

KENANGA KLCI DAILY 2X LEVERAGED ETF

ANNUAL REPORT

For the Financial Year Ended 31 December 2021

kenanga

Kenanga Investors Berhad
Company No. 199501024358 (353563-P)

KENANGA KLCI DAILY 2X LEVERAGED ETF

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CORPORATE DIRECTORY

Manager: Kenanga Investors Berhad Company No. 199501024358 (353563-P)

Registered Office

Level 17, Kenanga Tower
237, Jalan Tun Razak
50400 Kuala Lumpur, Malaysia.
Tel: 03-2172 2888
Fax: 03-2172 2999

Business Office

Level 14, Kenanga Tower
237, Jalan Tun Razak
50400 Kuala Lumpur, Malaysia.
Tel: 03-2172 3000
Fax: 03-2172 3080
E-mail: InvestorServices@kenanga.com.my
Website: www.KenangaInvestors.com.my

Board of Directors

Imran Devindran Abdullah (**Independent Director**)

Norazian Ahmad Tajuddin (**Independent Director**)

Luk Wai Hong, William (**Independent Director**)

Ismitz Matthew De Alwis (**Executive Director**)

Investment Committee

Imran Devindran Abdullah (**Independent Member**)

Norazian Ahmad Tajuddin (**Independent Member**)

Luk Wai Hong, William (**Independent Member**)

Ismitz Matthew De Alwis (**Non-Independent Member**)

Company Secretary: Norliza Abd Samad (MAICSA 7011089)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia.

Trustee: RHB Trustees Berhad Company No. 200201005356 (573019-U)

Registered Office

Level 10, Tower 1
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur, Malaysia.
Tel: 03-9287 3888
Fax: 03-9280 9314

Business Office

Level 11, Tower 3
RHB Centre
Jalan Tun Razak
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Tel: 03-9280 5933
Fax: 03-9280 5934
Email: rhbt.ut@rhbgroup.com
Website: www.rhbgroup.com

Auditor: Ernst & Young PLT Company No. 202006000003 (LLP0022760-LCA) & AF 0039

Level 23A, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur.
Tel: 03-7495 8000 Fax: 03-2095 5332

Tax Adviser: Ernst & Young Tax Consultants Sdn Bhd Company No. 198901002487 (179793-K)

Level 23A, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur.
Tel: 03-7495 8000 Fax: 03-2095 5332

Technical Advisor: Yuanta Securities Investment Trust Co., Ltd.

11F, No. 219, Sect. 3, Nanjing E-Rd., Taipei, 104 Taiwan.

DIRECTORY OF MANAGER'S OFFICES

Regional Branch Offices:

Kuala Lumpur

Level 13, Kenanga Tower
237, Jalan Tun Razak
50400 Kuala Lumpur, Malaysia
Tel: 03-2172 3123
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Melaka

No. 43, Jalan KSB 11
Taman Kota Syahbandar
75200 Melaka
Tel No. 06-240 2310
Fax No. 06-240 2287

Klang

No. 12, Jalan Batai Laut 3, Taman Intan
41300 Klang, Selangor Darul Ehsan
Tel: 03-3341 8818 / 03-3348 7889
Fax: 03-3341 8816

Penang

5.04, 5th Floor, Menara Boustead Penang
No. 39, Jalan Sultan Ahmad Shah
10050 Penang
Tel : 04-210 6628
Fax : 04-210 6644

Miri

2nd Floor, Lot 1264
Centre Point Commercial Centre
Jalan Melayu
98000 Miri, Sarawak
Tel: 085-416 866
Fax: 085-322 340

Seremban

2nd Floor, No. 1D-2, Jalan Tuanku Munawir
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Fax: 06-761 2242

Johor Bahru

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93350 Kuching, Sarawak
Tel: 082-572 228
Fax: 082-572 229

Kuantan

Ground Floor Shop
No. B8, Jalan Tun Ismail 1
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Tel : 09-514 3688
Fax : 09-514 3838

Ipoh

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30450 Ipoh, Perak
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Kota Kinabalu

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88000 Kota Kinabalu, Sabah
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Fax: 088-203 062

Petaling Jaya

44B, Jalan SS21/35
Damansara Utama
47400 Petaling Jaya, Selangor
Tel: 03-7710 8828
Fax: 03-7710 8830

1. FUND INFORMATION

1.1 Fund Name

Kenanga KLCI Daily 2x Leveraged ETF (**KKL2X** or **the Fund**)

1.2 Fund Category / Type

Exchange-traded fund / Leveraged exchange-traded fund

1.3 Investment Objective

The Fund aims to provide daily performance, before fees and expenses, which closely corresponds to the daily performance of the Benchmark.

The Fund does not seek to achieve its stated investment objective over a period of time greater than one (1) day.

1.4 Investment Strategy

The Manager intends to adopt a futures-based replication investment strategy to achieve the investment objective of the Fund. The Manager will invest directly in the Index Futures, to obtain the required exposure to the Benchmark.

1.5 Benchmark

FTSE Bursa Malaysia KLCI 2x Daily Leveraged (Price) Index.

1.6 Distribution Policy

Distribution of income, if any, will be on incidental basis.

1.7 Breakdown of unit holdings of the Fund as at 31 December 2021

Size of holdings	No. of unit holders	No. of units held
Less than 100	-	-
100 - 1,000	2	1,500
1,001 - 10,000	2	15,300
10,001 - 100,000	1	86,000
100,001 - < 5% *	-	-
> = 5% *	1	897,200
Total	6	1,000,000

5% * - 5% of the units in circulation

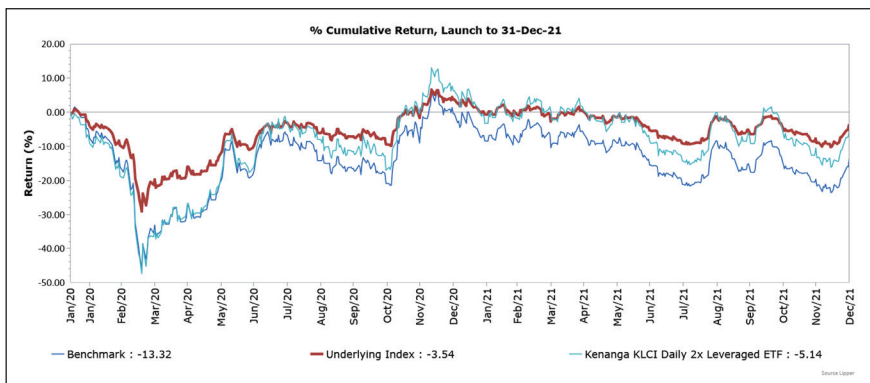
2. MANAGER'S REPORT

2.1 Explanation on whether the Fund has achieved its investment objective

The Fund achieved its stated investment objective by aiming to provide investment results that closely correspond to the daily performance of the Benchmark. However, for a period longer than one (1) Business Day, the pursuit of a daily investment objective resulted in daily compounding of the Fund. As such, the Fund's performance did not track the cumulative Benchmark return for the period under review that was greater than one (1) Business Day. Nevertheless, the Fund will continue to be managed in a manner to fulfil its stated investment objective.

2.2 Comparison between the Fund's performance and performance of the benchmark

Performance Chart Since Launch (20/09/2019 – 31/12/2021)
Kenanga KLCI Daily 2x Leveraged ETF



Source: Lipper

2.3 Investment strategies and policies employed during the financial year under review

The Fund adopted a futures-based replication investment strategy to achieve the investment objective of the Fund. The Fund invested directly in the Index Futures, subject to the rebalancing and rolling strategy below, to obtain the required exposure to the Benchmark.

To ensure that the Fund's daily exposure to the Benchmark is consistent with the Fund's investment objective, the Fund rebalanced its portfolio on a daily basis, increasing exposure in response to the Benchmark's daily gains or reducing exposure in response to the Benchmark's daily losses. To ensure that the Fund continues to have the required exposure to the Benchmark, the Fund adopted rolling strategy by closing out existing futures position in the spot month and entering into the forward month before the last trading day of the spot month.

2.4 The Fund's asset allocation as at 31 December 2021 and comparison with the previous financial year

Asset	31 Dec 2021	31 Dec 2020
Listed derivatives	2.7%	-1.8%
Cash in margin account	52.0%	59.7%
Short term deposits and cash	45.3%	42.1%

Reason for the differences in asset allocation

The lower percentage of cash in margin account during the financial year under review was a result of both the decrease in equity value from the long positions of futures contracts in the Fund and the increase in short term deposits and cash value from investments in money market instrument.

2.5 Fund performance analysis based on NAV per unit (adjusted for income distribution; if any) since last review year

	Year under review
KKL2X	-7.56%
FTSE Bursa Malaysia KLCI 2x Daily Leveraged (Price) Index	-9.83%

Source: Lipper

For the financial year under review, the Fund outperformed its benchmark returns by 2.27% during the same period. The outperformance was a result of the daily compounding effect resulted from the futures-based replication investment strategy that involved rebalancing and rolling of underlying futures to obtain the required exposure to the Benchmark.

2.6 Review of the market

Market review

January started with positive sentiment, bolstered by vaccination rollouts, optimism on the new Biden administration's proposed stimulus plans as well as China's stronger than expected recovery. However, sentiment turned towards the end of the month on vaccine delays, new virus mutations and the economic impact from extended lockdowns. The improved global demand outlook fueled further rallies in oil price, which also benefitted from Saudi Arabia's surprised production cut for February and March. Locally, the market ended its positive streak amidst a rise in the number of new Covid-19 cases, a state of emergency rule, and the beginning of a new round of nationwide lockdown to curb the pandemic. The KLCI Index fell 3.7% for the month to 1566 points in January.

In February, regional markets were spurred by pick-up of demand recovery and expectations of reopening as vaccinations were rolled out globally. Global markets however sold off towards end February as US 10-year treasury yield surged to 1.41% from 1.07% in January (December 2020: 0.92%), stoked by higher inflation expectations from Biden's US\$1.9tr stimulus bill. Growth sectors with high valuation were the most affected in the market correction. Commodities had a good run for the month with both CPO and oil price rising. Brent oil price surged to \$66.1/barrel, the highest level since January 2020 as US production was hit by freezing storms. The KLCI Index rose 0.7% mom to close at 1578 points in February.

2.6 Review of the market (contd.)

Market review (contd.)

March saw continual risk-off sentiment as US treasury yield continued to rise. Markets remained jittery despite Fed's reassurance that it will hold rate near zero through 2023. Meanwhile, China's regulatory official also expressed concerns over risks of asset bubbles. China set 2021 growth target at "above 6%" and emphasised that policy normalisation will avoid sharp U-turns. Locally, Prime Minister Muhyiddin announced a RM20bil PERMEKASA stimulus program with allocation to vaccination program, fuel subsidy, wage subsidy, special grants to SMEs, etc. BNM kept interest rate unchanged and expects growth to improve from 2Q2021, led by rebound in global demand, higher public and private sector spending. In its annual report and economy outlook, BNM revised 2021 GDP forecast range to 6.0-7.5% (6.5-7.5% previously) to reflect potential downside risk from the pandemic.

The US markets continued to scale higher in April on the back of stronger economy outlook for 2021 and Biden's proposed US\$2tri infrastructure bill. A retreat of 10-year treasury yield to 1.63% by end April compared to 1.74% in March helped on sentiment as well. Locally, new Covid-19 cases began to increase in April after hitting the low of 941 cases on 29 March. New cases hit the high of 3,788 on 30 April. The KLCI Index gained 1.8% mom to close at 1602 points in April. The US markets marked their fourth straight monthly advance in May as economic data such as lower unemployment claims signaled a sustained rebound, outweighing inflation worries. In Malaysia, new daily Covid-19 cases hit the record high of 9,020 on 29 May. With the stretched medical resources, the government decided on 28 May that the country will be placed under a two-week nationwide lockdown similar to MCO 1.0 in 2020. The KLCI Index declined 1.1% mom to close at 1583 points in May.

Moving into June, US markets took a dip mid-month from initial inflation fears and the Federal Reserve's hawkish announcement during the US FOMC meeting, before recouping its losses at the end of the month. Recovery was mainly buoyed by President Biden's announcement on a new infrastructure deal which fueled a rally among major indices worldwide. Locally, the total lockdown nationwide came into effect in June and was extended due to the continued surge in COVID-19 cases. The government announced an additional RM40bil PEMERKASA Plus stimulus package to help mitigate the economic impact of the total lockdown. The government also unveiled its National Recovery Plan comprised of a four-phase exit strategy from the current Phase 1 lockdown. The KLCI Index tumbled 3.2% mom to 1533 points in June.

All three major indices in the US charted new highs in July as mega cap tech stocks and positive corporate earnings helped drive main indices up again. The US Federal Reserve remained constructive that inflation remains transitory despite June CPI accelerating 5.4%. The US Fed officials unanimously agreed to hold policy rate at the July FOMC meeting and signaled it could tolerate higher inflation for some time citing substantial further progress on inflation and employment as a benchmark for tapering and expect to raise interest rates as soon as late 2022 or early 2023. The yield on the benchmark 10-year Treasury note briefly shot up before retreating as investors concluded that the Fed would likely maintain its ultra-easy monetary policy stance for a while. Locally, new infection cases continued to escalate and UMNO withdrew support for the Prime Minister. The KLCI Index fell 2.5% mom in July to close at the year low of 1495 points.

2.6 Review of the market (contd.)

Market review (contd.)

US markets continued to reach new highs again in August with the S&P500 posting a near 3% rise for the month. This came with the Fed Chairman Jerome Powell signaling no rush for tightening of monetary policy. Over in the political scene, the Senate had passed a US\$1trn bipartisan infrastructure bill which will be spread over five years. The bill was moved to the House of Representatives for approval. Locally, the KLCI Index surged 7.1% in August to 1,601 points due to foreign buying on optimism that political concerns will subside following the appointment of Dato' Sri Ismail Sabri as the 9th Prime Minister of Malaysia on 21 August. More economic activities, including those of in the retail sector and other non-essential activities, were allowed in states under Phases 1 and 2 of National Recovery Plan (NRP) where half of adults are fully vaccinated.

Most global equity markets fell in September with US and Europe ending their winning streaks. Investors' sentiment was spooked by concern over persistent high inflation, slower economic growth, upcoming tapering by the Federal Reserve, compounded by worries on global supply chain problems and contagion impact from debt-laden property developer China Evergrande Group. On political development, the government and Pakatan Harapan leaders signed a memorandum of understanding (MOU) on bipartisan cooperation. The government announced the 12th Malaysia Plan (12MP), a roadmap for the country's development from 2021 to 2025 and set a target annual gross domestic product (GDP) growth of between 4.5% and 5.5% for the five-year period. As of end September, 62% of Malaysia population or 86% of adult population have been fully vaccinated. The KLCI Index dropped 4% in September to close at 1,537 points.

US markets recouped its losses from September and surged to an all-time high in October, on the back of strong corporate earnings and optimism on global economic recovery. Global Covid-19 cases continue to decline and mobility restrictions continue to be eased – with Singapore announcing new travel easing, and Australia and Thailand allowing international travel. Locally, the KLCI Index rose 1.6% in October to close at 1,562 points. The gain was driven by net buying by foreign investors on optimism that the Malaysian economy will rebound from Covid-19 impact, following the reopening of its economy. Malaysia lifted its interstate and overseas travel ban which was in place since 13 January for fully vaccinated Malaysians effective 11 October. This comes after 90% of Malaysia's adult population had been fully vaccinated.

US equities dropped towards the tail-end of November despite having charted new highs early in the month, sinking alongside most other global markets on emergence of the new 'Omicron' Covid-19 variant. Swiftly designated a 'variant of concern' by the WHO, Omicron stoked fears of renewed public health risks and re-imposition of lockdown measures globally, as several countries placed travel bans on selected southern African nations. As expected, the Federal Reserve announced its tapering plan of reducing monthly asset purchases by \$15 billion in November. The KLCI Index dropped 3.1% in November, following the tabling of Budget 2022 in parliament by end October. Despite being an expansionary budget at a record RM332 billion, the budget introduced several new taxes which dampened sentiment on large-cap companies (one-off 'Prosperity Tax' with marginal tax rate increase of 9%) and higher stamp duties for share trading (together with the removal of RM200 ceiling). Otherwise, the country continued to progress well on Covid-19 with the adult vaccination rate exceeding 95%, enabling the establishment of a VTL (vaccinated travel lane) with Singapore and talks for the same with Indonesia later on.

2.6 Review of the market (contd.)

Market review (contd.)

Investors continued to focus on central banks' monetary policy in December. The Federal Reserve announced that it will reduce monthly asset purchases by \$30 billion effective January after Chairman Jerome Powell said that he no longer considers high inflation as "transitory". The Fed is now guiding for 3 rates hike in 2022. Over in the EU, the ECB is likely to end PEPP in March 2022. Meanwhile China started to ease after the government highlighted stability and supporting growth as priority for 2022. The China central bank cut RRR by 50bps for most banks and reduced 1 year loan prime rate by 5bps to 3.8%. Locally, the 12th Sarawak state election was held on 18 December and Gabungan Parti Sarawak (GPS) won a landslide victory. The KLCI Index increased 3.5% in December on window dressing to close at 1,568 points.

In 2021, CPO price rose 30.5% to RM4,697/ton while Brent oil futures surged 50.2% to US\$77.8/barrel. Foreigners were net sellers of Malaysian equities amounted to RM3.2 billion, much lower than net selling of RM24.7 billion in 2020. The net outflow was RM11.0 billion and RM11.9 billion in 2019 and 2018 respectively. Ringgit strengthened by 3.6% to 4.17 by end 2021.

Market outlook

While developed market economic growth still remains above trend for 1Q, focus will be on inflation and path of central bank monetary policy. After 2 years of record setting monetary and fiscal stimulus, tightening of monetary policy could cause some market volatility. Nonetheless, corporate earnings will continue to be supported by reopening as COVID-19 progresses to becoming more endemic while the labour market remains strong.

In Asia, we expect better economic performance in China as the government moves to a looser policy regime after the previous year of structural reform and policy tightening. ASEAN economies which include Malaysia should see strong recovery this year, driven by reopening, domestic demand and strong exports as COVID moves to an endemic stage. While tightening global monetary policy could cause some volatility, strong domestic demand should drive growth and corporate earnings.

2.7 Distributions

For the financial year under review, the Fund did not declare any income distribution.

2.8 Details of any unit split exercise

The Fund did not carry out any unit split exercise during the financial year under review.

2.9 Significant changes in the state of affairs of the Fund during the financial year

There were no significant changes in the state of affairs of the Fund during the financial year and up until the date of the manager's report, not otherwise disclosed in the financial statements.

2.10 Circumstances that materially affect any interests of the unit holders

There were no circumstances that materially affected any interests of the unit holders during the financial year under review.

2.11 Rebates and soft commissions

It is the policy of the Manager to credit any rebates received into the account of the Fund. Any soft commissions received by investment manager on behalf of the Fund are in the form of research and advisory services that assist in the decision making process relating to the investment of the Fund which are of demonstrable benefit to unit holders of the Fund. Any dealing with the broker or dealer is executed on terms which are the most favourable for the Fund. During the financial year under review, the Manager received soft commissions from its stockbrokers.

2.12 Cross-trade

During the financial year under review, no cross-trade transactions were undertaken by the Manager for the Fund.

3. FUND PERFORMANCE

3.1 Details of portfolio composition of the Fund as at 31 December 2021 is as follows:

a. Distribution among industry sectors and category of investments:

	As at 31.12.2021 %	As at 31.12.2020 %
Listed derivatives	2.7	(1.8)
Cash in margin account	52.0	59.7
Short term deposits and cash	45.3	42.1
	100.0	100.0

Note: The above mentioned percentages are based on total investment market value plus cash.

b. Distribution among markets

The Fund invested in local listed derivatives, short term deposits and cash instruments only.

c. Weightings of the top 10 constituents of the Underlying Index as at 31 December 2021

Rank	Constituent	Index Weight (%)
1	Public Bank Bhd	12.76
2	Malayan Banking Bhd	10.42
3	CIMB Group Holdings Bhd	7.54
4	Tenaga Nasional Bhd	7.24
5	Petronas Chemicals Group Bhd	5.00
6	Press Metal Aluminium Holdings Bhd	4.35
7	IHH Healthcare Bhd	4.32
8	Axiata Group Bhd	3.82
9	Digi.Com Bhd	3.16
10	Top Glove Corp Bhd	2.71

Source: Bloomberg

3.2 Performance details of the Fund for financial year ended 31 December 2021 is as follows:

	1.1.2021 to 31.12.2021	20.12.2019 (date of commencement) to 31.12.2020
Total asset value (RM Million)	1.95	2.15
Net asset value ("NAV") (RM Million) ¹	1.95	2.10
Units in circulation (Million)	1.00	1.00
NAV per unit (RM)	1.9455	2.1047
Highest NAV per unit (RM)	2.1216	2.2550
Lowest NAV per unit (RM)	1.7478	1.1450
Listed price (RM) ¹	1.8700	1.6000
Highest listed price (RM)	2.0400	2.0000
Lowest listed price (RM)	1.7500	1.2600
Total return (%)	-7.56	5.23
- Capital growth (%)	-7.56	5.23
- Income growth (%)	-	-
Gross distribution per unit (sen)	-	-
Net distribution per unit (sen)	-	-
Management expense ratio ("MER") (%) ²	0.83	0.83
Portfolio turnover ratio ("PTR") (times) ³	24.46	25.97
Tracking error	2.20	2.24

Note: Total return is the actual return of the Fund for the financial period, computed based on NAV per unit and net of all fees.

- 1. As at 31 December 2021, the Fund has a net asset value of RM1.95 million and 1 million units in circulation. KLCI was volatile and trended negatively during the period under review due to the rise in the number of new Covid-19 cases, a state of emergency rule, and numerous changes on the nationwide lockdown measures to curb the pandemic. Despite a short market recovery seen in first quarter of 2021, which sent the Fund's net asset per unit to the highest level of RM2.1216, the overall negative trend of KLCI continued and led to a drop in the Fund's net asset per unit to the lowest level of RM1.7478 before a subsequent market recovery towards the end of 2021. Similarly, the listed price achieved the highest level of RM2.04 and the lowest level of RM1.75 in the interim.*
- 2. MER is computed based on the total fees and expenses incurred by the Fund divided by the average fund size calculated on a daily basis.*
- 3. PTR is lower due to lesser daily rebalancing frequency of futures contracts in the Fund during the financial year under review.*

3.3 Average total return of the Fund

	1 Year 31 Dec 20 - 31 Dec 21	Since Inception 20 Dec 19 - 31 Dec 21
KKL2X	-7.56%	3.05%
FTSE Bursa Malaysia KLCI 2x Daily Leveraged (Price) Index	-9.83%	-2.08%

Source: Lipper

3.4 Annual total return of the Fund

	Year under review 31 Dec 20 - 31 Dec 21	Since Inception 20 Dec 19 - 31 Dec 20
KKL2X	-7.56	5.23%
FTSE Bursa Malaysia KLCI 2x Daily Leveraged (Price) Index	-9.83	-2.08%

Source: Lipper

Investors are reminded that past performance is not necessarily indicative of future performance. Unit prices and investment returns may fluctuate.

4. TRUSTEE'S REPORT TO THE UNIT HOLDERS OF KENANGA KLCI DAILY 2X LEVERAGED ETF

We have acted as Trustee of Kenanga KLCI Daily 2x Leveraged ETF ("the Fund") for the financial year ended to 31 December 2021. In our opinion and to the best of our knowledge, Kenanga Investors Berhad, the Manager, has operated and managed the Fund in accordance with the following:-

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

For and on behalf of
RHB TRUSTEES BERHAD
[Company No.: 200201005356 (573019-U)]

MOHD SOFIAN BIN KAMARUDDIN
Vice President

SELINE LAI SWEE LAN
Assistant Vice President

Kuala Lumpur, Malaysia

28 February 2022

5. INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDER OF KENANGA KLCI DAILY 2X LEVERAGED ETF

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Kenanga KLCI Daily 2x Leveraged ETF ("the Fund"), which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows of the Fund for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 17 to 43.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2021 and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

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

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

5. INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDER OF KENANGA KLCI DAILY 2X LEVERAGED ETF (CONTD.)

Key audit matters (contd.)

Listed derivatives at fair value through profit or loss

Description

The investment portfolio of the Fund includes listed KLCI Index futures derivatives. These derivatives are recognised at fair value through profit or loss, and are valued at RM52,675 as at 31 December 2021. The net loss on the portfolio was RM(151,075) for the financial year ended 31 December 2021.

The valuation, existence and measurement of the listed derivatives at fair value through profit or loss is the key driver of the Fund's net asset value and investment return. Incorrect pricing of listed derivatives or improper monitoring of the total amount of open future contract positions by the Fund could have a significant impact on its net asset value and, therefore, the return generated for unit holders.

The Fund's accounting policy on the listed derivatives at fair value through profit or loss is included in Note 3(c), and its disclosures about the fair values of the investments held at the reporting date are included in Notes 4 and 18 to the financial statements.

Our responses

Our audit work to address valuation, existence and measurement of the listed derivatives at fair value through profit or loss includes the following:

- Understanding processes and controls put in place by the Manager of the Fund ("the Manager") to assess compliance with relevant accounting standards and performing walkthrough procedures to understand the operating effectiveness of relevant controls over the listed derivatives at fair value through profit or loss;
- Testing the valuation and measurement of the listed derivatives at fair value through profit or loss as at and for the financial year then ended by independently agreeing the price used in the valuation and settlement of the listed derivatives at fair value through profit or loss to the quoted price and multiplier effect as published by the relevant stock exchange;
- Obtaining confirmation of the existence of the listed derivatives at fair value through profit or loss as at the reporting date directly from the Fund's broker; and
- Reviewing the adequacy of the disclosures on the listed derivatives at fair value through profit or loss in the Fund's financial statements.

Information other than the financial statements and auditors' report thereon

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

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

5. INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDER OF KENANGA KLCI DAILY 2X LEVERAGED ETF (CONTD.)

Information other than the financial statements and auditors' report thereon (contd.)

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

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

Responsibilities of the Manager and the Trustee for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

5. INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDER OF KENANGA KLCI DAILY 2X LEVERAGED ETF (CONTD.)

Auditors' responsibilities for the audit of the financial statements (contd.)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

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

Other matters

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

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

Ng Sue Ean
No. 03276/07/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia

28 February 2022

6. STATEMENT BY THE MANAGER

I, Ismitz Matthew De Alwis, being a director of Kenanga Investors Berhad, do hereby state that, in the opinion of the Manager, the accompanying statement of financial position as at 31 December 2021 and the related statement of comprehensive income, statement of changes in net asset value and statement of cash flows for the financial year ended 31 December 2021 together with notes thereto, are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of Kenanga KLCI Daily 2x Leveraged ETF as at 31 December 2021 and of its financial performance and cash flows for the financial year then ended comply with the requirements of the Deed.

For and on behalf of the Manager
KENANGA INVESTORS BERHAD

ISMITZ MATTHEW DE ALWIS
Executive Director/Chief Executive Officer

Kuala Lumpur, Malaysia

28 February 2022

7. FINANCIAL STATEMENTS

7.1 STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	1.1.2021 to 31.12.2021 RM	20.12.2019 (date of commencement) to 31.12.2020 RM
INVESTMENT INCOME			
Interest income		18,889	22,426
Net (loss)/gain from investments:			
- Financial assets/(liabilities) at fair value through profit or loss ("FVTPL")	4	<u>(151,075)</u>	<u>105,925</u>
		<u>(132,186)</u>	<u>128,351</u>
EXPENSES			
Manager's fee	5	9,740	8,742
Trustee's fee	6	779	699
Index license fee	7	1,052	944
Administration expenses		4,629	4,416
Brokerage and other transaction costs		<u>8,708</u>	<u>8,843</u>
		<u>24,908</u>	<u>23,644</u>
NET (LOSS)/INCOME BEFORE TAX		(157,094)	104,707
Income tax	9	<u>(2,152)</u>	<u>-</u>
NET (LOSS)/INCOME AFTER TAX, REPRESENTING TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL YEAR/ PERIOD		<u>(159,246)</u>	<u>104,707</u>
Net (loss)/income after tax comprises the following:			
Realised (loss)/gain		(250,021)	142,807
Unrealised gain/(loss)	4	<u>90,775</u>	<u>(38,100)</u>
		<u>(159,246)</u>	<u>104,707</u>

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

**7.2 STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

	Note	31.12.2021 RM	31.12.2020 RM
ASSETS			
INVESTMENTS			
Financial assets at FVTPL	4	52,675	-
Short term deposits	10	<u>870,000</u>	<u>876,000</u>
		<u>922,675</u>	<u>876,000</u>
OTHER ASSETS			
Other receivables	11	4,953	5,136
Tax recoverable		815	-
Cash in margin account	12	1,009,497	1,255,740
Cash at bank		<u>9,050</u>	<u>8,680</u>
		<u>1,024,315</u>	<u>1,269,556</u>
TOTAL ASSETS		<u>1,946,990</u>	<u>2,145,556</u>
LIABILITIES			
Financial liabilities at FVTPL	4	-	38,100
Amount due to Manager		355	1,387
Amount due to Trustee		191	365
Amount due to Index Provider		872	944
Other payable		<u>111</u>	<u>53</u>
TOTAL LIABILITIES		<u>1,529</u>	<u>40,849</u>
EQUITY			
Unit holders' contribution		2,000,000	2,000,000
(Accumulated losses)/Retained earnings		<u>(54,539)</u>	<u>104,707</u>
NET ASSET VALUE ("NAV") ATTRIBUTABLE TO UNIT HOLDERS	13	<u>1,945,461</u>	<u>2,104,707</u>
TOTAL LIABILITIES AND EQUITY		<u>1,946,990</u>	<u>2,145,556</u>
NUMBER OF UNITS IN CIRCULATION	13(a)	<u>1,000,000</u>	<u>1,000,000</u>
NAV PER UNIT (RM)		<u>1.9455</u>	<u>2.1047</u>

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

**7.3 STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	Note	Unit holders' contribution RM	(Accumulated losses)/ Retained earnings RM	Total NAV RM
31.12.2021				
At beginning of the financial year		2,000,000	104,707	2,104,707
Total comprehensive loss		-	(159,246)	(159,246)
At end of the financial year		<u>2,000,000</u>	<u>(54,539)</u>	<u>1,945,461</u>
20.12.2019 (date of commencement) to 31.12.2020				
At date of commencement		-	-	-
Total comprehensive income		-	104,707	104,707
Creation of units	13(a)	<u>2,000,000</u>	-	<u>2,000,000</u>
At end of the financial period		<u>2,000,000</u>	<u>104,707</u>	<u>2,104,707</u>

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

**7.4 STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	1.1.2021 to 31.12.2021	20.12.2019 (date of commencement) to 31.12.2020
	RM	RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Withdrawal from/(payment to) margin account	246,243	(1,255,740)
Interest received	19,072	21,790
Trustee's fee paid	(953)	(334)
Index license fee paid	(1,124)	-
Payment for other fees and expenses	(5,470)	(8,863)
Brokerage fee paid to financial institution	(8,708)	(8,843)
Manager's fee paid	(9,873)	(7,355)
Net (loss)/gain from financial assets at FVTPL	<u>(241,850)</u>	<u>144,025</u>
Cash used in operating and investing activities	(2,663)	(1,115,320)
Income tax paid	<u>(2,967)</u>	<u>-</u>
Net cash used in operating and investing activities	<u>(5,630)</u>	<u>(1,115,320)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from units created, representing net cash generated from financing activities	<u>-</u>	<u>2,000,000</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(5,630)	884,680
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/DATE OF COMMENCEMENT	<u>884,680</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	<u>879,050</u>	<u>884,680</u>
Cash and cash equivalents comprise:		
Cash at bank	9,050	8,680
Short term deposits	<u>870,000</u>	<u>876,000</u>
	<u>879,050</u>	<u>884,680</u>

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

7.5 NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

Kenanga KLCI Daily 2x Leveraged ETF (“the Fund”) was constituted pursuant to the executed Deed dated 4 September 2019 (“the Deed”) between Kenanga Investors Berhad (“the Manager”) and RHB Trustees Berhad (“the Trustee”). The Fund commenced operations on 20 December 2019 and listed on Bursa on 9 January 2020, and will continue to be in operation until terminated as provided under Clause 26 of the Deed.

The Fund is listed on the Main Market of Bursa Malaysia Securities Berhad from 13 January 2020 and aims to provide daily performance, before fees and expenses, which closely corresponds to the daily performance of the benchmark, the FTSE Bursa Malaysia KLCI 2x Daily Leveraged (Price) Index, as provided by FTSE International Limited (“the Index Provider”). The Fund intends to adopt a futures-based replication investment strategy to achieve the investment objective.

The Manager, Kenanga Investors Berhad, is a wholly-owned subsidiary of Kenanga Investment Bank Berhad that is listed on the Main Market of Bursa Malaysia Securities Berhad. All of these companies are incorporated in Malaysia.

The principal place of business of the Manager is Level 14, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur.

The financial statements were authorised for issue by the Chief Executive Officer of the Manager on 28 February 2022.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks including market risk (which includes interest rate risk and price risk), credit risk and liquidity risk. Whilst these are the most important types of financial risks inherent in each type of financial instruments, the Manager and the Trustee would like to highlight that this list does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Fund.

The Fund has an approved set of investment guidelines and policies as well as internal controls which sets out its overall business strategies to manage these risks to optimise returns and preserve capital for the unit holders, consistent with the long term objectives of the Fund.

a. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk and price risk.

Market risk arises when the value of the investments fluctuates in response to the activities of individual companies, general market or economic conditions. It stems from the fact that there are other economy-wide perils, which threaten all businesses. Hence, investors are exposed to market uncertainties. Fluctuation in the investments’ prices caused by uncertainties in the economic, political and social environment will affect the NAV of the Fund.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

a. Market risk (contd.)

The Manager manages the risk of unfavourable changes in prices by cautious review of the investments and continuous monitoring of their performance and risk profiles.

i. Interest rate risk

Interest rate risk refers to how the changes in the interest rate environment would affect the performance of Fund's investments. Rate offered by the financial institutions will fluctuate according to the Overnight Policy Rate determined by Bank Negara Malaysia and this has direct correlation with the Fund's investments in short term deposits.

The Fund is not exposed to significant interest rate risk as its deposits are short term in nature and have fixed interest rates.

Interest rate risk exposure

The following table analyses the Fund's interest rate risk exposure. The Fund's financial assets and financial liabilities are disclosed at fair value and categorised by the earlier of contractual re-pricing or maturity dates.

	Up to 1 year RM	Non- exposure to interest rate movement RM	Total RM	Weighted average effective interest rate* %
31.12.2021				
Assets				
Financial assets at				
FVTPL	-	52,675	52,675	
Short term deposits	870,000	-	870,000	1.7
Cash in margin account	1,009,497	-	1,009,497	0.5
Other assets	-	14,003	14,003	
	<u>1,879,497</u>	<u>66,678</u>	<u>1,946,175</u>	
Liabilities				
Other liabilities	-	1,418	1,418	
Total interest rate sensitivity gap	<u>1,879,497</u>	<u>65,260</u>	<u>1,944,757</u>	

* Calculated based on assets with exposure to interest rate movement only.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

b. Market risk (contd.)

i. Interest rate risk (contd.)

Interest rate risk exposure (contd.)

	Up to 1 year RM	Non- exposure to interest rate movement RM	Total RM	Weighted average effective interest rate* %
31.12.2020				
Assets				
Short term deposits	876,000	-	876,000	1.8
Cash in margin account	1,255,740	-	1,255,740	0.5
Other assets	-	13,816	13,816	
	<u>2,131,740</u>	<u>13,816</u>	<u>2,145,556</u>	
Liabilities				
Financial liabilities at FVTPL	-	38,100	38,100	
Other liabilities	-	2,696	2,696	
	-	<u>40,796</u>	<u>40,796</u>	
Total interest rate sensitivity gap	<u>2,131,740</u>	<u>(26,980)</u>	<u>2,104,760</u>	

* Calculated based on assets with exposure to interest rate movement only.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

a. Market risk (contd.)

ii. Price risk

Price risk is the risk of unfavourable changes in the fair values of listed derivatives. The Fund invests in listed derivatives which are exposed to price fluctuations. This may then affect the NAV of the Fund.

Price risk sensitivity

The Manager's best estimate of the effect on the (loss)/income for the financial year/period due to a reasonably possible change investments in listed derivatives, with all other variables held constant is indicated in the table below:

	Changes in price Increase/(Decrease) Basis points	Effects on (loss)/ income for the financial year/period Gain/(Loss) RM
31.12.2021		
Financial assets at FVTPL	5/(5)	1,909/(1,909)
31.12.2020		
Financial liabilities at FVTPL	5/(5)	2,119/(2,119)

In practice, the actual trading results may differ from the sensitivity analysis above and the difference could be material.

Price risk concentration

The following table sets out the Fund's exposure and concentration to price risk based on its portfolio of financial instruments as at the reporting date.

	Fair value		Percentage of NAV	
	31.12.2021 RM	31.12.2020 RM	31.12.2021 %	31.12.2020 %
Financial assets/ (liabilities) at FVTPL	52,675	(38,100)	2.7	(1.8)

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

b. Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge an obligation. The Manager manages the credit risk by undertaking credit evaluation to minimise such risk.

i. Credit risk exposure

As at the reporting date, the Fund's maximum exposure to credit risk is represented by the carrying amount of each class of financial asset recognised in the statement of financial position.

ii. Financial assets that are either past due or impaired

As at the reporting date, there are no financial assets that are either past due or impaired.

iii. Credit quality of financial assets

Short term deposits

The Fund invests in deposits with financial institutions licensed under the Financial Services Act 2013 and Islamic Financial Services Act 2013. The following table analyses these financial assets by rating category:

	Percentage of total short term deposits		Percentage of NAV	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	%	%	%	%
Rating				
P1/MARC-1	<u>100.0</u>	<u>100.0</u>	<u>44.7</u>	<u>41.6</u>

Cash in margin account

As the Fund invests in listed derivatives, the cash in margin account represents margin deposits held in respect of the open exchange-traded futures contracts. The following table analyses of these financial assets by rating category:

	Percentage of total cash in margin account		Percentage of NAV	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	%	%	%	%
Rating				
Not rated	<u>100.0</u>	<u>100.0</u>	<u>51.9</u>	<u>59.7</u>

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

c. Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are to be settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or cancel its units earlier than expected. The Fund is exposed to cancellation of its units on a regular basis. Units sold to unit holders by the Manager are cancellable at the unit holders' option based on the Fund's NAV per unit at the time of cancellation calculated in accordance with the Deed.

The liquid assets comprise cash at bank, short term deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 days.

The following table analyses the maturity profile of the Fund's financial assets and financial liabilities in order to provide a complete view of the Fund's contractual commitments and liquidity.

	Note	Up to 1 year	
		2021 RM	2020 RM
Assets			
Financial assets at FVTPL		52,675	-
Short term deposits		870,000	876,000
Cash in margin account		1,009,497	1,255,740
Other assets		<u>14,003</u>	<u>13,816</u>
	i.	<u>1,946,175</u>	<u>2,145,556</u>
Liabilities			
Financial liabilities at FVTPL		-	38,100
Other liabilities		<u>1,418</u>	<u>2,696</u>
	ii.	<u>1,418</u>	<u>40,796</u>
Equity	iii.	<u>1,945,461</u>	<u>2,104,707</u>
Liquidity gap		<u>(704)</u>	<u>53</u>

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

c. Liquidity risk (contd.)

i. Financial assets

Analysis of financial assets at FVTPL into maturity groupings is based on the expected date on which these assets will be realised. The Fund's investments in listed derivatives have been included in the "up to 1 year" category on the assumption that these are highly liquid investments which can be realised should all of the Fund's unit holders' equity be required to be redeemed. 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.

ii. Financial liabilities

Analysis of financial liabilities at FVTPL into maturity groupings is based on the expected date on which these assets will be realised. The Fund's investments in listed derivatives have been included in the "up to 1 year" category on the assumption that these are highly liquid investments which can be realised should all of the Fund's unit holders' equity be required to be redeemed. For other liabilities, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the date on which liabilities will be settled. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Fund can be required to pay.

iii. Equity

As the unit holders can request for redemption of their units, they have been categorised as having a maturity of "up to 1 year".

d. Regulatory reportings

It is the Manager's responsibility to ensure full compliance of all requirements under the Guidelines on Exchange-Traded Funds issued by Securities Commission Malaysia. Any breach of any such requirement has been reported in the mandatory reporting to Securities Commission Malaysia on a quarterly basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of accounting

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board ("MASB") and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

a. Basis of accounting (contd.)

The accounting policies adopted are consistent with those of the previous financial period except for the adoption of the amended MFRS, which became effective for the Fund on 1 January 2021.

Description	Effective for financial periods beginning on or after
Amendments to MFRS 16: <i>Covid-19 Related Rent Concessions</i>	1 June 2020
Amendments to MFRS 4: <i>Extension of the Temporary Exemption from Applying MFRS 9</i>	17 August 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: <i>Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021

The adoption of the amended MFRS did not have any significant impact on the financial position or performance of the Fund.

b. Standards and amendments issued but not yet effective

As at the reporting date, the following amendments to standards that have been issued by MASB will be effective for the Fund in future financial periods. The Fund intends to adopt the relevant standards and amendments to standards when they become effective.

Description	Effective for financial periods beginning on or after
Amendments to MFRS 16: <i>Covid-19 Related Rent Concessions beyond 30 June 2021</i>	1 April 2021
Amendments to MFRS contained in the document entitled " <i>Annual Improvements to MFRS Standards 2018 - 2020</i> "	1 January 2022
Amendments to MFRS 1: <i>Subsidiary as a First-time Adopter contained in the document entitled "Annual Improvements to MFRS Standards 2018 - 2020"</i>	1 January 2022
Amendments to MFRS 9: <i>Fees in the '10 per cent' Test for Derecognition of Financial Liabilities contained in the document entitled "Annual Improvements to MFRS Standards 2018 - 2020"</i>	1 January 2022
Amendments to Illustrative Examples accompanying MFRS 16: <i>Lease Incentives contained in the document entitled "Annual Improvements to MFRS Standards 2018 - 2020"</i>	1 January 2022
Amendments to MFRS 141: <i>Taxation in Fair Value Measurements contained in the document entitled "Annual Improvements to MFRS Standards 2018 - 2020"</i>	1 January 2022
Amendments to MFRS 3: <i>Reference to the Conceptual Framework</i>	1 January 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

b. Standards and amendments issued but not yet effective (contd.)

Description	Effective for financial periods beginning on or after
Amendments to MFRS 116: <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137: <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
MFRS 17: <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17: <i>Insurance Contracts</i>	1 January 2023
Amendment to MFRS 17: <i>Initial Application of MFRS 17 and MFRS 9 – Comparative Information</i>	1 January 2023
Amendments to MFRS 101: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 101: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112: <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be announced by MASB

These pronouncements are not expected to have any significant impact to the financial statements of the Fund upon their initial application.

c. Financial instruments

Financial assets and liabilities are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instruments.

i. Initial recognition

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 3(c)(ii) and (iii).

ii. Measurement categories of financial assets and liabilities

The Fund classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- Fair value through other comprehensive income; and
- Fair value through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

c. Financial instruments (contd.)

ii. Measurement categories of financial assets and liabilities (contd.)

The Fund may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial assets are initially measured at their fair values plus, except in the case of financial assets recorded at FVTPL, transaction costs.

The Fund's other financial assets include cash in margin account, cash at banks, short term deposits, trade receivables and other receivables.

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

The Fund's other financial liabilities include trade payables and other payables.

Other financial liabilities are recognised and initially measured at fair values, net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate ("EIR"). Gains or losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

iii. Due from banks, short term deposits, trade receivables and other receivables at amortised cost

The Fund only measures the cash at banks, short term deposits, trade receivables and other receivables at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Fund determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

c. Financial instruments (contd.)

iii. Due from banks, short term deposits, trade receivables and other receivables at amortised cost (contd.)

Business model assessment (contd.)

The Fund's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of sales are also important aspects of the Fund's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Fund's original expectations, the Fund does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward, unless it has been determined that there has been a change in the original business model.

The SPPI test

As a second step of its classification process, the Fund assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation/accretion of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Fund applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

c. Financial instruments (contd.)

iv. Financial investments

Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are mandatorily required to be measured at fair value under MFRS 9. This category includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

d. Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Fund also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Fund has transferred the financial asset if, and only if, either:

- The Fund has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Fund retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Fund has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Fund cannot sell or pledge the original asset other than as security to the eventual recipients; and
- The Fund has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Fund is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Fund has transferred substantially all the risks and rewards of the asset; or
- The Fund has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

The Fund considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

d. Derecognition of financial assets (contd.)

When the Fund has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Fund's continuing involvement, in which case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Fund could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Fund would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

e. Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis and to realise the assets and settle the liabilities simultaneously.

f. Impairment of financial assets

i. Overview of the expected credit loss ("ECL") principles

The Fund measures its receivables impairment using the forward-looking ECL approach in accordance with the requirements of MFRS 9.

ii. Write-offs

Financial assets are written off either partially or in their entirety only when the Fund has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

g. Income

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

Interest income is recognised using the effective interest method.

The realised gain or loss on sale of investments is measured as the difference between the net disposal proceeds and the carrying amount of the investment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

h. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash at banks and short term deposits with licensed financial institutions with maturities of three months or less, which have an insignificant risk of changes in value.

i. Income tax

Income tax on the profit or loss for the financial year/period comprises current tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year/period.

As no temporary differences have been identified, no deferred tax has been recognised.

j. Unrealised reserves

Unrealised reserves represent the net gain or loss arising from carrying investments at their fair values at reporting date. This reserve is not distributable.

k. Unit holders' contribution – NAV attributable to unit holders

The unit holders' contribution to the Fund is classified as equity instruments.

Distribution equalisation represents the average amount of undistributed net income included in the creation or cancellation price of units. This amount is either refunded to unit holders by way of distribution and/or adjusted accordingly when units are released back to the Trustee.

l. Functional and presentation currency

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 ("RM"), which is also the Fund's functional currency.

m. Distributions

Distributions are at the discretion of the Manager. A distribution to the Fund's unit holders is accounted for as a deduction from retained earnings.

n. Significant accounting judgments and estimates

The preparation of financial statements requires the use of certain accounting estimates and exercise of judgment. Estimates and judgments are continually evaluated and are based on past experience, reasonable expectations of future events and other factors.

i. Critical judgments made in applying accounting policies

There are no major judgments made by the Manager in applying the Fund's accounting policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

n. Significant accounting judgments and estimates (contd.)

ii. Key sources of estimation uncertainty

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. FINANCIAL ASSETS/(LIABILITIES) AT FVTPL

The Fund invests in listed derivatives – KLCI futures contracts. Futures contracts are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash.

	31.12.2021 RM	31.12.2020 RM
Financial assets/(liabilities) held for trading, at FVTPL:		
Listed derivatives - KLCI futures contracts	<u>52,675</u>	<u>(38,100)</u>
		20.12.2019 (date of commencement)
	1.1.2021 to 31.12.2021 RM	to 31.12.2020 RM
Net (loss)/gain on financial assets/(liabilities) at FVTPL comprised:		
Realised (loss)/gain on disposals	(241,850)	144,025
Unrealised changes in fair values	<u>90,775</u>	<u>(38,100)</u>
	<u>(151,075)</u>	<u>105,925</u>

There were 49 futures contracts with notional principal amount of RM3,818,325 that remain outstanding as at 31 December 2021 (2020: 52 futures contract with notional principal amount of RM4,238,000).

5. MANAGER'S FEE

The Manager's fee is calculated on a daily basis at a rate not exceeding 3.00% per annum of the NAV of the Fund as provided under Division 15.1 of the Deed.

The Manager is currently calculated at 0.50% per annum of the NAV of the Fund (financial period from 20 December 2019 (date of commencement) to 31 December 2020: 0.50% per annum).

6. TRUSTEE'S FEE

The Trustee's fee is calculated on a daily basis at a rate not exceeding 0.10% per annum of the NAV of the Fund as provided under Division 15.2 of the Deed.

The Trustee's fee is currently calculated at 0.04% per annum of the NAV of the Fund (financial period from 20 December 2019 (date of commencement) to 31 December 2020: 0.04% per annum).

7. INDEX LICENSE FEE

The index license fee is calculated based on the NAV accrued daily for every quarter and is payable to the Index Provider.

The index license fee is currently calculated at 0.05% per annum of the NAV of the Fund (financial period from 20 December 2019 (date of commencement) to 31 December 2020: 0.05% per annum).

8. AUDITORS' REMUNERATION, TAX AGENT'S FEE AND OTHER ADMINISTRATION EXPENSES

The auditors' remuneration, tax agent's fee and certain other administration expenses for the current financial year and previous financial period were borne by the Manager.

9. INCOME TAX

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable income for the current financial year and previous financial period.

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

9. INCOME TAX (CONTD.)

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

	1.1.2021 to 31.12.2021 RM	20.12.2019 (date of commencement) to 31.12.2020 RM
Net (loss)/income before tax	<u>(157,094)</u>	<u>104,707</u>
Tax at Malaysian statutory tax rate of 24% (financial period from 20 December 2019 (date of commencement) to 31 December 2020: 24%)	(37,703)	25,130
Tax effect of:		
Income not subject to tax	(25,327)	(39,948)
Loss not deductible for tax purposes	58,044	9,144
Expenses not deductible for tax purposes	3,641	3,576
Restriction on tax deductible expenses for exchange traded fund	2,105	2,098
Under provision in prior financial period	<u>1,392</u>	<u>-</u>
Income tax for the financial year/period	<u>2,152</u>	<u>-</u>

10. SHORT TERM DEPOSITS

Short term deposits are held with licensed financial institutions in Malaysia at the prevailing interest rates.

11. OTHER RECEIVABLES

	31.12.2021 RM	31.12.2020 RM
Interest receivable from short term deposits	40	42
Interest receivable from margin account	413	594
Registrar security deposits	<u>4,500</u>	<u>4,500</u>
	<u>4,953</u>	<u>5,136</u>

12. CASH IN MARGIN ACCOUNT

Cash in margin account represents margin deposits held in respect of the open exchange-traded futures contracts.

13. NET ASSET VALUE ATTRIBUTABLE TO UNIT HOLDERS

NAV attributable to unit holders is represented by:

	Note	31.12.2021 RM	31.12.2020 RM
Unit holders' contribution		<u>2,000,000</u>	<u>2,000,000</u>
<u>(Accumulated losses)/Retained earnings:</u>			
Realised (deficits)/reserves		(107,214)	142,807
Unrealised reserves/(deficits)		<u>52,675</u>	<u>(38,100)</u>
		<u>(54,539)</u>	<u>104,707</u>
		<u>1,945,461</u>	<u>2,104,707</u>

(a) Unit holders' contribution

	1.1.2021 to 31.12.2021		20.12.2019 (date of commencement) to 31.12.2020	
	No. of units	RM	No. of units	RM
At beginning of financial year/date of commencement	1,000,000	2,000,000	-	-
Add: Creation of units	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>2,000,000</u>
At end of the financial year/period	<u>1,000,000</u>	<u>2,000,000</u>	<u>1,000,000</u>	<u>2,000,000</u>

The Manager, Kenanga Investors Berhad, did not hold any units in the Fund, either legally or beneficially, as at 31 December 2022 (2020: nil). The number of units legally or beneficially held by the other parties related to the Manager were 897,200 units valued at RM1,745,503 as at 31 December 2021 (2020: 1,000,000 units valued at RM2,104,700).

14. PORTFOLIO TURNOVER RATIO ("PTR")

PTR for the financial year is 24.46 times (financial period from 20 December 2019 (date of commencement) to 31 December 2020: is 25.97 times).

PTR is the ratio of average sum of acquisitions and disposals of investments of the Fund for the financial year/period to the average NAV of the Fund, calculated on a daily basis.

15. MANAGEMENT EXPENSE RATIO (“MER”)

MER for the financial year is 0.83% per annum (financial period from 20 December 2019 (date of commencement) to 31 December 2020: 0.83% per annum).

MER is the ratio of total fees and recovered expenses of the Fund expressed as a percentage of the Fund's average NAV, calculated on a daily basis.

16. TRANSACTIONS WITH LICENSED FINANCIAL INSTITUTIONS

	Transaction value RM	Percentage of total %	Brokerage, stamp duty and clearing fee RM	Percentage of total %
Kenanga Futures Sdn Bhd*	<u>95,270,167</u>	<u>100.0</u>	<u>8,708</u>	<u>100.0</u>

* Kenanga Futures Sdn Bhd is a related party of Kenanga Investors Berhad.

The above transaction values are in respect of listed derivatives (futures contracts).

The directors of the Manager are of the opinion that the transactions with the related party have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. The Manager is of the opinion that the above dealings have been transacted on an arm's length basis.

17. SEGMENTAL REPORTING

a. Business segments

In accordance with the objective of the Fund, up to 70% of the Fund's NAV is to be committed as margin for futures contracts with the remaining balance in other liquid assets. The following table provides an analysis of the Fund's revenue, results, assets and liabilities by business segments:

	Listed derivatives RM	Other investments RM	Total RM
1.1.2021 to 31.12.2021			
Revenue			
Segment (loss)/income	(146,941)	14,755	
Segment expenses	<u>(8,708)</u>	<u>-</u>	
Net segment (loss)/income representing segment results	<u>(155,649)</u>	<u>14,755</u>	(140,894)
Unallocated expenditure			<u>(16,200)</u>
Loss before tax			(157,094)
Income tax			<u>(2,152)</u>
Net loss after tax			<u>(159,246)</u>

17. SEGMENTAL REPORTING (CONTD.)

a. Business segments (contd.)

	Listed derivatives RM	Other investments RM	Total RM
31.12.2021			
Assets			
Financial assets at FVTPL	52,675	-	
Short term deposits	-	870,000	
Cash in margin account	1,009,497	-	
Other segment asset	413	40	
Total segment assets	<u>1,062,585</u>	<u>870,040</u>	1,932,625
Unallocated assets			<u>14,365</u>
			<u>1,946,990</u>
Liabilities			
Unallocated liabilities			<u>1,529</u>
20.12.2019 (date of commencement) to 31.12.2020			
Revenue			
Segment income	112,077	16,274	
Segment expenses	<u>(8,843)</u>	<u>-</u>	
Net segment income representing segment results	<u>103,234</u>	<u>16,274</u>	119,508
Unallocated expenditure			<u>(14,801)</u>
Income before tax			104,707
Income tax			<u>-</u>
Net income after tax			<u>104,707</u>
31.12.2020			
Assets			
Short term deposits	-	876,000	
Cash in margin account	1,255,740	-	
Other segment asset	594	42	
Total segment assets	<u>1,256,334</u>	<u>876,042</u>	2,132,376
Unallocated assets			<u>13,180</u>
			<u>2,145,556</u>
Liabilities			
Financial liabilities at FVTPL	<u>38,100</u>	<u>-</u>	38,100
Unallocated liabilities			<u>2,749</u>
			<u>40,849</u>

17. SEGMENTAL REPORTING (CONTD.)

b. Geographical segments

As all of the Fund's investments are located in Malaysia, disclosure by geographical segments is not relevant.

18. FINANCIAL INSTRUMENTS

a. Classification of financial instruments

The Fund's financial assets and financial liabilities are measured on an ongoing basis at either fair value or at amortised cost based on their respective classification. The significant accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the financial assets and financial liabilities of the Fund in the statement of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis.

	Financial assets/ (liabilities) at FVTPL RM	Financial assets at amortised cost RM	Other financial liabilities RM	Total RM
31.12.2021				
Assets				
Listed derivatives	52,675	-	-	52,675
Short term deposits	-	870,000	-	870,000
Other receivables	-	4,953	-	4,953
Cash in margin account	-	1,009,497	-	1,009,497
Cash at bank	-	9,050	-	9,050
	<u>52,675</u>	<u>1,893,500</u>	<u>-</u>	<u>1,946,175</u>
Liabilities				
Amount due to Manager	-	-	355	355
Amount due to Trustee	-	-	191	191
Amount due Index Provider	-	-	872	872
	<u>-</u>	<u>-</u>	<u>1,418</u>	<u>1,418</u>

18. FINANCIAL INSTRUMENTS (CONTD.)

a. Classification of financial instruments (contd.)

	Financial assets/ (liabilities) at FVTPL	Financial assets at amortised cost	Other financial liabilities	Total
	RM	RM	RM	RM
31.12.2020				
Assets				
Short term deposits	-	876,000	-	876,000
Other receivables	-	5,136	-	5,136
Cash in margin account	-	1,255,740	-	1,255,740
Cash at bank	-	8,680	-	8,680
	<u>-</u>	<u>2,145,556</u>	<u>-</u>	<u>2,145,556</u>
Liabilities				
Listed derivatives	38,100	-	-	38,100
Amount due to Manager	-	-	1,387	1,387
Amount due to Trustee	-	-	365	365
Amount due to Index Provider	-	-	944	944
	<u>38,100</u>	<u>-</u>	<u>2,696</u>	<u>40,796</u>

b. Financial instruments that are carried at fair value

The Fund's financial assets/(liabilities) at FVTPL are carried at fair value. The fair values of these financial assets/(liabilities) were determined using prices in active markets.

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Investment:				
31.12.2021				
Listed derivatives	<u>52,675</u>	<u>-</u>	<u>-</u>	<u>52,675</u>
31.12.2020				
Listed derivatives	<u>(38,100)</u>	<u>-</u>	<u>-</u>	<u>(38,100)</u>

Level 1: Listed prices in active market

Level 2: Model with all significant inputs which are observable market data

Level 3: Model with inputs not based on observable market data

The fair values of listed derivatives are determined by reference to Bursa Malaysia Securities Berhad's market closing prices at reporting date.

18. FINANCIAL INSTRUMENTS (CONTD.)

c. Financial instruments not carried at fair value and for which their carrying amounts are reasonable approximations of fair value

The carrying amounts of the Fund's other financial assets and financial liabilities are not carried at fair value but approximate fair values due to the relatively short term maturity of these financial instruments.

19. CAPITAL MANAGEMENT

The capital of the Fund can vary depending on the demand for creation and cancellation of units to the Fund.

The Fund's objectives for managing capital are:

- a. To invest in investments meeting the description, risk exposure and expected return indicated in its prospectus;
- b. To maintain sufficient liquidity to meet the expenses of the Fund, and to meet cancellation requests as they arise; and
- c. To maintain sufficient fund size to make the operations of the Fund cost-efficient.

No changes were made to the capital management objectives, policies or processes during the current financial year and previous financial period.

20. COMPARATIVES

The comparatives for the statement of comprehensive income, statement of changes in net asset and statement of cash flows as well as the comparatives in notes to the financial statements are presented from the Fund's date of commencement on 20 December 2019 to 31 December 2020 and hence, are not comparable to that of the current twelve months year ended 31 December 2021.

21. SIGNIFICANT EVENT

The COVID-19 pandemic has significantly disrupted many business operations around the world. For the Fund, the impact on business operations has not been a direct consequence of the COVID-19 outbreak, but a result of the measures taken by the Government of Malaysia to contain it. As the outbreak continues to evolve, it is challenging to predict the full extent and duration of its impact on business and the economy.

While the Fund is not able to fully ascertain on the financial impact of the COVID-19 outbreak at the date of this report, it is anticipated based on initial assessments performed, that there have not been any circumstances that would require adjustments to be made to the carrying values of the assets and liabilities of the Fund as at 31 December 2021. The Fund holds sufficient capital and will continue to prudently manage risks in order to ensure that it remains resilient through this period of uncertainty

8. DIRECTORS' PROFILE

Name	Imran Devindran Abdullah
Age	55
Gender	Male
Nationality	Malaysian
Position	Independent Non-Executive Director
Date of Appointment	1 June 2015
Membership of Board Committee(s)	<ul style="list-style-type: none"> • Member of the Audit and Risk Committee • Member of the Investment Committee
Directorship of Other Public Companies	Nil
Length of Tenure as Director (As at 31 December 2021)	Six (6) Years and Six (6) Months
Number of Board Meetings Attended in the Financial Year (January 2021 to December 2021)	Seven (7)/ Seven (7) (100%)
Academic Qualifications	<ul style="list-style-type: none"> • Admitted to the Malaysian Bar, High Court Malaya • Certificate of Legal Practice, University of Malaya • Honours Bachelor of Law (1988), University of Buckingham, England • GCE A-Levels, Raffles Junior College, Singapore
Present Appointments	<ul style="list-style-type: none"> • Independent Non-Executive Director of I-VCAP Management Sdn Bhd • Senior Associate of BH Lawrence & Co, Advocates and Solicitor
Experience	<ul style="list-style-type: none"> • Independent Non-Executive Director of Libra Invest Berhad ("LIB") • Member of the Investment Committee of LIB • Partner in Imran Shahareen & Co. • Legal Assistant of Messrs. Miranda & Co. • Legal Assistant of Dass, Jainab & Associate • Legal Assistant of Messrs. Riza, Leong & Partners
Family relationship with any Director and/or major shareholder	Nil
Conflict of interest with the Fund	Nil
List of convictions for offences within the last five (5) years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies, other than traffic offences	Nil

Name	Norazian Ahmad Tajuddin
Age	60
Gender	Female
Nationality	Malaysian
Position	Independent Non-Executive Director
Date of Appointment	1 March 2019
Membership of Board Committee(s)	<ul style="list-style-type: none"> • Chairman of the Investment Committee • Member of the Audit and Risk Committee
Directorship of Other Public Companies	<ul style="list-style-type: none"> • Pacific & Orient Insurance Co. Bhd, a subsidiary of Pacific & Orient Berhad • Kenanga Investment Bank Berhad
Length of Tenure as Director (As at 31 December 2021)	Two (2) Years and Nine (9) Months
Number of Board Meetings Attended in the Financial Year (January 2021 to December 2021)	Seven (7)/ Seven (7) (100%)
Academic Qualifications	<ul style="list-style-type: none"> • Bachelor of Science (Honours) in Mathematics from the University of Leeds, United Kingdom • Master of Business Administration (Finance) from the Edith Cowan University, Australia
Present Appointments	<ul style="list-style-type: none"> • Independent Non-Executive Director of Kenanga Investment Bank Berhad (“KIBB”) • Chairman of the Group Governance, Nomination & Compensation Committee (formerly known as Group Nomination & Remuneration Committee), KIBB • Chairman of the Employees’ Share Scheme Committee, KIBB • Member of the Group Board Risk Committee, KIBB • Member of the Group Board Digital Innovation & Technology Committee, KIBB • Independent Non-Executive Director of Pacific & Orient Insurance Co. Berhad (“POI”), a subsidiary of Pacific & Orient Berhad • Member of the Nomination Committee, Remuneration Committee, as well as the Audit Committee and Risk Management Committee of POI
Experience	<ul style="list-style-type: none"> • Non-Independent Non-Executive Director and Member of the Risk Management Committee and Nomination & Remuneration Committee of Prudential BSN Takaful Bhd • Deputy Chief Executive Officer of Bank Simpanan Nasional Berhad • Manager, Treasury of Daimlerchrysler (M) Sdn Bhd • Assistant General Manager, Treasury of KAF Discount Bhd • Deputy Chief Operating Officer, Group Treasury & International Banking of EON Bank Berhad Group • Senior Dealer, Treasury of Bank Bumiputra (M) Bhd

Name	Norazian Ahmad Tajuddin
Family relationship with any Director and/or major shareholder	Nil
Conflict of interest with the Fund	Nil
List of convictions for offences within the last five (5) years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies, other than traffic offences	Nil

Name	Luk Wai Hong, William
Age	57
Gender	Male
Nationality	Hong Kong
Position	Independent Non-Executive Director
Date of Appointment	12 April 2021
Membership of Board Committee(s)	<ul style="list-style-type: none"> • Member of the Audit and Risk Committee • Member of the Investment Committee
Directorship of Other Public Companies	<ul style="list-style-type: none"> • Kenanga Investment Bank Berhad • Cotton Tree Capital Ltd.
Length of Tenure as Director (As at 31 December 2021)	Eight (8) Months
Number of Board Meetings Attended in the Financial Year (January 2021 to December 2021)	Seven (7)/ Seven (7) (100%)
Academic Qualifications	<ul style="list-style-type: none"> • Executive Fellowship from The State of Washington, United States • Master of Urban Planning from University of Michigan, United States • Bachelor of Arts (Honors) from Concordia University, Canada
Present Appointments	<ul style="list-style-type: none"> • Independent Non-Executive Director of Kenanga Investment Bank Berhad (“KIBB”) • Chairman of the Group Board Risk Committee, KIBB • Member of the Audit Committee, KIBB • Member of the Group Governance, Nomination & Compensation Committee (formerly known as Group Nomination & Remuneration Committee), KIBB • Member of the Employees’ Share Scheme Committee, KIBB • Member of the Group Board Digital Innovation & Technology Committee, KIBB

Name	Luk Wai Hong, William
Present Appointments (contd.)	<ul style="list-style-type: none"> • Chairman/ Independent Non-Executive Director of I-VCAP Management Sdn Bhd • Non-Executive Director of 1.57 Pte. Ltd. • Director of Investment of Cotton Tree Capital Ltd. • Non-Executive Director of Far East Mining Pte. Ltd. • Non-Executive Director of Kenanga Singapore Pte. Ltd. • Non-Executive Director of The Rare Whisky Fund Pte. Ltd. • Non-Executive Director of The Whisky Capital Pte. Ltd • Non-Executive Director of The Whisky Distillery Pte. Ltd.
Experience	<ul style="list-style-type: none"> • Independent Non- Executive Director, K & N Kenanga Holdings Berhad • Fund Manager, Pacific Advantage, Hong Kong • Managing Director and Co-Head of Saba Proprietary Trading Group Asia, Deutsche Bank AG, Hong Kong • Managing Director and Co-Head of Global Trading and Principal Finance Asia, Deutsche Bank AG, Singapore • Director and Head of Structured Credit Trading and Principal Finance Asia, Singapore • Senior Associate Director and Senior Credit and Derivative Trader, Deutsche Bank AG, Singapore • Senior Fixed Income Trader, HSBC Markets, Hong Kong • Fixed Income and Credit Trader, Lehman Brothers Asia, Hong Kong • Executive Fellow and Transportation Finance Specialist, Office of Financial Management, State of Washington, Unites States
Family relationship with any Director and/or major shareholder	Nil
Conflict of interest with the Fund	Nil
List of convictions for offences within the last five (5) years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies, other than traffic offences	Nil

Name	Ismitz Matthew De Alwis
Age	47
Gender	Male
Nationality	Malaysian
Position	Executive Director/Chief Executive Officer
Date of Appointment	12 August 2014
Membership of Board Committee(s)	Member of the Investment Committee
Directorship of Other Public Companies	<ul style="list-style-type: none"> • Kenanga Islamic Investors Berhad • Kenanga Funds Berhad • Federation of Investment Managers Malaysia
Length of Tenure as Director (As at 31 December 2021)	Seven (7) Years and Four (4) Months
Number of Board Meetings Attended in the Financial Year (January 2021 to December 2021)	Seven (7)/ Seven (7) (100%)
Academic Qualifications	<ul style="list-style-type: none"> • Islamic Financial Planner, Financial Planning Association of Malaysia • Cambridge Summer School Programme-Executive Programme, Asian Banking School, University of Cambridge • Advanced Business Management Program, Securities Industry Development Corporation/ International Institute for Management Development, Lausanne, Switzerland • Capital Markets Services Representative's Licence, Securities Commission Malaysia • Certified Financial Planner, USA • Person Dealing Unit Trust, Federation of Malaysian Unit Trust Manager • Master in Business Administration, Southern Cross University Australia • Graduate Diploma in Marketing (UK), Chartered Institute of Marketing, United Kingdom
Present Appointments	<ul style="list-style-type: none"> • Non-Executive Director of I-VCAP Management Sdn Bhd • Non-Executive Director of Kenanga Islamic Investors Berhad • Non-Executive Director of Kenanga Funds Berhad • Non-Executive Director of KUT Nominees (Asing) Sdn Bhd • Non-Executive Director of KUT Nominees (Tempatan) Sdn Bhd • Board Member of Federation of Investment Managers Malaysia • Committee Member of Malaysia Asset Management • Member of the Licensing Examinations Review Committee for the Securities Commission Licensing Examination Module 10: Asset & Funds Management

Name	Ismitz Matthew De Alwis
Present Appointments (contd.)	<ul style="list-style-type: none"> • Industry Competency Framework Advisory Panel for the Malaysian Capital Market • Member of the FTSE Bursa Malaysia Index Advisory Committee • Chairman of Investment Advisory Committee for Ericsenz Capital Pte Ltd (Singapore) on Ericsenz-K2 Global Unicorn Fund II • Chairman of Investment Advisory Committee for Ericsenz Capital Pte Ltd (Singapore) on Ericsenz Frontier Fund • Sustainable Investment Platform (SIP) Steering Committee – Malaysia Sustainable Investment Initiative • Institutional Investors Council Malaysia (IIC) – Council Member
Experience	<ul style="list-style-type: none"> • Past President of the Board of Governors for the Financial Planning Association of Malaysia • Non-Executive Director of Libra Invest Berhad • Member of the Investment Committee of Libra Invest Berhad • Executive Director of ING Funds Berhad • Country Head, ING Investment Management Malaysia • Senior Vice President, Head, Business Development of ING Funds Berhad • Vice President-Head, Retail Distribution of ING Funds Berhad • Assistant Vice President – Head, Agency Channel of ING Funds Berhad • Senior Manager – Business Development of ING Insurance Berhad/ING Funds Berhad • Head Sales & Marketing of MBF Unit Trust Management Berhad • Senior Manager, Investment Services of MBF Cap/MBF Asset Management • Asia Pacific Relationship Manager/ Account Director of ARA (Asia Research & Consultancy) Consultancy Ltd.
Family relationship with any Director and/or major shareholder	Nil
Conflict of interest with the Fund	Nil
List of convictions for offences within the last five (5) years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies, other than traffic offences	Nil

9. DIRECTORS' TRAINING

Director	Program Title and Organiser	Date
Imran Devindran Abdullah	• Mandatory Accreditation Program ("MAP") by Iclif Executive Education Center ("ICLIF")	31 May - 2 June 2021
	• Legacy & Estate Planning - Amanah Warisan Berhad ("AWARIS")	13 July 2021
	• Environmental, Social and Governance in Islamic Finance	5 August 2021
	• The Law Behind Corporate Governance by Malaysian Institute of Corporate Governance ("MICG")	26 August 2021
	• 2021 Anti-Money Laundering & Financial Crime in the Age of Covid - Training for Board of Directors of Kenanga Group of Companies by Nature of Life	3 September 2021
	• Section 17A of the Malaysian Anti-Corruption Commission Act 2009 ("MACCA") - Strengthening Integrity: The Role of Directors and Senior Management in the Anti-Corruption System by Trident Integrity Solutions	3 Septemebr 2021
	• Cyber Awareness Training for Board of Directors by EC-Council Cyber Defence	2 December 2021
Norzian Ahmad Tajuddin	• Virtual Talk: Risk, Strategy and Governance - How Integrated Thinking Can Support Boards in Creating Long-Term Value by Institute of Corporate Directors ("ICDM") in collaboration with Malaysian Institute of Accountants ("MIA")	12 January 2021
	• Awareness Briefing on MACC ACT Section 17A And Adequate Procedures by Trident Integrity Solutions Sdn Bhd	15 January 2021
	• Webinar - Rethinking Our Approach to Cyber Defence in FIs by FIDE FORUM	11 March 2021
	• Board Effectiveness Evaluation Industry Briefing (Session 2) by FIDE FORUM	2 April 2021
	• BNM-FIDE FORUM-MASB Dialogue on MFRS17 Insurance Contracts: What Every Director Must Know by FIDE FORUM	20 April 2021
	• BNM-FIDE Forum Dialogue: The Role of Independent Director in Embracing Present and Future Challenges	2 June 2021
	• Corporate Governance Regulatory Updates for the Capital Markets by ICLIF	17-18 June 2021
	• BNM-FIDE Forum: Dialogue on RMI T Implementation	8 July 21

Norazian Ahmad Tajuddin (contd.)	<ul style="list-style-type: none"> • Legacy & Estate Planning - Amanah Warisan Berhad (“AWARIS”) • Environmental, Social and Governance in Islamic Finance • Engagement Session on Board Leadership Framework (Session B) by FIDE FORUM • 2021 Anti-Money Laundering & Financial Crime in the Age of Covid - Training for Board of Directors of Kenanga Group Of Companies by Nature of Life • Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (“MACCA”) - Strengthening Integrity: The Role of Directors and Senior Management in the Anti-Corruption System by Trident Integrity Solutions • BNM-FIDE FORUM Dialogue: Risk-Based Capital Framework for Insurers and Takaful Operators • Islamic Finance For Board (“IF4BOD”) by ISRA Consultancy Sdn Bhd • ICDM's Members Day: Environment, Social and Governance • The Effect of Reclassification of Shariah-compliant Status of Securities Listed on Bursa Malaysia • Bursa-FIDE Forum Dialogue on Sustainability by FIDE FORUM/ BURSA • The 2050 Net Zero Carbon Emissions Target: Finance Role by FIDE FORUM • SC-FIDE FORUM Dialogue on Capital Market Masterplan 3 • Focus Group Discussion for BNM-FIDE FORUM Dialogue (Session 2) • Cyber Awareness Training for Board of Directors by EC-Council Cyber Defence • Annual Dialogue with Governor of Bank Negara Malaysia by FIDE FORUM • Fraud Management Workshop 2021 by PwC Consulting 	<p>13 July 2021</p> <p>5 August 2021</p> <p>23 August 2021</p> <p>3 September 2021</p> <p>3 September 2021</p> <p>6 September 2021</p> <p>9 September 2021</p> <p>21 September 2021</p> <p>26 October 2021</p> <p>2 November 2021</p> <p>12 November 2021</p> <p>16 November 2021</p> <p>19 November 2021</p> <p>2 December 2021</p> <p>3 December 2021</p> <p>10 December 2021</p>
Luk Wai Hong, William	<ul style="list-style-type: none"> • FIDE Elective Program: Risk Management in Technology (RMiT) & Digital Transformation: What they mean for governance and Strategy of Bank and Insurance Boards by Iclif Executive Education Center (“ICLIF”) • Digital Transformation Executive Program at Asian School of Business (“ASB”) 	<p>20 April 2021</p> <p>21 - 22 June 2021</p>

Luk Wai Hong, William (contd.)	<ul style="list-style-type: none"> • Islamic Finance For Board (“IF4BOD”) by ISRA Consultancy Sdn Bhd • Legacy & Estate Planning - Amanah Warisan Berhad (“AWARIS”) • Environmental, Social and Governance in Islamic Finance • 2021 Anti-Money Laundering & Financial Crime in the Age of Covid - Training for Board of Directors of Kenanga Group of Companies by Nature of Life • Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (“MACCA”) - Strengthening Integrity: The Role of Directors and Senior Management in the Anti-Corruption System by Trident Integrity Solutions • Capital Markets Director Programmes (“CMDP”) - Module 2B - Business Challenges and Regulatory Expectations - What Directors Need to Know (Fund Management) by SIDC • Cyber Awareness Training for Board of Directors by EC-Council Cyber Defence 	<p>5 - 6 July 2021</p> <p>13 July 2021</p> <p>5 August 2021</p> <p>3 September 2021</p> <p>3 September 2021</p> <p>8 September 2021</p> <p>2 December 2021</p>
Ismitz Matthew De Alwis	<ul style="list-style-type: none"> • Cybersecurity Awareness Training Part 1-2021 by Sophos • Cybersecurity Awareness Training Part 2-2021 by Sophos • Cybersecurity Awareness Training Part 3-2021 by Sophos • 8th MFPC E-Conference On Shariah Wealth Management & Financial Planning by Malaysian Financial Planning Council • Growth Hack Your PV, PMT, & FV of Your Financial Advisory Business by Association Of Financial Advisers • Mandatory Accreditation Program For Directors Of Public Listed Companies by Asia School Of Business • Paving The Way For Profitability Through Sustainability by Securities Industry Development Corporation • JC3 Flagship Conference 2021 Finance For Change by Joint Committee On Climate Change • MAAM LIIS 2021: Sustainability & Technology by Malaysia Association Of Asset Managers • Cybersecurity Awareness Training Part 4-2021 by Sophos 	<p>19 January - 1 February 2021</p> <p>22 March - 1 April 2021</p> <p>14 - 29 April 2021</p> <p>20 April 2021</p> <p>28 April 2021</p> <p>31 May - 2 June 2021</p> <p>16 - 17 June 2021</p> <p>23 - 25 June 2021</p> <p>15 July 2021</p> <p>16 - 30 July 2021</p>

Ismitz Matthew De Alwis (contd.)	<ul style="list-style-type: none"> • Anti-Money Laundering & Financial Crime In The Age Of Covid by Nature Of Life • Strengthening Integrity: The Role Of Directors And Senior Management In The Anti-Corruption System by Trident Integrity Solutions • Cybersecurity Awareness Training Part 7 - 2021 by Sophos • 6th Annual Regulatory Seminar: Reinforcing Ethical Values Through Regulatory Dynamism 	<p>9 - 15 August 2021</p> <p>3 September 2021</p> <p>15 - 29 October 2021</p> <p>15 November - 7 December 2021</p>
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