194,956	28.93	-	-
AmBank Bhd	17,122,780	15.39	-	-
OSK Investment Bank Bhd	13,851,798	12.45	-	-
Hong Leong Bank Bhd	12,233,233	10.99	-	-
Hong Leong Investment Bank Bhd	11,356,375	10.20	-	-
CIMB Bank Bhd	5,039,267	4.53	-	-
Bank Muamalat Malaysia Bhd	4,322,994	3.88	-	-
JPMorgan Chase Bank Bhd	4,022,774	3.61	-	-
OCBC Bank (Malaysia) Bhd	3,995,610	3.59	-	-
KAF Investment Bank Bhd	3,479,000	3.13	-	-
Others	3,671,250	3.30	-	-
	<u>111,290,037</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

Details of transactions by the Fund for the financial year ended 30 September 2010 are as follows:

<u>Broker/Financial institution</u>	<u>Value of trades</u> RM	<u>Percentage of total trades</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage fees</u> %
Affin Bank Bhd	30,480,497	50.68	-	-
HSBC Bank Malaysia Bhd	11,965,864	19.90	-	-
RHB Investment Bank Bhd*	6,281,588	10.44	603	100.00
CIMB Bank Bhd	2,733,720	4.54	-	-
OSK Investment Bank Bhd	2,524,695	4.20	-	-
Kuwait Finance House (Malaysia) Bhd	1,760,684	2.93	-	-
AmBank Bhd	1,756,000	2.92	-	-
Citibank Bhd	1,604,960	2.67	-	-
RHB Investment Management Sdn Bhd*	1,035,144	1.72	-	-
	<u>60,143,152</u>	<u>100.00</u>	<u>603</u>	<u>100.00</u>

\* Included in transactions by the Fund are trades conducted on normal terms in the stockbroking industry with RHB Investment Bank Bhd, a company related to the Manager and unit trust funds industry with RHB Investment Management Sdn Bhd, the Manager of the Fund.

**16 SEGMENT INFORMATION**

The Investment Strategic Sub-Committee of the Manager recommends strategic resource allocations of the Fund to the Investment Committee of the Manager (collectively referred to as "Committee"). The Investment Committee of the Manager will then endorse the strategic decision recommended by the Investment Strategic Sub-Committee for adoption on behalf of the Fund. The operating segments are determined based on the recommendation by the Investment Strategic Sub-Committee and reviewed by the Investment Committee.

The Committee considers the business as two sub-portfolios located in Malaysia. These sub-portfolios consist of quoted investments, including collective investment schemes and the second sub-portfolio consisting of unquoted fixed income securities.

The reportable operating segments derive their income by seeking investments to achieve targeted returns commensurate with an acceptable level of risk within each portfolio. These returns consist of interest and gains on the appreciation in the value of investments.

There were no changes in the reportable segments during the financial year.

The segment information provided to the Committee for the reportable segments is as follows:

For the financial year ended 30 September 2011:

	<b>Unquoted fixed income securities RM</b>	<b>Total RM</b>
Interest income from unquoted fixed income securities	1,608,750	1,608,750
Net gain from investments:		
- financial assets at FVTPL	1,173,410	1,173,410
Total segment income	<u>2,782,160</u>	<u>2,782,160</u>
Financial assets at FVTPL	25,502,930	25,502,930
Total segment assets	<u>25,502,930</u>	<u>25,502,930</u>

For the financial year ended 30 September 2010:

	<b>Quoted investments RM</b>	<b>Unquoted fixed income securities RM</b>	<b>Total RM</b>
Interest income from unquoted fixed income securities	-	2,373,730	2,373,730
Interest income from quoted investment	1,925	-	1,925
Income distribution from collective investment scheme	3,555	-	3,555
Net gain from investments:			
- net realised gain on sale of investments	204,088	490,810	694,898
Amortisation of premium, net of accretion of discount	-	(3,685)	(3,685)
Total segment income	<u>209,568</u>	<u>2,860,855</u>	<u>3,070,423</u>
Financial assets at fair value	-	28,539,070	28,539,070
Total segment assets	<u>-</u>	<u>28,539,070</u>	<u>28,539,070</u>

**16 SEGMENT INFORMATION (CONTINUED)**

A reconciliation of total net segmental income to operating profit is provided as follows:

	<u>2011</u> RM	<u>2010</u> RM
Total net segment income	2,782,160	3,070,423
Interest income from deposits with licensed financial institutions	86,384	75,766
Other fees and expenses	(349,182)	(460,577)
	<hr/>	<hr/>
Profit before taxation	2,519,362	2,685,612
Taxation	-	-
	<hr/>	<hr/>
Profit after taxation and total comprehensive income after taxation for the financial year	<u>2,519,362</u>	<u>2,685,612</u>

Reportable segments' assets and liabilities are reconciled to total assets and total liabilities as follows:

	<u>2011</u> RM	<u>2010</u> RM
Total segment assets	25,502,930	28,539,070
Deposits with a licensed financial institution	1,630,256	7,217,534
Bank balance	19,268	21,743
Amount due from Manager	30,284	6,513
Interest receivable	-	600,833
	<hr/>	<hr/>
Total assets	<u>27,182,738</u>	<u>36,385,693</u>
Total segment liabilities	-	-
Amount due to Manager	-	60,460
Accrued management fee	22,379	30,049
Amount due to Trustee	1,791	2,404
Income distribution payable	822,360	-
Other payables and accruals	20,054	19,021
	<hr/>	<hr/>
Total liabilities	<u>866,584</u>	<u>111,934</u>

The Fund's other receivables and other payables and accrued expenses are not considered to be segment assets and segment liabilities respectively and are managed by the administration function.

## 17 CHANGES IN ACCOUNTING POLICIES

## (a) Amendment to FRS 132 "Financial instruments: Presentation"

In the previous financial year, the Fund had classified its puttable instruments as liabilities and distribution to unitholders of the puttable instruments as finance cost in accordance with FRS 132, 'Financial instruments: Presentation'. However, the FRS 132 (amendment), 'Financial instruments: Presentation', and FRS 101 (amendment), 'Presentation of financial statements' - 'Puttable financial instruments and obligations arising on liquidation' (effective 1 January 2010) (the 'amendment') requires puttable financial instruments that meet the definition of a financial liability to be classified as equity where certain strict criteria are met. As a result, distribution to unitholders of these puttable instruments shall be debited by the entity directly to equity.

Those criteria include: (i) the puttable instruments must entitle the holder to a pro-rata share of net assets; (ii) the puttable instruments must be the most subordinated class and that class's features must be identical; (iii) there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and (iv) the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer. As a result of the amendment, the prior year financial statements are restated from amounts previously reported to conform with the amendment. The amendment has been applied retrospectively.

The effects as a result of adoption of the amendment on the statement of financial position for the prior years are set out below:

	<u>As previously stated</u> RM	<u>Adjustment</u> RM	<u>As restated</u> RM
<b><u>1 October 2009</u></b>			
Financial liability	46,428,953	(46,428,953)	-
Unitholders' capital	-	44,526,576	44,526,576
Retained earnings	-	2,312,524	2,312,524
Fair value reserve	-	(410,147)	(410,147)
	-	46,428,953	46,428,953
<b><u>30 September 2010/1 October 2010</u></b>			
Financial liability	36,273,759	(36,273,759)	-
Unitholders' capital	-	34,850,190	34,850,190
Retained earnings	-	4,998,136	4,998,136
Fair value reserve	-	(3,574,567)	(3,574,567)
	-	36,273,759	36,273,759

Effect of changes in accounting policy on the statement of financial position as at 30 September 2011 and statement of changes in net asset value for the financial year ended 30 September 2011 are set out below:

	<u>Previous accounting policy</u> RM	<u>Change in accounting policy</u> RM	<u>Revised accounting policy</u> RM
Financial liability	26,316,154	(26,316,154)	-
Unitholders' capital	-	23,924,423	23,924,423
Retained earnings	-	2,391,731	2,391,731
	-	26,316,154	26,316,154

**17 CHANGES IN ACCOUNTING POLICIES (CONTINUED)**

(b) FRS 139 “Financial Instruments: Recognition and Measurement”

In the previous financial year, unrealised gains or losses from financial instruments are recognised in the fair value reserve included in the capital and reserves attributable to equity holders of the Fund.

However, the FRS 139 (new standard) ‘Financial Instruments: Recognition and Measurement’ (effective 1 January 2010) (the ‘standard’) requires the Fund to recognise all financial instruments in its balance sheet as either assets or liabilities and shall measure them at fair value (except for a financial instrument that is linked to and that must be settled by delivery of an unquoted equity instrument whose fair value cannot be measured reliably) at the beginning of the financial period in which this standard is initially applied. All financial instruments, other than those that are designated hedging instruments, are considered held for trading, the unrealised gains or losses transferred to the fair value reserve in the previous financial period shall be recognised as an adjustment of the balance of retained earnings at the beginning of the financial period in which this Standard is initially applied (other than for a financial instrument that is a designated hedging instrument).

The effects as a result of adoption of the new standard on the opening balances of the statement of financial position at the beginning of the financial year are set out below:

	<b><u>As restated</u></b> <b><u>(Note 17(a))</u></b> <b>RM</b>	<b><u>Adjustment</u></b> <b>RM</b>	<b><u>As restated</u></b> <b>RM</b>
<b><u>1 October 2010</u></b>			
Unitholders’ capital	34,850,190	-	34,850,190
Retained earnings	4,998,136	(3,574,567)	1,423,569
Fair value reserve	(3,574,567)	3,574,567	-
	<u>36,273,759</u>	<u>-</u>	<u>36,273,759</u>

Effect of changes in accounting policy on the statement of financial position as at 30 September 2011 and statement of changes in net asset value for the financial year ended 30 September 2011 are set out below:

	<b><u>Previous</u></b> <b><u>accounting</u></b> <b><u>policy</u></b> <b>RM</b>	<b><u>Change in</u></b> <b><u>accounting</u></b> <b><u>policy</u></b> <b>RM</b>	<b><u>Revised</u></b> <b><u>accounting</u></b> <b><u>policy</u></b> <b>RM</b>
Financial assets at FVTPL	-	25,502,930	25,502,930
Investments	25,502,930	(25,502,930)	-
Retained earnings	6,081,869	(3,690,138)	2,391,731
Fair value reserve	(3,690,138)	3,690,138	-

## **REBATES AND SOFT COMMISSION**

Dealings on investments of the Fund through brokers or dealers will be on terms which are best available for the Fund. Any rebates from brokers or dealers will be directed to the account of the Fund.

The Fund Manager may only receive soft commission in the form of research and advisory services that assist in the decision-making process relating to the Fund's investments.

During the financial year under review, the soft commission received from the brokers had been retained by the Manager as the goods and services provided are of demonstrable benefit to the unitholders of the scheme as per the requirements of Clause 11.34 of the Securities Commission's Guidelines on Unit Trust Funds.

## **STATEMENT BY MANAGER**

We, Patrick Chin Yoke Chung and Sharifatul Hanizah Said Ali, two of the Directors of RHB Investment Management Sdn Bhd, do hereby state that in the opinion of the Directors of the Manager, the accompanying financial statements set out on pages 6 to 33 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 September 2011 and of its results, changes in net asset value and cash flows of the Fund for the financial year ended on that date in accordance with the Financial Reporting Standards in Malaysia.

On behalf of the Manager

**PATRICK CHIN YOKE CHUNG**  
DIRECTOR

Kuala Lumpur  
23 November 2011

**SHARIFATUL HANIZAH SAID ALI**  
DIRECTOR

Kuala Lumpur  
23 November 2011

## **TRUSTEE'S REPORT**

We have acted as Trustee of RHB Bond Fund ("the Fund") for the financial year ended 30 September 2011. To the best of our knowledge, RHB Investment Management Sdn Bhd ("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 Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- b) valuation/pricing is carried out in accordance with the Deeds and any regulatory requirements; and
- c) creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirements.

During this financial year, the total distribution of 5.00 sen (gross) per unit has been distributed to the unitholders of RHB Bond Fund. We are of the view that the distribution is not inconsistent with the objectives of the Fund.

For HSBC (MALAYSIA) TRUSTEE BERHAD  
(Company No: 001281-T)

**YEE YIT SEENG**  
MANAGER – TRUSTEE OPERATION

Kuala Lumpur  
23 November 2011

**INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF  
RHB BOND FUND**

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of RHB Bond Fund on pages 6 to 33, which comprise the statement of financial position as at 30 September 2011 of the Fund, and the statement of comprehensive income, changes in net asset value and cash flows of the Fund for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Note 1 to 17.

Manager's Responsibility for the Financial Statements

The Manager of the Fund is responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards ("FRS") in Malaysia and for such internal controls as the Manager determine are necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation of financial statements that give a true and fair view 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 Manager's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Fund as of 30 September 2011 and of its financial performance and cash flows for the financial year then ended.

**OTHER MATTERS**

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

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

Kuala Lumpur  
23 November 2011

**CORPORATE INFORMATION  
(WITH EFFECT FROM 31 OCTOBER 2011)**

**MANAGER**

RHB Investment Management Sdn Bhd

**REGISTERED OFFICE**

Level 10, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur

**BUSINESS OFFICE AND OFFICE OF THE REGISTRAR**

Level 7, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur

**BOARD OF DIRECTORS**

Patrick Chin Yoke Chung (*Independent Non-Executive Chairman*)  
Haji Khairuddin bin Ahmad (*Senior Independent Non-Executive Director*)  
Dato' Othman Jusoh (*Independent Non-Executive Director*)  
Abdul Aziz Peru Mohamed (*Independent Non-Executive Director*)  
Renzo Christopher Viegas (*Non-Independent Non-Executive Director*)  
Sharifatul Hanizah Said Ali (*Managing Director*)

**INVESTMENT COMMITTEE MEMBERS**

Haji Khairuddin bin Ahmad (*Independent Chairman*)  
Dato' Othman Jusoh (*Independent Member*)  
Lim Chee Sing (*Non-Independent Member*)  
Sharifatul Hanizah Said Ali (*Non-Independent Member*)

**MANAGING DIRECTOR**

Sharifatul Hanizah Said Ali

**SECRETARY**

Azman Shah Md Yaman (LS No. 0006901)

**BRANCHES**

- **Northern Regional Office**  
44, Level 4, Lebuhr Pantai  
Georgetown, 10300 Penang
- **Sabah Regional Office**  
Lot No. C-02-04, 2<sup>nd</sup> Floor, Block C  
Warisan Square, Jalan Tun Fuad Stephens  
88000 Kota Kinabalu, Sabah
- **Sarawak Regional Office**  
Lot 7418, 1<sup>st</sup> Floor, Jalan Simpang Tiga  
93300 Kuching, Sarawak

**TRUSTEE**

HSBC (Malaysia) Trustee Berhad  
13 Floor, Bangunan HSBC, South Tower  
No. 2, Leboh Ampang  
50100 Kuala Lumpur

**AUDITOR & REPORTING ACCOUNTANT**

PricewaterhouseCoopers  
10<sup>th</sup> Floor, 1 Sentral, Jalan Travers, KL Sentral  
50706 Kuala Lumpur

**TAX ADVISER**

PricewaterhouseCoopers  
Taxation Services Sdn Bhd  
15<sup>th</sup> Floor, 1 Sentral, Jalan Travers, KL Sentral  
50706 Kuala Lumpur

**BANKERS**

RHB Bank Berhad  
KL Main Office, RHB Centre, Jalan Tun Razak  
50400 Kuala Lumpur  
Malayan Banking Berhad  
KL Main Office, Menara Maybank,  
100, Jalan Tun Perak, 50050 Kuala Lumpur

**SOLICITOR**

Soon Gan Dion & Partners  
1<sup>st</sup> Floor, No. 73, Jalan SS21/1A  
Damansara Utama, 47400 Petaling Jaya  
Selangor Darul Ehsan

**INSTITUTIONAL UNIT TRUST ADVISERS**

RHB Bank Berhad  
HSBC Bank Malaysia Berhad  
United Overseas Bank (Malaysia) Berhad  
Standard Chartered Bank Malaysia Berhad  
CIMB Bank Berhad  
IFast Capital Sendirian Berhad

***RHB Bond Fund***