

KENANGA KLCI DAILY 2X LEVERAGED ETF

INTERIM REPORT

For the Financial Period From 1 January 2021 to 30 June 2021

kenanga

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

KENANGA KLCI DAILY 2X LEVERAGED ETF

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CORPORATE DIRECTORY

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

Registered Office

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

Business Office

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

Board of Directors

Syed Zafilen Syed Alwee (**Independent Director**)

Imran Devindran Abdullah (**Independent Director**)

Norazian Ahmad Tajuddin (**Independent Director**)

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

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

Investment Committee

Syed Zafilen Syed Alwee (**Independent Member**)

Imran Devindran Abdullah (**Independent Member**)

Norazian Ahmad Tajuddin (**Independent Member**)

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

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

Company Secretary: Norliza Abd Samad (MAICSA 7011089)

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

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

Registered Office

Level 10, Tower 1
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur, Malaysia.
Tel: 03-9287 3888
Fax: 03-9281 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, Malaysia
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 Darul Ehsan
Tel: 03-3341 8818 / 03-3348 7889
Fax: 03-3341 8816

Penang

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

Miri

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

Seremban

2nd Floor, No. 1D-2, Jalan Tuanku Munawir
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

Suite 1, 2nd Floor
No. 63, Persiaran Greenhill
30450 Ipoh, Perak
Tel: 05-254 7573 / 7570 / 7575
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

Petaling Jaya

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

1. FUND INFORMATION

1.1 Fund Name

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

1.2 Fund Category / Type

Exchange-traded fund / Leveraged exchange-traded fund

1.3 Investment Objective

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

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

1.4 Investment Strategy

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

1.5 Benchmark

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

1.6 Distribution Policy

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

1.7 Breakdown of unit holdings of the Fund as at 30 June 2021

| Size of holdings | No. of unit holders | No. of units held |
|-------------------|---------------------|-------------------|
| Less than 100 | - | - |
| 100 - 1,000 | 2 | 1,200 |
| 1,001 - 10,000 | - | - |
| 10,001 - 100,000 | 1 | 998,800 |
| 100,001 and above | - | - |
| Total | 3 | 1,000,000 |

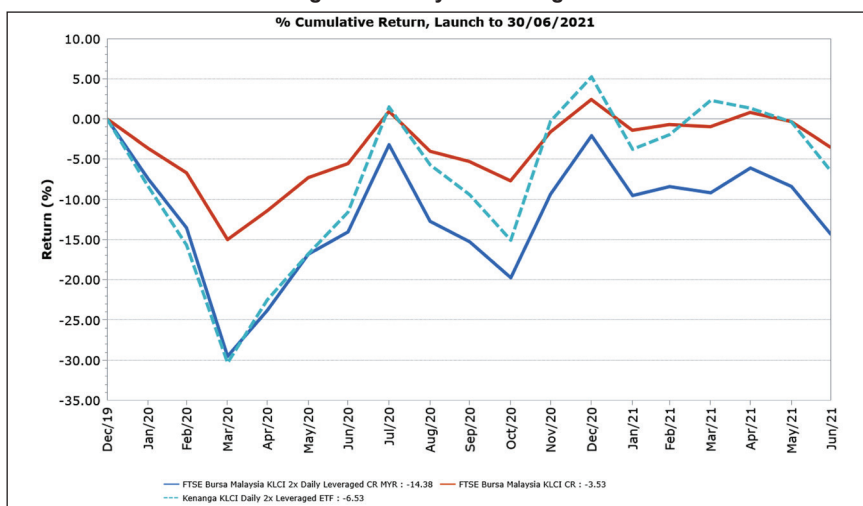
2. MANAGER'S REPORT

2.1 Explanation on whether the Fund has achieved its investment objective

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

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

Performance Chart Since Launch (20/09/2019 – 30/6/2021)
Kenanga KLCI Daily 2x Leveraged ETF



Source: Lipper

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

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

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

2.4 The Fund's asset allocation as at 30 June 2021 and comparison with the previous financial period

| Asset | 30 Jun 2021 | 30 Jun 2020 |
|------------------------------|-------------|-------------|
| Listed derivatives | -1.2% | 0.7% |
| Cash in margin account | 53.9% | 54.8% |
| Short term deposits and cash | 47.3% | 44.5% |

Reason for the differences in asset allocation

The lower percentage of cash in margin account during the financial period under review was a result of an increase in short term deposits and cash value from investments in money market instruments.

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

| | Period under review |
|---|---------------------|
| KKL2X | -11.18% |
| FTSE Bursa Malaysia KLCI 2x Daily Leveraged (Price) Index | -12.56% |

Source: Lipper

For the financial period under review, the Fund outperformed its benchmark returns by 1.38% during the same period. The outperformance was a result of the daily compounding effect resulted from the futures-based replication investment strategy that involved rebalancing and rolling of underlying futures to obtain the required exposure to the Benchmark.

2.6 Review of the market

Market review

Global equities started the year with a positive note as the risk on rally from December 2020 continued into January, bolstered by vaccination rollouts, optimism on the new Biden administration's proposed stimulus plans as well as China's stronger than expected recovery. However, sentiment turned towards the end of the month on vaccine delays, new virus mutations and the economic impact from extended lockdowns. The improved global demand outlook fuelled further rallies in oil, which also benefitted from Saudi Arabia's surprised production cut for February and March. Locally, the market ended its positive streak amidst a rise in the number of new Covid-19 cases, a state of emergency rule, and the beginning of a new round of nationwide lockdown to curb the pandemic. FBM KLCI fell 3.7% for the month to 1,566 points in January.

In February, regional markets were spurred by pick-up of demand recovery and expectations of reopening as vaccinations were rolled out globally. Global markets however sold off towards end February as US 10-year treasury yield surged to 1.41% from 1.07% in January (December 2020: 0.92%), stoked by higher inflation expectations from Biden's USD1.9 trillion stimulus bill. Growth sectors with high valuation were the most affected in the market correction. Commodities had a good run for the month with both CPO and oil price rising. Brent oil price surged to USD66.1 per barrel, the highest level since January 2020 as US production was hit by freezing storms. FBM KLCI rose 0.7% mom to close at 1,578 points in February as Malaysia began easing lockdown measures and started to roll out vaccination program. March saw continual risk-off sentiment locally as US treasury yields continued to rise. Markets remained jittery despite Fed's reassurance that it will hold rate near zero through 2023. BNM kept interest rate unchanged and expects growth to improve from 2Q2021, led by rebound in global demand, higher public and private sector spending. However, BNM revised 2021 GDP forecast range to 6.0-7.5% (6.5-7.5% previously) to reflect potential downside risk from the pandemic. FBM KLCI declined 0.3% month-on-month (MoM) to close at 1,573 points in March following the extension of Conditional Movement Control Order and slower vaccination roll out.

2.6 Review of the market (contd.)

Market review (contd.)

The US markets continued to scale higher in April on the back of stronger economy outlook for 2021 and Biden's proposed USD2 trillion infrastructure bill. A retreat of 10 year treasury yield to 1.63% by end April compared to 1.74% in March helped on sentiment as well. Locally, new Covid-19 cases began to increase in April after hitting the low of 941 cases on 29 March. New cases hit the high of 3,788 on 30 April. FBM KLCI gained 1.8% MoM to close at 1,602 points in April. The US markets marked their fourth straight monthly advance in May as economic data such as lower unemployment claims signalled a sustained rebound, outweighing inflation worries. In Malaysia, new daily Covid-19 cases hit the record high of 9,020 on 29 May. With the stretched medical resources, these led to the government's decision on 28 May 2021 that the country will be placed under a two-week nationwide lockdown similar to MCO 1.0. FBM KLCI declined 1.1% to close at 1,583 points in May.

Moving into June, US markets took a dip mid-month from initial inflation fears and the Federal Reserve's hawkish announcement during the US FOMC meeting, before recouping its losses at the end of the month. Recovery was mainly buoyed by President Biden's announcement on a new infrastructure deal which fuelled a rally among major indices worldwide. Locally, the total lockdown nationwide came into effect in June was extended due to the continued surge in Covid-19 cases. The government also unveiled its National Recovery Plan comprised of a four-phase exit strategy from the current Phase 1 lockdown. World Bank revised Malaysia's 2021 GDP forecast down to 4.5% from 6.0% earlier amid a dramatic resurgence of Covid-19 infections.

FBM KLCI fell 5.8% for the period under review. Foreign investors net sold RM4.2 billion Malaysian equities in 1H2021 and were net sellers of RM24.7 billion in 2020. The Ringgit depreciated by 3.1% against the USD to RM4.149/USD in first half of 2021, alongside the general weakening across emerging market currencies.

Market outlook

While the global economy continues on its recovery path led by developed markets, the risk of a significant pickup in inflation and Covid-19 flareups in some parts of the world could create some volatility. Nonetheless, accommodative monetary policies by global central banks, continual fiscal stimulus and strong corporate earnings growth are overall supportive for global equities.

The combination of strong demand from Federal stimulus checks and disrupted supply due to bottlenecks and pandemic impacts have created inflationary pressures in the short-term. However, as demand moderates towards 2022 and the supply side heals, inflation is expected to moderate back to the Fed's target. Now, more contagious Covid-19 variants are spreading, but existing vaccines seem effective against the new variants as well. Economic data has generally been very strong, indicating strong economic rebound having taken place in US and Europe. Federal Reserve raised US 2021 GDP growth forecast to 6.8-7.3%, from 5.8-6.6% previously. The ECB upgraded Europe 2021/22 GDP growth to 4.6%/4.7% from 4.0%/4.1% respectively. The global economy is expected to grow 6% in 2021, its strongest post-recession pace in 80 years.

2.6 Review of the market (contd.)

Market outlook (contd.)

Domestically, persistent high Covid-19 cases despite FMCO, earnings risks from prolonged lockdown and domestic political uncertainties will continue to weigh on investors' sentiment in the near term. However, acceleration of Covid-19 vaccination programme is expected to flatten the infection curve. Government targets to reach at least 30% vaccination rate by end August. Rapid progress of Covid-19 vaccination programme, gradual relaxation of containment measures and continued strength in external demand will provide support for Malaysian economic recovery. On corporate earnings outlook, consensus estimate 2021 KLCI earnings to rebound 42%, after contracting 13% in 2020. There could be potential downside risk to this forecast after factoring in MCO 2.0/3.0 and renewed lockdown, but 2021 should still post strong growth. Cumulative net foreign outflow was at RM37.1bn since Jan 2010, taking Bursa foreign shareholding to 20.3% as of end June 2021. This is similar to the lowest ever level of foreign shareholding on Bursa Malaysia in Nov 2019 and Feb/May 2010. An ease in foreign selling is supportive for domestic equities.

2.7 Distributions

For the financial period 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 period under review.

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

There were no significant changes in the state of affairs of the Fund during the financial period 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 period 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 period under review.

2.12 Cross-trade

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

3. FUND PERFORMANCE

3.1 Details of portfolio composition of the Fund as at 30 June 2021 against the last financial year as at 31 December 2020 are as follows:

a. Distribution among industry sectors and category of investments:

| | As at 30.6.2021 % | FY 2020 % |
|------------------------------|-------------------------|-----------------|
| Listed derivatives | (1.2) | (1.8) |
| Cash in margin account | 53.9 | 59.7 |
| Short term deposits and cash | 47.3 | 42.1 |
| | <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 30 June 2021

| Rank | Constituent | Index Weight (%) |
|------|------------------------------------|------------------|
| 1 | Public Bank Bhd | 13.63 |
| 2 | Malayan Banking Bhd | 10.42 |
| 3 | Tenaga Nasional Bhd | 8.21 |
| 4 | CIMB Group Holdings Bhd | 6.90 |
| 5 | Petronas Chemicals Group Bhd | 4.88 |
| 6 | Top Glove Corp Bhd | 4.72 |
| 7 | Press Metal Aluminium Holdings Bhd | 3.89 |
| 8 | Axiata Group Bhd | 3.71 |
| 9 | IHH Healthcare Bhd | 3.48 |
| 10 | Digi.Com Bhd | 3.24 |

Source: Bloomberg

3.2 Performance details of the Fund for the financial period ended 30 June 2021 against the last financial year ended 31 December 2020 are as follows:

| | 1.1.2021 to 30.6.2021 | FY 2020 |
|---|----------------------------------|--------------------|
| Total asset value (RM Million) | 1.89 | 2.15 |
| Net asset value ("NAV") (RM Million) ¹ | 1.87 | 2.10 |
| Units in circulation (Million) | 1.00 | 1.00 |
| NAV per unit (RM) | 1.8694 | 2.1047 |
| Highest NAV per unit (RM) | 2.1216 | 2.2550 |
| Lowest NAV per unit (RM) | 1.8694 | 1.1450 |
| Listed price (RM) ¹ | 1.8950 | 1.8600 |
| Highest listed price (RM) | 2.0400 | 2.0000 |
| Lowest listed price (RM) | 1.9800 | 1.2600 |
| Total return (%) | -11.18 | 5.23 |
| - Capital growth (%) | -11.18 | 5.23 |
| - Income growth (%) | - | - |
| Gross distribution per unit (sen) | - | - |
| Net distribution per unit (sen) | - | - |
| Management expense ratio ("MER") (%) ² | 0.71 | 0.83 |
| Portfolio turnover ratio ("PTR") (times) ³ | 12.09 | 25.97 |
| Tracking error | 0.76 | 2.24 |

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

MER is computed based on the total fees and expenses incurred by the Fund divided by the average fund size calculated on a daily basis. 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 period under review.

- 1. As at 30 June 2021, the Fund has a net asset value of RM1.87 million and 1 million units in circulation. KLCI was volatile and trended negatively during the period under review due to the rise in the number of new Covid-19 cases, a state of emergency rule, and numerous changes on the nationwide lockdown measures to curb the pandemic. Despite a short recovery seen in first quarter of 2021, which sent the Fund's net asset per unit to the highest level of RM2.1216, the overall negative trend of KLCI led to a drop in the Fund's net asset per unit and closed the period under review at the lowest level of RM1.8694. Similarly, the listed price achieved the highest level of RM2.04 in the interim and closed the period under review at the lowest level of RM1.895.*
- 2. MER is lower against the previous financial year mainly due to lower expenses incurred during the financial period under review.*
- 3. PTR is lower due to lesser daily rebalancing frequency of futures contracts in the Fund amid lower market volatility during the financial period under review.*

3.3 Average total return of the Fund

| | 1 Year 30 Jun 20 - 30 Jun 21 | Since Inception 20 Dec 19 - 30 Jun 20 |
|---|---|--|
| KKL2X | 5.72% | -11.59% |
| FTSE Bursa Malaysia KLCI 2x Daily Leveraged (Price) Index | -0.40% | -16.41% |

Source: Lipper

3.4 Annual total return of the Fund

| | Period under review 31 Jun 20 - 31 Jun 21 | Since Inception 20 Dec 19 - 31 Dec 20 |
|---|--|--|
| KKL2X | -11.18% | 5.23% |
| FTSE Bursa Malaysia KLCI 2x Daily Leveraged (Price) Index | -12.56% | -2.08% |

Source: Lipper

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

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

We have acted as Trustee of Kenanga KLCI Daily 2X Leveraged ETF ("the Fund") for the financial period ended 30 June 2021. In our opinion and to the best of our knowledge, Kenanga Investors Berhad ("the Manager"), has operated and managed the Fund in accordance with the following:-

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

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

MOHD SOFIAN BIN KAMARUDDIN
Vice President

SELINE LAI SWEE LAN
Assistant Vice President

Kuala Lumpur, Malaysia

28 September 2021

5. STATEMENT BY THE MANAGER

I, Ismitz Matthew De Alwis, being a director of Kenanga Investors Berhad, do hereby state that, in the opinion of the Manager, the accompanying statement of financial position as at 30 June 2021 and the related statement of comprehensive income, statement of changes in net asset value and statement of cash flows for the financial period from 1 January 2021 to 30 June 2021 together with notes thereto, are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of Kenanga KLCI Daily 2x Leveraged ETF as at 30 June 2021 and of its financial performance and cash flows for the financial period from 1 January 2021 to 30 June 2021 and comply with the requirements of the Deed.

For and on behalf of the Manager
KENANGA INVESTORS BERHAD

ISMITZ MATTHEW DE ALWIS
Executive Director/Chief Executive Officer

Kuala Lumpur, Malaysia

28 September 2021

6. FINANCIAL STATEMENTS

6.1 STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021 (unaudited)

| | | 1.1.2021 to 30.6.2021 RM | 20.12.2019 (date of commencement) to 30.6.2020 RM |
|---|---|--------------------------------|---|
| INVESTMENT INCOME | | | |
| Interest income | | 9,516 | 12,246 |
| Net loss from investments: | | | |
| - Financial assets at fair value through profit or loss ("FVTPL") | 4 | <u>(232,100)</u> | <u>(233,225)</u> |
| | | <u>(222,584)</u> | <u>(220,979)</u> |
| EXPENSES | | | |
| Manager's fee | 5 | 4,991 | 3,852 |
| Trustee's fee | 6 | 399 | 308 |
| Index license fee | 7 | 539 | 416 |
| Administration expenses | | 2,409 | 1,761 |
| Brokerage and other transaction costs | | <u>4,365</u> | <u>4,436</u> |
| | | <u>12,703</u> | <u>10,773</u> |
| NET LOSS BEFORE TAX | | (235,287) | (231,752) |
| Income tax | 9 | <u>-</u> | <u>-</u> |
| NET LOSS AFTER TAX, REPRESENTING TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD | | <u>(235,287)</u> | <u>(231,752)</u> |
| Net loss after tax is made up as follows: | | | |
| Realised loss | | (251,662) | (243,502) |
| Unrealised gain | 4 | <u>16,375</u> | <u>11,750</u> |
| | | <u>(235,287)</u> | <u>(231,752)</u> |

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

**6.2 STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021 (unaudited)**

| | Note | 30.6.2021 RM | 30.6.2020 RM |
|---|-------|------------------|------------------|
| ASSETS | | | |
| INVESTMENTS | | | |
| Financial assets at FVTPL | 4 | - | 11,750 |
| Short term deposits | 10 | <u>871,000</u> | <u>775,000</u> |
| | | <u>871,000</u> | <u>786,750</u> |
| OTHER ASSETS | | | |
| Other receivables | 11 | 4,899 | 4,924 |
| Cash in margin account | 12 | 1,005,277 | 968,498 |
| Cash at bank | | <u>10,870</u> | <u>10,491</u> |
| | | <u>1,021,046</u> | <u>983,913</u> |
| TOTAL ASSETS | | <u>1,892,046</u> | <u>1,770,663</u> |
| LIABILITIES | | | |
| Financial liabilities at FVTPL | 4 | 21,725 | - |
| Amount due to Manager | | 394 | 1,815 |
| Amount due to Trustee | | 65 | 161 |
| Amount due to Index Provider | | 359 | 416 |
| Other payables | | <u>83</u> | <u>23</u> |
| TOTAL LIABILITIES | | <u>22,626</u> | <u>2,415</u> |
| EQUITY | | | |
| Unit holders' contribution | | 2,000,000 | 2,000,000 |
| Accumulated losses | | <u>(130,580)</u> | <u>(231,752)</u> |
| NET ASSET VALUE ("NAV") ATTRIBUTABLE TO UNIT HOLDERS | 13 | <u>1,869,420</u> | <u>1,768,248</u> |
| TOTAL LIABILITIES AND EQUITY | | <u>1,892,046</u> | <u>1,770,663</u> |
| NUMBER OF UNITS IN CIRCULATION | 13(a) | <u>1,000,000</u> | <u>1,000,000</u> |
| NET ASSET VALUE PER UNIT (RM) | | <u>1.8694</u> | <u>1.7682</u> |

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

**6.3 STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021** *(unaudited)*

| | Note | Unit holders' contribution RM | Accumulated losses RM | Total NAV RM |
|---|-------|-------------------------------------|-----------------------------|------------------|
| 1.1.2021 to 30.6.2021 | | | | |
| At beginning of the financial period | | 2,000,000 | 104,707 | 2,104,707 |
| Total comprehensive loss | | <u>-</u> | <u>(235,287)</u> | <u>(235,287)</u> |
| At end of the financial period | | <u>2,000,000</u> | <u>(130,580)</u> | <u>1,869,420</u> |
| 20.12.2019 (date of commencement) to 30.6.2020 | | | | |
| At date of commencement | | - | - | - |
| Total comprehensive loss | | - | (231,752) | (231,752) |
| Creation of units | 13(a) | <u>2,000,000</u> | <u>-</u> | <u>2,000,000</u> |
| At end of the financial period | | <u>2,000,000</u> | <u>(231,752)</u> | <u>1,768,248</u> |

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

6.4 STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021 *(unaudited)*

| | 1.1.2021 to 30.6.2021 | 20.12.2019 (date of commencement) to 30.6.2020 |
|---|----------------------------------|---|
| | RM | RM |
| CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES | | |
| Withdrawal from margin account | 250,463 | - |
| Interest received | 9,753 | 11,822 |
| Deposit to margin account | - | (968,498) |
| Trustee's fee paid | (699) | (147) |
| Index license fee paid | (1,124) | - |
| Payment for other fees and expenses | (3,277) | (6,238) |
| Brokerage fee paid to financial institution | (4,365) | (4,436) |
| Manager's fee paid | (5,086) | (2,037) |
| Net loss from financial assets at FVTPL | <u>(248,475)</u> | <u>(244,975)</u> |
| Net cash used in operating and investing activities | <u>(2,810)</u> | <u>(1,214,509)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash received from units created, representing net cash generated from financing activities | <u>-</u> | <u>2,000,000</u> |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (2,810) | 785,491 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD/DATE OF COMMENCEMENT | <u>884,680</u> | <u>-</u> |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD | <u>881,870</u> | <u>785,491</u> |
| Cash and cash equivalents comprise: | | |
| Cash at bank | 10,870 | 10,491 |
| Short term deposits | <u>871,000</u> | <u>775,000</u> |
| | <u>881,870</u> | <u>785,491</u> |

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

6.5 NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021 (unaudited)

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

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

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

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

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

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

a. Market risk

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

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

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

a. Market risk (contd.)

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

i. Interest rate risk

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

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

Interest rate risk exposure

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

| | Up to 1 year RM | Non- exposure to interest rate movement RM | Total RM | Weighted average effective interest rate* % |
|--|-----------------------|---|------------------|--|
| 30.6.2021 | | | | |
| Assets | | | | |
| Short term deposits | 871,000 | - | 871,000 | 1.7 |
| Cash in margin account | 1,005,277 | - | 1,005,277 | 0.4 |
| Other assets | - | 15,769 | 15,769 | |
| | <u>1,876,277</u> | <u>15,769</u> | <u>1,892,046</u> | |
| Liabilities | | | | |
| Financial liabilities at FVTPL | - | 21,725 | 21,725 | |
| Other liabilities | - | 818 | 818 | |
| | <u>-</u> | <u>22,543</u> | <u>22,543</u> | |
| Total interest rate sensitivity gap | <u>1,876,277</u> | <u>(6,774)</u> | <u>1,869,503</u> | |

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

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

b. Market risk (contd.)

i. Interest rate risk (contd.)

Interest rate risk exposure (contd.)

| | Up to 1 year RM | Non- exposure to interest rate movement RM | Total RM | Weighted average effective interest rate* % |
|--|-----------------------|---|------------------|--|
| 30.6.2020 | | | | |
| Assets | | | | |
| Financial assets at FVTPL | - | 11,750 | 11,750 | |
| Short term deposits | 775,000 | - | 775,000 | 3.3 |
| Cash in margin account | 968,498 | - | 968,498 | 0.6 |
| Other assets | - | 15,415 | 15,415 | |
| | <u>1,743,498</u> | <u>27,165</u> | <u>1,770,663</u> | |
| Liabilities | | | | |
| Other liabilities | - | 2,392 | 2,392 | |
| Total interest rate sensitivity gap | <u>1,743,498</u> | <u>24,773</u> | <u>1,768,271</u> | |

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

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.

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

a. Market risk (contd.)

ii. Price risk (contd.)

Price risk sensitivity

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

| | Changes in price Increase/(Decrease) Basis points | Effects on loss for the financial period Gain/(Loss) RM |
|--------------------------------|---|--|
| 30.6.2021 | | |
| Financial liabilities at FVTPL | 5/(5) | 1,831/(1,831) |
| 30.6.2020 | | |
| Financial assets at FVTPL | 5/(5) | 1,757/(1,757) |

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 | |
|------------------------------|-----------------|-----------------|-------------------|----------------|
| | 30.6.2021 RM | 30.6.2020 RM | 30.6.2021 % | 30.6.2020 % |
| Financial assets at FVTPL | (21,725) | 11,750 | (1.2) | 0.7 |

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.

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

b. Credit risk (contd.)

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 these financial assets by rating category:

Short term deposits

| | Percentage of total short term deposits | | Percentage of NAV | |
|---------------|---|-----------|-------------------|-----------|
| | 30.6.2021 | 30.6.2020 | 30.6.2021 | 30.6.2020 |
| | % | % | % | % |
| Rating | | | | |
| P1/MARC-1 | 100.0 | 100.0 | 46.6 | 43.8 |

Cash in margin account

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

| | Percentage of total cash in margin account | | Percentage of NAV | |
|---------------|--|-----------|-------------------|-----------|
| | 30.6.2021 | 30.6.2020 | 30.6.2021 | 30.6.2020 |
| | % | % | % | % |
| Rating | | | | |
| Not rated | 100.0 | 100.0 | 53.8 | 54.8 |

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.

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

c. Liquidity risk (contd.)

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

| | Note | Up to 1 year | |
|--------------------------------|------|------------------|------------------|
| | | 30.6.2021 RM | 30.6.2020 RM |
| Assets | | | |
| Financial assets at FVTPL | | - | 11,750 |
| Short term deposits | | 871,000 | 775,000 |
| Cash in margin account | | 1,005,277 | 968,498 |
| Other assets | | <u>15,769</u> | <u>15,415</u> |
| | i. | <u>1,892,046</u> | <u>1,770,663</u> |
| Liabilities | | | |
| Financial liabilities at FVTPL | | 21,725 | - |
| Other liabilities | | <u>818</u> | <u>2,392</u> |
| | ii. | <u>22,543</u> | <u>2,392</u> |
| Equity | iii. | <u>1,869,420</u> | <u>1,768,248</u> |
| Liquidity gap | | <u>83</u> | <u>23</u> |

i. Financial assets

Analysis of financial assets at FVTPL into maturity groupings is based on the expected date on which these assets will be realised. During the previous financial period, the Fund's investments in listed derivatives have been included in the "up to 1 year" category on the assumption that these are highly liquid investments which can be realised should all of the Fund's unit holders' equity be required to be redeemed. For other assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date on which the assets will be realised.

ii. Financial liabilities

Analysis of financial liabilities at FVTPL into maturity groupings is based on the expected date on which these assets will be realised. During the financial period, 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.

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

c. Liquidity risk (contd.)

iii. Equity

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

d. Regulatory reportings

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of accounting

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

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

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 2021.

| Description | Effective for financial periods beginning on or after |
|---|--|
| Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: <i>Interest Rate Benchmark Reform - Phase 2</i> | 1 January 2021 |
| Amendments to MFRS 16: <i>Covid-19 - Related Rent Concessions beyond 30 June 2021</i> | 1 April 2021 |

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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 standards when they become effective.

| Description | Effective for financial periods beginning on or after |
|---|---|
| Amendments to MFRS contained in the document entitled " <i>Annual Improvements to MFRS Standards 2018 - 2020 Cycle</i> " | 1 January 2022 |
| Amendments to MFRS 1: <i>Subsidiary as a First-time Adopter contained in the document entitled "Annual Improvements to MFRS Standards 2018 - 2020 Cycle"</i> | 1 January 2022 |
| Amendments to MFRS 9: <i>Fees in the '10 per cent' Test for Derecognition of Financial Liabilities contained in the document entitled "Annual Improvements to MFRS Standards 2018 - 2020 Cycle"</i> | 1 January 2022 |
| Amendments to Illustrative Examples accompanying MFRS 16: <i>Lease Incentives contained in the document entitled "Annual Improvements to MFRS Standards 2018 - 2020 Cycle"</i> | 1 January 2022 |
| Amendments to MFRS 141: <i>Taxation in Fair Value Measurements contained in the document entitled "Annual Improvements to MFRS Standards 2018 - 2020 Cycle"</i> | 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 |
| MFRS 17: <i>Insurance Contracts</i> | 1 January 2023 |
| Amendments to MFRS 17: <i>Insurance Contracts</i> | 1 January 2023 |
| Amendments to MFRS 101: <i>Classification of Liabilities as Current or Non-current</i> | 1 January 2023 |
| Amendments to MFRS 101: <i>Disclosure of Accounting Policies</i> | 1 January 2023 |
| Amendments to MFRS 108: <i>Definition of Accounting Estimates</i> | 1 January 2023 |
| Amendments to MFRS 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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.

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 fair value through profit or loss ("FVTPL"), transaction costs.

The Fund's other financial assets include cash in margin account, cash at bank, 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 initially and 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, cash in margin account, short term deposits, trade receivables and other receivables at amortised cost

The Fund only measures the cash at banks, cash in margin account, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

c. Financial instruments (contd.)

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

The details of these conditions are outlined below.

Business model assessment

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

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

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

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

The SPPI test

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

c. Financial instruments (contd.)

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

The SPPI test (contd.)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

d. Derecognition of financial assets (contd.)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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 from investment in listed derivatives is measured by the net settlement amount as per the future contracts.

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

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

j. Unrealised reserves

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

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

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

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

l. Functional and presentation currency

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

m. Distributions

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

n. Significant accounting judgement 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 period.

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.

| | 30.6.2021 | 30.6.2020 |
|--|--------------------|----------------------|
| | RM | RM |
| Financial assets held for trading, at FVTPL: | | |
| Listed derivatives - KLCI futures contracts | <u>(21,725)</u> | <u>11,750</u> |
| | | |
| | 1.1.2021 to | 20.12.2019 |
| | 30.6.2021 | (date of |
| | RM | commencement) |
| | | to 30.6.2020 |
| | | RM |
| Net loss on financial assets at FVTPL comprised: | | |
| Realised loss on disposals | (248,475) | (244,975) |
| Unrealised changes in fair values | <u>16,375</u> | <u>11,750</u> |
| | <u>(232,100)</u> | <u>(233,225)</u> |

There were 49 futures contracts with notional principal amount of RM3,755,850 that remain outstanding as at 30 June 2021 (30 June 2020: 47 futures contract with notional principal amount of RM3,513,250).

5. MANAGER'S FEE

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

The Manager is currently calculated at 0.50% per annum of the NAV of the Fund (financial period from 20 December 2019 (date of commencement) to 30 June 2020: 0.50% per annum).

6. TRUSTEE'S FEE

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

The Trustee's fee is currently calculated at 0.04% per annum of the NAV of the Fund (financial period from 20 December 2019 (date of commencement) to 30 June 2020: 0.04% per annum).

7. INDEX LICENSE FEE

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

The index license fee is currently calculated at 0.05% per annum of the NAV of the Fund (financial period from 20 December 2019 (date of commencement) to 30 June 2020: 0.05% per annum).

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

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

9. INCOME TAX

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

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

9. INCOME TAX (CONTD.)

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

| | 1.1.2021 to 30.6.2021 RM | 20.12.2019 date of commencement) to 30.6.2020 RM |
|---|---|---|
| Net income before tax | <u>(235,287)</u> | <u>(231,752)</u> |
| Tax at Malaysian statutory tax rate of 24% (financial period from 20 December 2019 (date of commencement) to 30 June 2020: 24%) | (56,469) | (55,620) |
| Tax effect of: | | |
| Income not subject to tax | (6,214) | (5,759) |
| Loss not deductible for tax purposes | 59,634 | 58,794 |
| Expenses not deductible for tax purposes | 1,851 | 1,661 |
| Restriction on tax deductible expenses for exchange traded fund | 1,198 | 924 |
| Income tax for the financial period | <u>-</u> | <u>-</u> |

10. SHORT TERM DEPOSITS

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

11. OTHER RECEIVABLES

| | 30.6.2021 RM | 30.6.2020 RM |
|--|-------------------------|-------------------------|
| Interest receivable from short term deposits | 41 | 41 |
| Interest receivable from margin account | 358 | 383 |
| Registrar security deposits | <u>4,500</u> | <u>4,500</u> |
| | <u>4,899</u> | <u>4,924</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 | 30.6.2021 RM | 30.6.2020 RM |
|--------------------------------|------|------------------|------------------|
| Unit holders' contribution | (a) | <u>2,000,000</u> | <u>2,000,000</u> |
| <u>Accumulated losses:</u> | | | |
| Realised deficits | | (108,855) | (243,502) |
| Unrealised (deficits)/reserves | | <u>(21,725)</u> | <u>11,750</u> |
| | | <u>(130,580)</u> | <u>(231,752)</u> |
| | | <u>1,869,420</u> | <u>1,768,248</u> |

(a) Unit holders' contribution

| | 1.1.2021 to 30.6.2021 | | 20.12.2019 (date of commencement) to 30.6.2020 | |
|---|-----------------------|------------------|--|------------------|
| | No. of units | RM | No. of units | RM |
| At beginning of the financial period/date of commencement | 1,000,000 | 2,000,000 | - | - |
| Add: Creation of units | <u>-</u> | <u>-</u> | <u>1,000,000</u> | <u>2,000,000</u> |
| At end of the financial period | <u>1,000,000</u> | <u>2,000,000</u> | <u>1,000,000</u> | <u>2,000,000</u> |

The number of units legally or beneficially held by the Manager, Kenanga Investors Berhad, as at 30 June 2021 were nil (2020: nil). The number of units held by related party as at 30 June 2021 was 998,800 units valued at RM1,867,157 (30 June 2020: 1,000,000 units valued at RM1,768,248).

14. PORTFOLIO TURNOVER RATIO ("PTR")

PTR for the financial period from 1 January 2021 to 30 June 2021 is 12.09 times (financial period from 20 December 2019 (date of commencement) to 30 June 2020: 13.65 times).

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

15. MANAGEMENT EXPENSE RATIO (“MER”)

MER for the financial period from 1 January 2021 to 30 June 2021 is 0.71% per annum (financial period from 20 December 2019 (date of commencement) to 30 June 2020: 0.70% per annum).

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

16. TRANSACTIONS WITH LICENSED FINANCIAL INSTITUTIONS

| | Transaction value | Percentage of total | Brokerage, stamp duty and clearing fee | Percentage of total |
|-----------------------------|------------------------------|--------------------------------|---|--------------------------------|
| | RM | % | RM | % |
| Kenanga Futures Sdn Bhd* | <u>48,648,654</u> | <u>100.0</u> | <u>8,729</u> | <u>100.0</u> |

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

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

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

17. SEGMENTAL REPORTING

a. Business segments

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

| | Listed investment securities RM | Other investments RM | Total RM |
|--|--|-------------------------------------|---------------------|
| 1.1.2021 to 30.6.2021 | | | |
| Revenue | | | |
| Segment (loss)/income | (232,100) | 9,516 | |
| Segment expenses | <u>(4,365)</u> | <u>-</u> | |
| Net segment (loss)/income representing segment results | <u>(236,465)</u> | <u>9,516</u> | (226,949) |
| Unallocated expenditure | | | <u>(8,338)</u> |
| Loss before tax | | | (235,287) |
| Income tax | | | <u>-</u> |
| Net loss after tax | | | <u>(235,287)</u> |
| 30.6.2021 | | | |
| Assets | | | |
| Short term deposits | - | 871,000 | |
| Other segment assets | <u>-</u> | <u>41</u> | |
| Total segment assets | <u>-</u> | <u>871,041</u> | 871,041 |
| Unallocated assets | | | <u>1,021,005</u> |
| | | | <u>1,892,046</u> |
| Liabilities | | | |
| Financial liabilities at FVTPL, represent segment liabilities | <u>21,725</u> | <u>-</u> | 21,725 |
| Unallocated liabilities | | | <u>901</u> |
| | | | <u>22,626</u> |

17. SEGMENTAL REPORTING (CONTD.)

a. Business segments (contd.)

| | Listed investment securities RM | Other investments RM | Total RM |
|--|--|----------------------------|------------------|
| 20.12.2019 (date of commencement) to 30.6.2020 | | | |
| Revenue | | | |
| Segment (loss)/income | (233,225) | 12,246 | |
| Segment expenses | <u>(4,436)</u> | <u>-</u> | |
| Net segment (loss)/income representing segment results | <u>(237,661)</u> | <u>12,246</u> | (225,415) |
| Unallocated expenditure | | | <u>(6,337)</u> |
| Loss before tax | | | (231,752) |
| Income tax | | | <u>-</u> |
| Net loss after tax | | | <u>(231,752)</u> |
| 30.6.2020 | | | |
| Assets | | | |
| Financial assets at FVTPL | 11,750 | - | |
| Short term deposits | - | 775,000 | |
| Other segment assets | <u>-</u> | <u>41</u> | |
| Total segment assets | <u>11,750</u> | <u>775,041</u> | 786,791 |
| Unallocated assets | | | <u>983,872</u> |
| | | | <u>1,770,663</u> |
| Liabilities | | | |
| Unallocated liabilities | | | <u>2,415</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 liabilities at FVTPL RM | Financial assets at amortised cost RM | Other financial liabilities RM | Total RM |
|---------------------------------|--|---|---|------------------|
| 30.6.2021 | | | | |
| Assets | | | | |
| Short term deposits | - | 871,000 | - | 871,000 |
| Other receivables | - | 4,899 | - | 4,899 |
| Cash in margin account | - | 1,005,277 | - | 1,005,277 |
| Cash at bank | - | 10,870 | - | 10,870 |
| | <u>-</u> | <u>1,892,046</u> | <u>-</u> | <u>1,892,046</u> |
| Liabilities | | | | |
| Listed derivatives | 21,725 | - | - | 21,725 |
| Amount due to Manager | - | - | 394 | 394 |
| Amount due to Trustee | - | - | 65 | 65 |
| Amount due to Index Provider | - | - | 359 | 359 |
| | <u>21,725</u> | <u>-</u> | <u>818</u> | <u>22,543</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 |
|---------------------------------|---------------------------------------|---|---|------------------|
| 30.6.2020 | | | | |
| Assets | | | | |
| Listed derivatives | 11,750 | - | - | 11,750 |
| Short term deposits | - | 775,000 | - | 775,000 |
| Other receivables | - | 4,924 | - | 4,924 |
| Cash in margin account | - | 968,498 | - | 968,498 |
| Cash at bank | - | 10,491 | - | 10,491 |
| | <u>11,750</u> | <u>1,758,913</u> | <u>-</u> | <u>1,770,663</u> |
| Liabilities | | | | |
| Amount due to Manager | - | - | 1,815 | 1,815 |
| Amount due to Trustee | - | - | 161 | 161 |
| Amount due to Index Provider | - | - | 416 | 416 |
| | <u>-</u> | <u>-</u> | <u>2,392</u> | <u>2,392</u> |

b. Financial instruments that are carried at fair value

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

| | Level 1 RM | Level 2 RM | Level 3 RM | Total RM |
|---------------------|-----------------|---------------|---------------|-----------------|
| Investments: | | | | |
| 30.6.2021 | | | | |
| Listed derivatives | <u>(21,725)</u> | <u>-</u> | <u>-</u> | <u>(21,725)</u> |
| 30.6.2020 | | | | |
| Listed derivatives | <u>11,750</u> | <u>-</u> | <u>-</u> | <u>11,750</u> |

18. FINANCIAL INSTRUMENTS (CONTD.)

b. Financial instruments that are carried at fair value (contd.)

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.

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 periods.

20. SIGNIFICANT EVENT

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

While the Fund is not able to fully ascertain on the financial impact of the COVID-19 outbreak at the date of this report, it is anticipated based on initial assessments performed, that there have not been any circumstances which would require adjustments to be made to the carrying values of the assets and liabilities of the Fund as at 30 June 2021. The Fund holds sufficient capital and will continue to prudently manage risks in order to ensure that it remains resilient through this period of uncertainty.

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