

KENANGA KLCI DAILY (-1X) INVERSE ETF

ANNUAL REPORT

For the Financial Year Ended 31 December 2022

kenanga

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

KENANGA KLCI DAILY (-1X) INVERSE ETF

Contents	Page
Corporate Directory	ii
Directory of Manager's Offices	iii
Fund Information	1
Manager's Report	2 - 7
Fund Performance	8 - 10
Trustee's Report	11
Independent Auditors' Report	12-15
Statement by the Manager	16
Financial Statements	17 - 44
Directors' Profile	45 - 50
Directors' Training	51 - 54

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**)

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

Investment Committee

Imran Devindran Abdullah (**Independent Member**)

Norazian Ahmad Tajuddin (**Independent Member**)

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

Datuk Wira 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: 03-9281 9314

Business Office

Level 11, Tower 3
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur, Malaysia.
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
Tel: 03-2172 3123
Fax: 03-2172 3133

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
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
70000 Seremban
Negeri Sembilan
Tel: 06-761 5678
Fax: 06-761 2242

Johor Bahru

No. 63
Jalan Molek 3/1, Taman Molek
81100 Johor Bahru, Johor
Tel: 07-288 1683
Fax: 07-288 1693

Kuching

1st Floor, No 71
Lot 10900, Jalan Tun Jugah
93350 Kuching, Sarawak
Tel: 082-572 228
Fax: 082-572 229

Kuantan

Ground Floor Shop
No. B8, Jalan Tun Ismail 1
25000 Kuantan, Pahang
Tel : 09-514 3688
Fax : 09-514 3838

Ipoh

No. 1, Jalan Leong Sin Nam
30300 Ipoh, Perak
Tel: 05-254 7573 / 7570
Fax: 05-254 7606

Kota Kinabalu

Level 8, Wisma Great Eastern
No. 68, Jalan Gaya
88000 Kota Kinabalu, Sabah
Tel: 088-203 063
Fax: 088-203 062

Damansara Uptown

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

Kota Damansara

C26-1, Dataran Sunway
Jalan PJU 5/17
Kota Damansara
47510 Petaling Jaya, Selangor
Tel: 03-6150 3612
Fax: 03-6150 3906

Kluang

No. 1, Aras 1, Jalan Haji Manan
Pusat Perniagaan Komersial Haji Manan
86000 Kluang, Johor
Tel: 07-710 2700
Fax: 07-710 2150

1. FUND INFORMATION

1.1 Fund Name

Kenanga KLCI Daily (-1x) Inverse ETF (**KKL1X** or **the Fund**)

1.2 Fund Category / Type

Exchange-traded fund / Inverse 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 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 Daily Short (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 2022

Size of holdings	No. of unit holders	No. of units held
Less than 100	-	-
100 - 1,000	1	700
1,001 - 10,000	1	1,500
10,001 - 100,000	5	209,600
100,001 - < 5%*	-	-
> = 5%*	1	788,200
Total	8	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 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 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 (20/12/2019 – 31/12/2022)
Kenanga KLCI Daily (-1x) Inverse 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 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, decreasing exposure in response to the Benchmark's daily gains or increasing exposure in response to the Benchmark's daily losses.

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 to ensure the Fund continues to replicate the required exposure to the Benchmark.

2.4 The Fund's asset allocation as at 31 December 2022 and comparison with the previous financial year

Asset	31 Dec 2022	31 Dec 2021
Listed derivatives	-1.2%	-1.5%
Cash in margin account	29.5%	25.7%
Short term deposits and cash	71.7%	75.8%

Reason for the differences in asset allocation

The higher percentage of cash in margin account during the financial year under review was a result of the increase in equity value from the short positions of futures contracts in the Fund.

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

	Year under review
KKL1X	1.04%
FTSE Bursa Malaysia KLCI Daily Short (Price) Index	3.27%

Source: Lipper

For the financial year under review, the Fund underperformed its benchmark returns by 2.23%. The underperformance 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

The momentum that ended 2021's global equity markets on a high note was halted in January 2022 as the year started with sell-offs in most major markets as the concerns on the high inflationary environment and the ensuing monetary policy normalisation mounted over investors. US consumer inflation jumped to 7.0% year-on-year (YoY) in December 2021 despite the omicron threat, which fuelled speculations that the economy was overheating. The US Federal Reserve (Fed) signaled a hawkish interest rate policy to the market at the conclusion of the first Federal Open Market Committee (FOMC) of 2022. Locally, Investor sentiment was cautious during the month, and aggressive profit taking was seen in selective sectors such as Technology, in tandem with the steep sell-off on Wall Street as investors were spooked by hawkish interest rate comments by the Fed. FBM KLCI ended the month down 3.5%.

The weak run of the global market continued throughout February on the back of the geopolitical conflicts that escalated between Russia and Ukraine, ending the month in a full-scale invasion. The conflicts between the two nations have a far-reaching impact across global commodity markets, with Russia a key exporter of oil & gas, aluminum, palladium and fertilisers, while Ukraine ranks among the top exporters of wheat, barley, corn and sunflower oil. Meanwhile, in Malaysia, commodities-related sectors, namely Metals, Oil & Gas and Plantation outperformed on the back of higher commodity prices, following the Russian-Ukraine conflicts. FBM KLCI ended the month 4.74% higher month-on-month (MoM).

2.6 Review of the market (contd.)

Market review (contd.)

The global equity markets fared better in March despite the sell-off on the Russia-Ukraine war. US equities ended the month higher, with S&P and Nasdaq rose 3.6% and 3.4%, respectively. The Fed raised interest rates by 25bps for the first time since 2018 after slashing them to near-zero during the COVID-19 pandemic. Russia's invasion on Ukraine continued despite many peace talks held during the month, impacting global commodity prices. Meanwhile, China rolled out the country's biggest COVID-19 lockdown to control the spread of the Omicron outbreak even after the nation's "zero-COVID" strategy was questioned. Locally, the government announced a special Employees Provident Fund (EPF) withdrawal of RM10,000 per member and the decision to raise the minimum wage to RM1,500/month from 1st May. The FBM KLCI fell 1.3% at the end of March.

The market retraced in April in anticipation of the aggressive Fed's tightening policy for the next few months with a series of 50bps hike, taking the Fed Fund Rate towards the Fed's expected neutral rate of 2.5%-3.0% by year-end. Supply constraints and high commodity price has pushed the US CPI inflation to 8.5% YoY, pushing the 10-year treasury yield to 2.9%. The Dow and S&P 500 was down 8.7% and 4.9%, while Europe STOXX 50 closed 2.6% lower as concerns surrounding energy supply from Russia deepens. Asian equities performance were mixed for the month. The MSCI Asia ex-Japan fell 5.2% dragged by Taiwan (TAIEX -6.2%), Shanghai (SHCOMP -6.3%) and Hang Seng (HSI -4.1%), whilst the outperformers were Indonesia (JCI +2.2%) and Malaysia (KLCI +0.8%).

US market were flattish in May after rebounding from a 52-week lows during the month as China's prolonged lockdown, ongoing Russia-Ukraine war and concerns over inflations continued to weigh on investor sentiment. The Fed announced its second-rate hike of the year at 50bps and would begin shrinking its USD8.9 trillion balance sheet in June. On the other hand, Chinese equities rallied after Beijing unveiled a raft of support measures to cushion an economic slowdown triggered by the country's COVID-19 zero-tolerance approach. Back in Malaysia, May was a volatile month as the FBM KLCI fell -1.9%. Bank Negara Malaysia (BNM) unexpectedly raised the interest rate at May's Monetary Policy Committee (MPC) meeting to 2% from the record low of 1.75%.

Global market was badly impacted by Fed's 75bps interest rate hike in June 2022, the biggest increase since 1994. Soaring energy costs from the prolonged Russia-Ukraine war crisis accelerated the US CPI inflation rate to 8.6% YoY in May, the highest since 1981. US equities fell to close its worst first half in 52 years, with S&P 500 down by 20.6% in 1H2022, the Dow Jones fell by 15.3% in 1H2022, its worst first-half performance since 1962 while Nasdaq fell 29.5%, its worst first half record. Europe STOXX 50 closed 7.7% lower in June and -19.6% year-to-date (YTD). The global market weaknesses have dragged the local market down. The KLCI index fell by 8.02% in June to 1,444 points, its sharpest monthly decline since the start of the COVID-19 pandemic in March 2020.

After a sharp drop in June, US equities rebounded and rallied in July. The S&P 500 rose 9.1% MoM, the Nasdaq posted a 12.4% gain, while the Dow Jones was up 6.7% MoM, fuelled by better-than-expected earnings from some of the biggest US companies and investors' expectations that the Fed could be looking to slow its pace of interest rate hikes, after a 75bps hike for the second straight month. Equities fell in China following signs of a renewed regulatory crackdown, escalation of the property sector woes, rebound in COVID-19 cases and lack of major stimulus from the Politburo meeting. Locally, BNM hiked Overnight Policy Rate (OPR) by 25bps to 2.25% as market expected. The FBM KLCI climbed 3.3% in July.

2.6 Review of the market (contd.)

Market review (contd.)

Global equities were mixed in August, with most markets sliding towards the end of the month after a hawkish signal from the Fed at the Jackson Hole conference. US equities were among the hardest hit, with the S&P 500 ending 4.1% lower and Nasdaq dipped 4.6%. Over in Europe, the Euro STOXX 50 fell 5.1% MoM, as Eurozone inflation was at a new record high of 9.1% given the burgeoning energy crisis in the region. On the other hand, Asian markets posted positive returns in local currency terms such as India (Sensex +3.4%), Korea (KOSPI +0.8%), and Taiwan (TWSE +0.6%). ASEAN proved resilient with the MSCI ASEAN rising 1.3%, with leaders being Philippines (PCOMP +4.2%) and Thailand (SET +4%). Locally, FBM KLCI rose 1.3%. Sentiment was supported by relatively strong economic data over the month, chiefly 2Q22 Gross Domestic Product (GDP) growth which came in at a bumper 8.9%, exceeded street expectations of 7% and accelerated from 5% in 1Q2022.

The equities market remained weaker in September. Wall Street suffered its three consecutive quarterly decline as investors' sentiment was impacted by the Fed's prolonged hawkish stance as they signaled the intention to continue raising rates to reach a terminal rate of 4.60% in 2023. The Fed raised interest rate by 75bps to between 3.00-3.25% in September's FOMC meeting, as expected. Locally, as expected, BNM raised the OPR by 25bps to 2.50% at September MPC meeting. The FBM KLCI dipped below the 1,400 level for the lowest close in more than two years, dragged down by the turmoil in global markets and foreign selling. FBMKLCI index fell 7.8% in September to 1,395 points as all the 30 index constituents were down MoM.

US equities rebounded strongly in October with the Dow Jones Index, S&P500 and Nasdaq increasing by 14.0%, 8.0% and 3.9%, respectively. Market surged despite a weak third-quarter earnings season, showing a slowing growth and major disappointments from large tech companies such as Meta and Amazon. Over in China, President Xi Jinping was re-elected as General Secretary of the 20th Central Committee of the Communist Party of China and Chairman of the Central Military Commission. Locally, Budget 2023 was presented in Parliament. 2023 GDP was projected at 4-5% while 2022 GDP forecast was revised up to 6.5-7% (from 5.3-6.3%). The government forecasted 2023 fiscal deficit at 5.5% and expects 2023 inflation at 2.8-3.3%. The Prime Minister, Ismail Sabri, announced dissolution of Parliament to make way for 15th General Election. The FBM KLCI rose by 4.7% in October.

US equities continued their momentum in November, mainly driven by the easing CPI data release on 10th November and market optimism on a slower pace of rate hikes in the coming months. Although the Fed raised interest rates by 75 basis points to between 3.75-4.00% in the November FOMC meeting, Fed's Chairman signaled a downshift hike in the coming FOMC. Meanwhile, the government of China issued sweeping directives to rescue the property sector. Malaysia held its 15th general election on 19th November and faced a hung parliament scenario with no coalition winning majority votes. It was later resolved with the appointment of Dato' Seri Anwar Ibrahim as the 10th Prime Minister to form a unity government.

The fear of recession and Fed holding on to higher interest rate for a longer period loomed over the market as US equities fell in December. As expected, the Fed hiked the rate by 50bps in December's FOMC meeting as November CPI slid to 7.7% YoY. In Europe, the European Central Bank signalled another 50bps hike following a 50bps rate hike. Meanwhile, in China, the government started to relax COVID restrictions as they downgraded COVID management from the top level to the second highest and unexpectedly announced a plan to end quarantine requirements for inbound travellers effective 8th January 2023. Locally, Prime Minister Dato' Seri Anwar Ibrahim announced a new cabinet list and signed an MOU agreement with other coalition to back the unity government for political stability. The KLCI Index rose 0.4% in December on window dressing activities.

2.6 Review of the market (contd.)

Market review (contd.)

Overall, 2022 was a weak year for Malaysian equity market following the global market weakness, coupled with the political uncertainty throughout the year. FBMKLCI, FBM Small Cap and FBM Shariah index ended at -4.6%, -10.8% and -5.3%, respectively. The FBM KLCI index started well at the beginning of the year, reaching its peak at 1,552 in March 2022 and retraced to its lowest level of 1,466 points in October 2022 before ended the year at 1,495 point, translating to a decline of 4.6% in 2022. Meanwhile, foreign investors recorded a net inflow of RM4.38 billion in Malaysian equities for the year. The Ringgit depreciated by 5.71% against the USD to RM4.4040/USD in 2022.

Market outlook

Global equities are expected to remain volatile with mixed growth data and economic outlook in the developed market. However, the Fed could signal a pause or a more accommodative stance, should inflation continue to decline, which would be positive for market sentiment.

Locally, the country continues to expect robust domestic economic activity (+4% GDP growth forecasted for 2023) and controlled inflation via subsidies, but remains sensitive to global growth given the high proportion of exports to GDP. With the conclusion of the General Election and removal of the uncertainty factor, investors could have more confidence to deploy capital.

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. As the Fund solely invested in listed derivatives, the Manager did not receive any rebates on soft commission from its stockbrokers during the financial year under review.

2.12 Cross-trade

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

2.13 Securities financing transactions

Securities financing transactions are transactions consisting of securities lending or repurchase. During the financial year under review, the Fund had not undertaken any securities financing transactions.

3. FUND PERFORMANCE

3.1 Details of portfolio composition of the Fund for the last three financial years/period as at 31 December are as follows:

a. Distribution among industry sectors and category of investments:

	As at 31.12.2022 %	As at 31.12.2021 %	As at 31.12.2020 %
Listed derivatives	-1.2	-1.5	0.9
Cash in margin account	29.5	25.7	22.0
Short term deposits and cash	71.7	75.8	77.1
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

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 2022

Rank	Constituent	Index Weight (%)
1	Malayan Banking Bhd	13.15
2	Public Bank Bhd	13.05
3	CIMB Group Holdings Bhd	8.34
4	Tenaga Nasional Bhd	6.59
5	PETRONAS Chemicals Group Bhd	5.17
6	Press Metal Aluminium Holdings Bhd	3.65
7	Sime Darby Plantation Bhd	3.54
8	Axiata Group Bhd	3.05
9	Hong Leong Bank Bhd	2.91
10	IHH Healthcare Bhd	2.78

Source: Bloomberg

3.2 Performance details of the Fund for the last three financial years/period ended 31 December are as follows:

	1.1.2022 to 31.12.2022	1.1.2021 to 31.12.2021	20.12.2019 (date of commencement) to 31.12.2020
Total asset value (RM Million)	1.92	1.91	1.85
Net asset value ("NAV") (RM Million) ¹	1.90	1.88	1.84
Units in circulation (Million)	1.00	1.00	1.00
NAV per unit (RM)	1.9004	1.8809	1.8434
Highest NAV per unit (RM)	2.0867	2.0029	2.6037
Lowest NAV per unit (RM)	1.8029	1.8298	1.7815
Listed price (RM) ¹	1.9150	1.9200	1.8450
Highest listed price (RM)	2.0550	2.0000	2.6700
Lowest listed price (RM)	1.8050	1.8200	1.8450
Total return (%)	1.04	2.03	-7.83
- Capital growth (%)	1.04	2.03	-7.83
- Income growth (%)	-	-	-
Gross distribution per unit (sen)	-	-	-
Net distribution per unit (sen)	-	-	-
Total expense ratio ("TER") (%) ²	1.04	0.92	0.87
Portfolio turnover ratio ("PTR") (times) ³	12.41	12.49	13.81
Tracking error	2.34	1.13	1.20

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

TER is computed based on the total fees and expenses incurred by the Fund divided by the average fund size calculated on a daily basis. PTR is computed based on the average of the total acquisitions and total disposals of investment securities of the Fund divided by the average fund size calculated on a daily basis.

Above NAV and NAV per unit are not shown as ex-distribution as there were no distribution declared by the Fund in the financial year under review.

- 1. As at 31 December 2022, the Fund has a net asset value of RM1.90 million and 1 million units in circulation. KLCI was volatile and trended negatively during the financial year under review in line with the global market weakness, coupled with the local political uncertainties throughout the year. The overall negative trend of KLCI continued and led to a rise in the Fund's net asset per unit during the year.*
- 2. TER is higher against the previous financial year mainly due to increase in expenses incurred during the financial period under review.*
- 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 21 - 31 Dec 22	3 Years 31 Dec 19 - 31 Dec 22	Since Inception 20 Dec 19 - 31 Dec 22
KKL1X	1.04%	-0.70%	-0.70%
FTSE Bursa Malaysia KLCI Daily Short (Price) Index	3.27%	1.12%	1.12%

Source: Lipper

3.4 Annual total return of the Fund

	Year under review 31 Dec 21 - 31 Dec 22	31 Dec 20 - 31 Dec 21	Since Inception 20 Dec 19 - 31 Dec 20
KKL1X	1.04%	2.03%	-7.83%
FTSE Bursa Malaysia KLCI Daily Short (Price) Index	3.27%	2.64%	-5.40%

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 (-1X) INVERSE ETF ("Fund")

We have acted as Trustee of the Fund for the financial year ended 31 December 2022 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, Kenanga Investors Berhad, has operated and managed the Fund during the year covered by these financial statements in accordance with the following:

1. Limitations imposed on the investment powers of the management company under the deed, securities laws and the Guidelines on Exchange-traded Funds;
2. Valuation and pricing is carried out in accordance with the deed; and
3. Any creation and cancellation of units are carried out in accordance with the deed and any regulatory requirement.

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

MOHD SOFIAN BIN KAMARUDDIN
Vice President

SHARON CHEW MUN HOONG
Head, Group Trustees Operations

Kuala Lumpur, Malaysia

28 February 2023

5. INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF KENANGA KLCI DAILY (-1X) INVERSE ETF

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Kenanga KLCI Daily (-1x) Inverse ETF ("the Fund"), which comprise the statement of financial position as at 31 December 2022, 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 44.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2022 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 HOLDERS OF KENANGA KLCI DAILY (-1X) INVERSE 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 RM22,100 as at 31 December 2022. The net gain on the portfolio was RM14,660 for the financial year ended 31 December 2022.

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 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 HOLDERS OF KENANGA KLCI DAILY (-1X) INVERSE 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 HOLDERS OF KENANGA KLCI DAILY (-1X) INVERSE 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. 03276/07/2024 J
Chartered Accountant

Kuala Lumpur, Malaysia

28 February 2023

6. STATEMENT BY THE MANAGER

I, Datuk Wira 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 2022 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 2022 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 Daily (-1x) Inverse ETF as at 31 December 2022 and of its financial performance and cash flows for the financial year then ended and comply with the requirements of the Deed.

For and on behalf of the Manager
KENANGA INVESTORS BERHAD

DATUK WIRA ISMITZ MATTHEW DE ALWIS
Executive Director/Chief Executive Officer

Kuala Lumpur, Malaysia

28 February 2023

7. FINANCIAL STATEMENTS

7.1 STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM	2021 RM
INVESTMENT INCOME			
Interest income		29,429	24,879
Net gain from investments:			
- Financial liabilities at fair value through profit or loss ("FVTPL")	4	<u>14,960</u>	<u>35,350</u>
		<u>44,389</u>	<u>60,229</u>
EXPENSES			
Manager's fee	5	9,555	9,513
Trustee's fee	6	829	761
Index license fee	7	1,032	1,028
Administration expenses	8	8,468	6,207
Brokerage and other transaction costs		<u>4,653</u>	<u>4,322</u>
		<u>24,537</u>	<u>21,831</u>
NET INCOME BEFORE TAX		19,852	38,398
Income tax	9	<u>(302)</u>	<u>(877)</u>
NET INCOME AFTER TAX, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>19,550</u>	<u>37,521</u>
Net income after tax is made up as follows:			
Realised gain		14,150	80,521
Unrealised gain/(loss)	4	<u>5,400</u>	<u>(43,000)</u>
		<u>19,550</u>	<u>37,521</u>

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

**7.2 STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

	Note	2022 RM	2021 RM
ASSETS			
INVESTMENTS			
Short term deposits	10	<u>1,348,981</u>	<u>1,413,105</u>
OTHER ASSETS			
Amount due from Manager		298	-
Other receivables	11	4,597	4,782
Tax recoverable		1,034	388
Cash in margin account	12	558,852	481,513
Cash at bank		<u>10,243</u>	<u>10,210</u>
		<u>575,024</u>	<u>496,893</u>
TOTAL ASSETS		<u>1,924,005</u>	<u>1,909,998</u>
LIABILITIES			
Financial liabilities at FVTPL	4	22,100	27,500
Amount due to Manager		-	416
Amount due to Trustee		329	194
Amount due to Index Provider		957	876
Other payable		<u>173</u>	<u>116</u>
TOTAL LIABILITIES		<u>23,559</u>	<u>29,102</u>
EQUITY			
Unit holders' contribution		2,000,000	2,000,000
Accumulated losses		<u>(99,554)</u>	<u>(119,104)</u>
NET ASSET VALUE ("NAV") ATTRIBUTABLE TO UNIT HOLDERS	13	<u>1,900,446</u>	<u>1,880,896</u>
TOTAL LIABILITIES AND EQUITY		<u>1,924,005</u>	<u>1,909,998</u>
NUMBER OF UNITS IN CIRCULATION	13(a)	<u>1,000,000</u>	<u>1,000,000</u>
NAV PER UNIT (RM)		<u>1.9022</u>	<u>1.8809</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 2022**

	Unit holders' contribution	Accumulated losses	Total NAV
	RM	RM	RM
2022			
At beginning of the financial year	2,000,000	(119,104)	1,880,896
Total comprehensive income	-	19,550	19,550
At end of the financial year	<u>2,000,000</u>	<u>(99,554)</u>	<u>1,900,446</u>
2021			
At beginning of the financial year	2,000,000	(156,625)	1,843,375
Total comprehensive income	-	37,521	37,521
At end of the financial year	<u>2,000,000</u>	<u>(119,104)</u>	<u>1,880,896</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 2022**

	2022	2021
	RM	RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Interest received	29,614	24,838
Net gain from financial liabilities at FVTPL	8,764	78,350
Trustee's fee paid	(694)	(972)
Index license fee paid	(951)	(1,221)
Brokerage fee paid to financial institution	(4,653)	(4,322)
Payment for other fees and expenses	(8,998)	(7,051)
Manager's fee paid	(9,682)	(9,451)
Deposit to margin account	<u>(77,339)</u>	<u>(75,811)</u>
Cash (used in)/generated from operating and investing activities	(63,143)	4,360
Income tax paid	<u>(948)</u>	<u>(1,265)</u>
Net cash (used in)/generated from operating and investing activities	<u>(64,091)</u>	<u>3,095</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(64,091)	3,095
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	<u>1,423,315</u>	<u>1,420,220</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	<u>1,359,224</u>	<u>1,423,315</u>
Cash and cash equivalents comprise:		
Cash at bank	10,243	10,210
Short term deposits	<u>1,348,981</u>	<u>1,413,105</u>
	<u>1,359,224</u>	<u>1,423,315</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 2022

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

Kenanga KLCI Daily (-1x) Inverse 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.

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 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 Daily Short (Price) Index, as provided by FTSE International Limited (“the Index Provider”). The Manager intends to adopt a futures-based replication investment strategy to achieve the investment objective of the Fund.

The Manager intends to adopt a futures-based replication investment strategy to achieve the investment objective of the Fund.

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.

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

a. Market risk (contd.)

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 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.

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 other 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* %
2022				
Assets				
Short term deposits	1,348,981	-	1,348,981	2.6
Other financial assets	-	573,990	573,990	
	<u>1,348,981</u>	<u>573,990</u>	<u>1,922,673</u>	

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

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

a. 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* %
2022 (contd.)				
Liabilities				
Financial liabilities at FVTPL	-	22,100	22,100	
Other financial liabilities	-	1,286	1,286	
	<u>-</u>	<u>23,386</u>	<u>23,386</u>	
Total interest rate sensitivity gap	<u>1,348,981</u>	<u>528,504</u>	<u>1,899,585</u>	
2021				
Assets				
Short term deposits	1,413,105	-	1,413,105	1.6
Other financial assets	-	496,505	496,505	
	<u>1,413,105</u>	<u>496,505</u>	<u>1,909,610</u>	
Liabilities				
Financial liabilities at FVTPL	-	27,500	27,500	
Other financial liabilities	-	1,486	1,486	
	<u>-</u>	<u>28,986</u>	<u>28,986</u>	
Total interest rate sensitivity gap	<u>1,413,105</u>	<u>467,519</u>	<u>1,880,624</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 income for the financial year due to a reasonably possible change in 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 income for the financial year (Loss)/Gain RM
2022		
Financial liabilities at FVTPL	<u>5/(5)</u>	<u>(970)/970</u>
2021		
Financial liabilities at FVTPL	<u>5/(5)</u>	<u>(974)/974</u>

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	
	2022 RM	2021 RM	2022 %	2021 %
Financial liabilities at FVTPL	<u>22,100</u>	<u>27,500</u>	<u>(1.2)</u>	<u>(1.5)</u>

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

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 the licensed financial institutions by rating category:

Short term deposits

	Percentage of total short term deposits		Percentage of NAV	
	2022	2021	2022	2021
	RM	RM	%	%
Rating				
P1/MARC-1	100.0	100.0	71.0	75.1

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:

Cash in margin account

	Percentage of total cash in margin account		Percentage of NAV	
	2022	2021	2022	2021
	RM	RM	%	%
Rating				
Not rated	100.0	100.0	29.4	25.6

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 other financial liabilities in order to provide a complete view of the Fund's contractual commitments and liquidity.

		Up to 1 year	
	Note	2022	2021
		RM	RM
Assets			
Short term deposits		1,348,981	1,413,105
Cash in margin account		558,852	481,513
Other financial assets		15,138	14,992
	i.	<u>1,922,971</u>	<u>1,909,610</u>
Liabilities			
Financial liabilities at FVTPL		22,100	27,500
Other financial liabilities		1,286	1,486
	ii.	<u>23,386</u>	<u>28,986</u>
Equity	iii.	<u>1,900,446</u>	<u>1,880,896</u>
Liquidity gap		<u>(861)</u>	<u>(272)</u>

i. Financial assets

For other financial 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.

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

c. Liquidity risk (contd.)

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". However, the Fund believes that it would be able to liquidate its investments should the need arises to satisfy all the redemption requirements.

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 the Securities Commission Malaysia. Any breach of any such requirement has been reported in the mandatory reporting to the 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.

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the amended MFRS, which became effective for the Fund on 1 January 2022.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

a. Basis of accounting (contd.)

Description	Effective for financial periods beginning on or after
Amendments to MFRS contained in the document entitled “Annual Improvements to MFRS Standards 2018 - 2020”	1 January 2022
Amendments to MFRS 1: <i>Subsidiary as a First-time Adopter</i> contained in the document entitled “Annual Improvements to MFRS Standards 2018 - 2020”	1 January 2022
Amendments to MFRS 9: <i>Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities</i> contained in the document entitled “Annual Improvements to MFRS Standards 2018 - 2020”	1 January 2022
Amendments to Illustrative Examples accompanying MFRS 16: <i>Lease Incentives</i> contained in the document entitled “Annual Improvements to MFRS Standards 2018 - 2020”	1 January 2022
Amendments to MFRS 141: <i>Taxation in Fair Value Measurements</i> contained in the document entitled “Annual Improvements to MFRS Standards 2018 - 2020”	1 January 2022
Amendments to MFRS 3: <i>Reference to the Conceptual Framework</i>	1 January 2022
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

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 new standard and 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 standard and amendments to standards when they become effective.

Description	Effective for financial periods beginning on or after
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

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 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 16: <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101: <i>Non-current Liabilities with Covenants</i>	1 January 2024
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

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 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.

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

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

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).

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.)

The SPPI test (contd.)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

d. Derecognition of financial assets (contd.)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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 investments.

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 comprises current tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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.

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.

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 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.

	2022	2021
	RM	RM
Financial liabilities held for trading, at FVTPL:		
Listed derivatives - KLCI futures contracts	<u>22,100</u>	<u>27,500</u>
Net gain on financial liabilities at FVTPL comprised:		
Realised gain on disposals	9,560	78,350
Unrealised changes in fair values	<u>5,400</u>	<u>(43,000)</u>
	<u>14,960</u>	<u>35,350</u>

There were 26 futures contracts with notional principal amount of RM1,939,600 that remain outstanding as at 31 December 2022 (2021: 25 futures contract with notional principal amount of RM1,948,125).

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 (2021: 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 (2021: 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 (2021: 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 and previous financial years were borne by the Manager.

9. INCOME TAX

	2022	2021
	RM	RM
Malaysian income tax:		
Current year charge	245	212
(Over)/Under provision in prior financial year	<u>(57)</u>	<u>665</u>
	<u>302</u>	<u>877</u>

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

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.

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

	2022	2021
	RM	RM
Net income before tax	<u>19,852</u>	<u>38,398</u>
Tax at Malaysian statutory tax rate of 24% (2021: 24%)	4,764	9,216
Tax effect of:		
Income not subject to tax	(10,122)	(24,337)
Losses not deductible for tax purposes	-	10,320
Expenses not deductible for tax purposes	3,029	2,957
Restriction on tax deductible expenses for exchange traded fund	2,574	2,056
(Over)/Under provision in prior financial year	<u>(57)</u>	<u>665</u>
Income tax for the financial years	<u>302</u>	<u>877</u>

10. SHORT TERM DEPOSITS

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

11. OTHER RECEIVABLES

	2022	2021
	RM	RM
Interest receivable from short term deposits	97	63
Interest receivable from margin account	564	219
Registrar security deposits	4,500	4,500
	<u>5,161</u>	<u>4,782</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	2022	2021
		RM	RM
Unit holders' contribution	(a)	<u>2,000,000</u>	<u>2,000,000</u>
<u>Accumulated losses:</u>			
Realised deficits		(77,454)	(91,604)
Unrealised deficits		<u>(22,100)</u>	<u>(27,500)</u>
		<u>(99,554)</u>	<u>(119,104)</u>
		<u>1,900,446</u>	<u>1,880,896</u>

(a) Unit holders' contribution

	2022		2021	
	No. of units	RM	No. of units	RM
At beginning/end of the financial year	<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 (2021: nil). The number of units legally or beneficially held by the other parties related to the Manager were 788,200 units valued at RM1,497,932 as at 31 December 2022 (2021: 912,800 units valued at RM1,716,886).

14. PORTFOLIO TURNOVER RATIO (“PTR”)

PTR for the financial year is 12.41 times (2021: 12.49 times).

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

15. TOTAL EXPENSE RATIO (“TER”)

TER for the financial year is 1.04% per annum (2021: 0.92% per annum).

TER 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>47,685,290</u>	<u>100.0</u>	<u>4,632</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 (future 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
2022			
Revenue			
Segment income	14,960	29,429	
Segment expenses	<u>(4,653)</u>	<u>-</u>	
Net segment income representing segment results	<u>10,307</u>	<u>29,429</u>	39,736
Unallocated expenditure			<u>(19,884)</u>
Income before tax			19,852
Income tax			<u>(302)</u>
Net income after tax			<u>19,550</u>
Assets			
Short term deposits	-	1,348,981	
Cash in margin account	558,852	-	
Other segment assets	<u>-</u>	<u>97</u>	
Total segment assets	<u>558,852</u>	<u>1,349,078</u>	1,907,930
Unallocated assets			<u>16,075</u>
			<u>1,924,005</u>
Liabilities			
Financial liabilities at FVTPL	<u>22,100</u>	<u>-</u>	22,100
Unallocated liabilities			<u>1,459</u>
			<u>23,559</u>

17. SEGMENTAL REPORTING (CONTD.)

a. Business segments (contd.)

	Listed derivatives RM	Other investments RM	Total RM
2021			
Revenue			
Segment income	37,176	23,053	
Segment expenses	<u>(4,322)</u>	<u>-</u>	
Net segment income representing segment results	<u>32,854</u>	<u>23,053</u>	55,907
Unallocated expenditure			<u>(17,509)</u>
Income before tax			38,398
Income tax			<u>(877)</u>
Net income after tax			<u>37,521</u>
Assets			
Short term deposits	-	1,413,105	
Cash in margin account	481,513	-	
Other segment assets	<u>219</u>	<u>63</u>	
Total segment assets	<u>481,732</u>	<u>1,413,168</u>	1,894,900
Unallocated assets			<u>15,098</u>
			<u>1,909,998</u>
Liabilities			
Financial liabilities at FVTPL	<u>27,500</u>	<u>-</u>	27,500
Unallocated liabilities			<u>1,602</u>
			<u>29,102</u>

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 at FVTPL RM	Financial assets at amortised cost RM	Other financial liabilities RM	Total RM
2022				
Assets				
Short term deposits	-	1,348,981	-	1,348,981
Amount due from Manager	-	298	-	298
Other receivables	-	4,597	-	4,597
Cash in margin account	-	558,852	-	558,852
Cash at bank	-	10,243	-	10,243
	<u>-</u>	<u>1,922,971</u>	<u>-</u>	<u>1,922,971</u>
Liabilities				
Listed derivatives	22,100	-	-	22,100
Amount due to Trustee	-	-	329	329
Amount due to Index Provider	-	-	957	957
	<u>22,100</u>	<u>-</u>	<u>1,286</u>	<u>23,386</u>

18. FINANCIAL INSTRUMENTS (CONTD.)

a. Classification of financial instruments (contd.)

	Financial assets at FVTPL RM	Financial assets at amortised cost RM	Other financial liabilities RM	Total RM
2021				
Assets				
Short term deposits	-	1,413,105	-	1,413,105
Other receivables	-	4,782	-	4,782
Cash in margin account	-	481,513	-	481,513
Cash at bank	-	10,210	-	10,210
	<u>-</u>	<u>1,909,610</u>	<u>-</u>	<u>1,909,610</u>
Liabilities				
Listed derivatives	27,500	-	-	27,500
Amount due to Manager	-	-	416	416
Amount due to Trustee	-	-	194	194
Amount due to Index Provider	-	-	876	876
	<u>27,500</u>	<u>-</u>	<u>1,486</u>	<u>28,986</u>

b. Financial instruments that are carried at fair value

The Fund's financial liabilities at FVTPL are carried at fair value.

The following table shows the fair value measurements by level of the fair value measurement hierarchy:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Investments:				
2022				
Listed derivatives	<u>22,100</u>	<u>-</u>	<u>-</u>	<u>22,100</u>
2021				
Listed derivatives	<u>27,500</u>	<u>-</u>	<u>-</u>	<u>27,500</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 and previous financial years.

8. DIRECTORS' PROFILE

Name	Norazian Binti Ahmad Tajuddin
Age	62
Gender	Female
Nationality	Malaysian
Position	Chairman/Independent Non-Executive Director
Date of Appointment	<ul style="list-style-type: none"> • 1 November 2022 (Independent Non-Executive Director ("INED")) • 3 March 2022 (Chairman/ INED)
Membership of Board Committee(s)	<ul style="list-style-type: none"> • Member of the Investment Committee (Ceased as the Chairman on 3 March 2022) • Member of the Audit and Risk Committee
Directorship of Other Public Companies	<ul style="list-style-type: none"> • Kenanga Investment Bank Berhad • Kenanga Islamic Investors Berhad
Length of Tenure as Director (As at 31 December 2022)	Three (3) Years and Nine (9) Months
Number of Board Meetings Attended in the Financial Year (January 2022 to December 2022)	Six (6)/ Six (6) (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") • Member the Group Governance, Nomination & Compensation Committee, KIBB • Chairman of the Group Board Risk Committee (Appointed as a Chairman on 1 November 2022) • Member of the Audit Committee (Appointed on 1 November 2022) • Member of the Group Governance, Nomination & Compensation Committee • Member of the Employees' Share Scheme Committee • Independent Non-Executive Director of Kenanga Islamic Investors Berhad, a wholly-owned subsidiary of KIB • Independent Non-Executive Director of I-VCAP Management Sdn Bhd, a wholly-owned subsidiary of KIB

Name	Norazian Binti Ahmad Tajuddin
Past Relevant Experiences	<ul style="list-style-type: none"> Chairman of the Group Governance, Nomination & Compensation Committee and the Employees' Share Scheme Committee as well as Member of the Group Board Digital Innovation & Technology Committee, KIBB Chairman and 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 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
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	Imran Devindran Abdullah
Age	56
Gender	Male
Nationality	Malaysian
Position	Independent Non-Executive Director ("INED")
Date of Appointment	1 June 2015
Membership of Board Committee(s)	<ul style="list-style-type: none"> Chairman of the Audit and Risk Committee (Appointed as the Chairman on 3 March 2022) Member of the Investment Committee
Directorship of Other Public Companies	Nil
Length of Tenure as Director (As at 31 December 2022)	Seven (7) Years and Six (6) Months

Name	Imran Devindran Abdullah
Number of Board Meetings Attended in the Financial Year (January 2022 to December 2022)	Six (6)/ Six (6) (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"> • INED of I-VCAP Management Sdn Bhd • Senior Associate of BH Lawrence & Co, Advocates and Solicitors
Experience	<ul style="list-style-type: none"> • INED 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	Luk Wai Hong, William
Age	58
Gender	Male
Nationality	Hong Kong
Position	Non-Independent Non-Executive Director (“NINED”)
Date of Appointment	<ul style="list-style-type: none"> • 12 April 2021 (Independent Non-Executive Director (“INED”)) • 1 November 2022 (Re-Designated as a NINED)
Membership of Board Committee(s)	<ul style="list-style-type: none"> • Chairman of the Investment Committee (Appointed as the Chairman on 3 March 2022) • Member of the Audit and Risk 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 2022)	One (1) Year and Eight (8) Months
Number of Board Meetings Attended in the Financial Year (January 2022 to December 2022)	Six (6)/ Six (6) (100%)

Name	Luk Wai Hong, William
Academic Qualifications	<ul style="list-style-type: none"> • Executive Fellowship awarded by the State of Washington, United States of America (“USA”) • Master of Urban Planning from University of Michigan, USA • Bachelor of Arts (Honors) from Concordia University, Canada
Present Appointments	<ul style="list-style-type: none"> • Non-Independent Non-Executive Director (“NINED”) of Kenanga Investment Bank Berhad (“KIBB”) (Re-Designated from Independent Non-Executive Director (“INED”) to NINED on 1 November 2022) • Member of the Group Board Risk Committee, KIBB (Ceased to be the Chairman on 1 November 2022) • Member of the Group Board Digital Innovation & Technology Committee, KIBB • Chairman/ NINED of I-VCAP Management Sdn Bhd (Re-Designated from INED to NINED on 1 November 2022) • 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 the Rare Whisky Fund Pte Ltd • Non-Executive Director of The Whisky Capital Pte Ltd • Non-Executive Director of The Whisky Distillery Pte Ltd
Past Relevant Experiences	<ul style="list-style-type: none"> • Member of the Employees’ Share Scheme Committee, KIBB • Member of the Group Governance, Nomination & Compensation Committee, KIBB • Member of the Audit Committee, KIBB • Independent Non-Executive Director, K & N Kenanga Holdings Berhad • Non-Executive Director of Rakuten Trade Singapore Pte Ltd (Formerly known as Kenanga Singapore Pte Ltd) • Principal and Portfolio Manager of Pacific Advantage Capital, Hong Kong and Singapore • 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, Deutsche Bank AG, Singapore • Senior Associate Director and Senior Credit and Derivatives Trader, Deutsche Bank AG, Singapore

Name	Luk Wai Hong, William
Past Relevant Experiences (contd.)	<ul style="list-style-type: none"> • Senior Fixed Income Trader, HSBC Markets, Hong Kong • Fixed Income and Credit Trader, Lehman Brothers Asia, Hong Kong and Japan • Executive Fellow and Transportation Finance Specialist, Office of Financial Management, State of Washington, USA
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	DAtuk Wira Ismitz Matthew De Alwis
Age	48
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 2022)	Eight (8) Years and Four (4) Months
Number of Board Meetings Attended in the Financial Year (January 2022 to December 2022)	Six (6)/ Six (6) (100%)
Academic Qualifications	<ul style="list-style-type: none"> • Islamic Financial Planner, Islamic Business & Finance Institute Malaysia • Cambridge Summer School Programme-Executive Programme, Asian Banking School, University of Cambridge • Advanced Business Management Program, International Institute of Management Development, Lausanne, Switzerland

Name	DAtuk Wira Ismitz Matthew De Alwis
Academic Qualifications (contd.)	<ul style="list-style-type: none"> • Capital Markets Services Representative's Licence for Fund Management, Securities Commission Malaysia • Certified Financial Planner, U.S. • Person Dealing Unit Trust, Federation of Malaysian Unit Trust Manager • Master in Business Administration with Distinction, 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 the Federation of Investment Managers Malaysia • Chairperson of the Malaysia Association of Asset Managers • Member of the Licensing Examinations Review Committee for the Securities Commission Malaysia's Licensing Examination Module 10: Asset & Funds Management • Member of the Industry Competency Framework Advisory Panel for the Malaysian Capital Market, Security Industry Development Corporation • Member of the FTSE Bursa Malaysia Index Advisory Committee • Member of the Joint Committee (Bank Negara Malaysia and Securities Commission Malaysia) on Climate Change (JC3) • Investment Adviser for the Olympic Council of Malaysia's Trust Management Committee • Investment Adviser to KDYTM TMP Children Trust (Current KDYMM YDP Agung) • Chairman of the Investment Advisory Committee for Ericsenz Capital Pte Ltd (Singapore) on Ericsenz-K2 Global Unicorn Fund II • Chairman of the Investment Advisory Committee for Ericsenz Capital Pte Ltd (Singapore) on Ericsenz Frontier Fund • Member of the Sustainable Investment Platform Steering Committee – Malaysia Sustainable Investment Initiative • Council Member of the Institutional Investors Council Malaysia

Name	DAtuk Wira Ismitz Matthew De Alwis
Past Relevant Experiences	<ul style="list-style-type: none"> • 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 • Deputy Chief Executive Officer of KIB • Executive Director/Country Head of ING Investment Management Malaysia/ ING Funds Berhad • 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 – Marketing and 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
Norazian Binti Ahmad Tajuddin	BNM-FIDE Forum MyFintech Week Masterclasses	27 January 2022
	Islamic Wealth Management from Shariah Perspective by Shariah Adviser of Kenanga Investment Bank Berhad ("KIBB")	9 February 2022
	Task Force on Climate Related Financial Disclosure ("TCFD") - Climate Disclosure Training by Bursa - TCFD 101	2 March 2022
	BNM-FIDE Forum Dialogue: Climate Risk Management and Scenario Analysis	8 March 2022
	Task Force on Climate Related Financial Disclosure ("TCFD") - Climate Disclosure Training by Bursa - TCFD 102	9 March 2022
	Introductory Session by UN Global Compact ("UNGC") on: 1) Brief Introduction on Board Leadership & Sustainability; and 2) KIBB-UNGC Collaboration Plans	11 March 2022
	Nomination and Remuneration Committee ("NRC") Dialogue & Networking - Session #1 by Institute of Corporate Directors Malaysia ("ICDM")	15 April 2022
	MetaFinance: The Next Frontier of the Global Economy by FIDE FORUM	23 May 2022
	International Sustainability Standards Board's ("ISSB") Briefing Workshop and Q&As for Emerging Markets by United Nations SSE Initiative	16 June 2022
	FIDE FORUM Leadership Perspectives Forum on Board Effectiveness in conjunction with the Launch of FIDE FORUM Board Effectiveness Evaluation Guidebook.	14 July 2022
	Setting Science-based Targets by UN Global Compact Academy ("UNGC")	15 August 2022
	How To Understand And Take Action On The Global Goals by UNGC	15 August 2022
Singapore Fintech Festival 2022	2 - 4 November 2022	

Director	Program Title and Organiser	Date
Norazian Binti Ahmad Tajuddin (contd.)	Conversations with Audit Committee - Session 1 by Securities Commission Malaysia	17 November 2022
	MACC ACT Section 17A: The Impact of the Technology & the Newly Enhanced Sustainability Reporting by Dr. Mark Lovatt - ICDM	9 December 2022
	Contemporary Issues In Anti-Money Laundering by Nature of Life	1 - 31 December 2022
	Advocacy Dialogue on the Enhanced Sustainability Reporting Framework by Bursa Malaysia	12 December 2022
	Board of Directors Cybersecurity Awareness by EC-Council	14 - 31 December 2022
Imran Devindran Abdullah	Introductory Session by UN Global Compact ("UNGC") on: 1) Brief Introduction on Board Leadership & Sustainability; and 2) KIBB-UNGC Collaboration Plans	11 March 2022
	MACC ACT Section 17A: The Impact of the Technology & the Newly Enhanced Sustainability Reporting by Dr. Mark Lovatt - ICDM	12 December 2022
	Contemporary Issues In Anti-Money Laundering by Nature of Life	1 - 31 December 2022
	Board of Directors Cybersecurity Awareness by EC-Council	14 - 31 December 2022
Luk Wai Hong, William	BNM-FIDE Forum MyFintech Week Masterclasses	27 January 2022
	Introductory Session by UN Global Compact ("UNGC") on: 1) Brief Introduction on Board Leadership & Sustainability; and 2) KIBB-UNGC Collaboration Plans	11 March 2022
	Bursa 2022 Market Intermediaries and Advocacy Programmes - Addressing and Responding to Growing and More Complex Threat of Cyber Security by Asia School of Business	28 June 2022
	Singapore Fintech Festival 2022	2 - 4 November 2022

Director	Program Title and Organiser	Date
Luk Wai Hong, William (contd.)	MACC ACT Section 17A: The Impact of the Technology & the Newly Enhanced Sustainability Reporting by Dr. Mark Lovatt - ICDM	12 December 2022
	Contemporary Issues In Anti-Money Laundering by Nature of Life	1 - 31 December 2022
	Board of Directors Cybersecurity Awareness by EC-Council	14 - 31 December 2022
Datuk Wira Ismitz Matthew De Alwis	Cybersecurity Awareness Training Part 2 - 2022 By Sophos	17 - 26 February 2022
	IMAS - Bloomberg Investment Conference By Investment Management Association of Singapore	9 March 2022
	IMAS Digital Summit 2022 - Digitalisation In Asset Management: How Far Have We Come? By Investment Management Association of Singapore	20 April 2022
	Cybersecurity Awareness Training Part 4 - 2022 By Sophos	19 - 27 May 2022
	How To Understand And Take Action On The Global Goals By United Nations Global Compact Learning Platform	1 - 30 May 2022
	Cybersecurity Awareness Training Part 5 - 2022 By Sophos	22 - 30 June 2022
	Cybersecurity Awareness Training Part 7 - 2022 (2Fa Bots) by Sophos	21 July 2022
	Cybersecurity Awareness Training Part 10- 2022 (Call Center Scams) by Sophos	19 October 2022
	Cybersecurity Awareness Training Part 11 - 2022 (Cybersecurity Culture) by Sophos	17 November 2022
	Translating Human Rights Commitment Into Business Practice by United Nations Global Compact (UNGC) Learning Platform	17 October 2022
	7th Annual Regulatory Seminar (ARS) by Group Regulatory & Corporate Services	14 November 2022
	Business Continuity Management Awareness 2022 by Group Risk Management	30 November 2022

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