

# MASTER PROSPECTUS

**OneETF**  
Exchange Traded Fund  
by **kenanga**

## **KENANGA KLCI DAILY 2X LEVERAGED ETF**

(AN EXCHANGE-TRADED FUND ESTABLISHED AND CONSTITUTED IN MALAYSIA ON 4 SEPTEMBER 2019)

## **KENANGA KLCI DAILY (-1X) INVERSE ETF**

(AN EXCHANGE-TRADED FUND ESTABLISHED AND CONSTITUTED IN MALAYSIA ON 4 SEPTEMBER 2019)

MASTER PROSPECTUS IN RESPECT OF THE OFFERING OF:

- (1) UP TO 1,000,000,000 UNITS OF KENANGA KLCI DAILY 2X LEVERAGED ETF AT THE INITIAL ISSUE PRICE OF MYR 2.00 EACH;  
AND  
(2) UP TO 1,000,000,000 UNITS OF KENANGA KLCI DAILY (-1X) INVERSE ETF AT THE INITIAL ISSUE PRICE OF MYR 2.00 EACH  
PURSUANT TO THE LISTING OF THE UNITS ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

The Securities Commission Malaysia ("SC") has approved the listing or quotation of Units of the Kenanga KLCI Daily 2x Leveraged ETF and Kenanga KLCI Daily (-1x) Inverse ETF (collectively "the Funds") on the Main Market of Bursa Malaysia Securities Berhad and a copy of this Master Prospectus has been registered by the SC.

The approval, and registration of this Master Prospectus, should not be taken to indicate that the SC recommends the Funds or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this Master Prospectus. The Securities Commission Malaysia has not, in any way, considered the merits of the securities being offered for investment.

The SC is not liable for any non-disclosure on the part of the management company responsible for the Funds and takes no responsibility for the contents of this Master Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Master Prospectus.

Admission to the Official List of Bursa Malaysia Securities Berhad is not to be taken as an indication of the merits of the offering, the Funds or of the Fund's units.

**THIS MASTER PROSPECTUS IS DATED 20 DECEMBER 2019**

**Manager**

**kenanga**  
Kenanga Investors

Kenanga Investors Berhad  
199501024358 (353563-P)

**Trustee**



RHB Trustees Berhad  
200201005356 (573019-U)

**Participating Dealer and  
Market Maker**

**kenanga**

Kenanga Investment Bank Berhad  
197301002193 (15678-H)

**Placement Agent**

**kenanga**

Kenanga Investment Bank Berhad  
197301002193 (15678-H)

### **TECHNICAL ADVISOR**

**Yuanta Securities Investment Trust Co., Ltd. (86384477)**

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE MASTER PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 15.



## **RESPONSIBILITY STATEMENTS**

The directors of Kenanga Investors Berhad have seen and approved this Master Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement, or other facts which if omitted, would make any statement in this Master Prospectus false or misleading.

Kenanga Investment Bank Berhad, being the Placement Agent, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Master Prospectus constitutes a full and true disclosure of all material facts concerning the public offering.

## **ADDITIONAL STATEMENTS**

Investors should note that they may seek recourse under the *Capital Markets and Services Act 2007* for breaches of securities laws and regulations including any statement in this Master Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Master Prospectus or the conduct of any other person in relation to the Funds

## ELECTRONIC MASTER PROSPECTUS

The contents of the electronic copy of this Master Prospectus and the copy of this Master Prospectus registered with the Securities Commission Malaysia are the same. Prospective investors may obtain a copy of the Electronic Master Prospectus from the website of the Funds at [www.oneetf.com.my](http://www.oneetf.com.my).

The internet is not a fully secured medium. If investors doubt the validity or integrity of an Electronic Master Prospectus, investors should immediately request from the Manager a paper or printed copy of this Master Prospectus. If there is any discrepancy between the contents of the Electronic Master Prospectus and the paper or printed copy of this Master Prospectus, the contents of the paper or printed copy of this Master Prospectus which are identical to the copy of the Master Prospectus registered with the Securities Commission Malaysia shall prevail.

In relation to any reference in this Master Prospectus to third party internet sites (referred to as “**Third Party Internet Sites**”), whether by way of hyperlinks or by way of description of the Third Party Internet Sites, investors acknowledge and agree that:

- (i) each of the Manager, Participating Dealer and Placement Agent does not endorse and is not affiliated in any way with the Third Party Internet Sites. Accordingly, each of the Manager, Participating Dealer and Placement Agent is not responsible for the availability of, or the contents of any data, files or other material provided on Third Party Internet Sites. Investors bear all risks associated with the access to or use of Third Party Internet Sites;
- (ii) each of the Manager, Participating Dealer and Placement Agent is not responsible for the quality of products or services of the Third Party Internet Sites, particularly in fulfilling any terms of agreements with Third Party Internet Sites. Each of the Manager, Participating Dealer and Placement Agent is also not responsible for any loss or damage or cost that investors may suffer or incur in connection with or as a result of dealing with Third Party Internet Sites or the use of or reliance on any data, file or other material provided by such parties; and
- (iii) any data, file or other material downloaded from Third Party Internet Sites is done at the investors' own discretion and risk. Each of the Manager, Participating Dealer and Placement Agent is not responsible, liable or under any obligation for any damage to investors' computer systems or loss of data resulting from the downloading of any such data, information, files or other material.

Where an Electronic Master Prospectus is hosted on the Funds' website (i.e. [www.oneetf.com.my](http://www.oneetf.com.my)), investors are advised that:

- (i) the Manager is only liable in respect of the integrity of the contents of an Electronic Master Prospectus to the extent of the contents of the Electronic Master Prospectus on the web server of Kenanga Investors Berhad which may be viewed via the investors' web browser or other relevant software. The Manager is not responsible for the integrity of the contents of an Electronic Master Prospectus which has been obtained from the web server of Kenanga Investors Berhad and subsequently communicated or disseminated in any manner to investors or other parties; and
- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Master Prospectus, the accuracy and reliability of an Electronic Master Prospectus cannot be guaranteed because the internet is not a fully secured medium.

The Manager is not liable (whether in tort or contract or otherwise) for any loss, damage or costs, investors or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an Electronic Master Prospectus which may arise in connection with or as a result of any fault with the web browsers or other relevant software, any fault on investors' or any third party's personal computers, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of Kenanga Investors Berhad respectively, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on investors' personal computers.

## LICENSING DISCLOSURE STATEMENT AND CONDITIONS

The following are statements required to be disclosed in this Master Prospectus under the Licence Agreement entered into between FTSE International Limited and the Manager dated 1 August 2018 and any licensing conditions for using the benchmark, including contingency plans in the event of cessation of the availability of the benchmark.

THE LICENSOR (AND ITS RELEVANT INDEX PARTNER(S) IF A SERVICES CONTRACT RELATES TO A PARTNER INDEX) SHALL NOT BE LIABLE UNDER OR IN CONNECTION WITH A SERVICES CONTRACT TO THE LICENSEE OR ANY OTHER PERSON OR ENTITY WHETHER IN WARRANTY, CONTRACT, TORT OR OTHERWISE (INCLUDING, BUT NOT LIMITED TO, LIABILITY FOR ANY NEGLIGENT ACT OR OMISSION) FOR:

- (a) LOSS OF PROFITS;
- (b) LOSS OF SALES, REVENUE OR ANTICIPATED SAVINGS;
- (c) LOSS OF OR DAMAGE TO GOODWILL OR REPUTATION;
- (d) LOSS OF OPPORTUNITY OR WASTED EXPENDITURE;
- (e) LOSS CAUSED THROUGH ANY ACT OR OMISSION OF AN INFORMATION PROVIDER;
- (f) LOSS OF DATA OR LOSS OF USE DAMAGES;
- (g) LOSS OR DAMAGE ARISING FROM ANY CLAIM MADE, OR LOSS INCURRED, BY A CLIENT OR CUSTOMER OF THE LICENSEE;
- (h) LOSS OF VALUE IN OR LOSS RELATING TO ANY PRODUCT THAT IS LINKED TO THE PERFORMANCE OF ANY LICENSOR'S INDEX OR DATA; OR
- (i) ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL OR SPECIAL LOSS, COSTS, CHARGES, EXPENSES OR DAMAGE.

TO THE FULLEST EXTENT PERMITTED BY LAW, THE SERVICES ARE PROVIDED BY LICENSOR UNDER THE SERVICES CONTRACT ON AN "AS-IS" BASIS AND LICENSOR MAKES NO WARRANTIES OF ANY KIND, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, AND LICENSOR SPECIFICALLY DISCLAIMS ALL IMPLIED WARRANTIES, INCLUDING ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, GOOD TITLE, SATISFACTORY QUALITY AND NONINFRINGEMENT TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW. THE LICENSOR SHALL NOT BE LIABLE TO LICENSEE OR TO ANY END USER OF LICENSEE IN THE EVENT THAT ANY SERVICES ARE INTERRUPTED, CHANGED OR BECOME UNAVAILABLE FOR ANY REASON. IN FURTHERANCE OF THE FOREGOING, EXCEPT AS EXPRESSLY SET FORTH HEREIN, LICENSOR DOES NOT WARRANT THAT THE SERVICES WILL MEET LICENSEES SPECIFIC NEEDS, ACHIEVE A PARTICULAR MARKETING OR OTHER BUSINESS RESULT, ARE ERROR FREE, COMPLETE OR WILL BE PROVIDED ON A TIMELY BASIS OR THAT LICENSOR'S SERVICES ARE NOT SUSCEPTIBLE TO INTRUSION, ATTACK OR COMPUTER VIRUS INFECTION.

EXCLUDING ANY DELIBERATE DEFAULT BY THE LICENSOR, IN NO EVENT SHALL THE AGGREGATE LIABILITY OF A LICENSOR, ITS GROUP COMPANIES, OFFICERS, EMPLOYEES, CONTRACTORS OR SUBSIDIARIES IN CONTRACT, TORT (WHETHER THE LIABILITY ARISES BECAUSE OF BREACH OF DUTY OR NEGLIGENCE), MISREPRESENTATION, RESTITUTION, OR OTHERWISE, UNDER OR IN CONNECTION WITH A SERVICES CONTRACT EXCEED THE AMOUNT RECEIVED BY THE LICENSOR FROM LICENSEE OVER THE PERIOD OF TWELVE (12) MONTHS IMMEDIATELY PRECEDING THE MONTH IN WHICH THE CLAIM AROSE (PROVIDED THAT, IF MORE THAN ONE CLAIM ARISES OUT OF THE SAME EVENT OR SERIES OF EVENTS, THEN ALL SUCH CLAIMS WILL BE TREATED AS A SINGLE CLAIM, ARISING ON THE DATE ON WHICH THE FIRST SUCH CONNECTED CLAIM ARISES). NOTWITHSTANDING THE FOREGOING, OR ANY OTHER PROVISION TO THE CONTRARY, THE LICENSOR'S AGGREGATE LIABILITY IN CONNECTION WITH A SERVICES CONTRACT SHALL NOT EXCEED THE AVERAGE AGGREGATE AMOUNT RECEIVED BY THE LICENSOR DURING ALL PRIOR PERIODS (IF ANY) OF TWELVE (12) CONSECUTIVE MONTHS ENDING ON THE DAY BEFORE AN ANNIVERSARY OF THE COMMENCEMENT DATE.

Please refer to Section 3.3 as well as the section headed "Risk Related to the Benchmark" in Sections 2.2.1 and 2.2.2 for further information on the Benchmark.

# TABLE OF CONTENT

<b>ABBREVIATIONS / DEFINITIONS</b> .....	<b>1</b>
<b>INDICATIVE TIMETABLE</b> .....	<b>6</b>
<b>CORPORATE DIRECTORY</b> .....	<b>7</b>
<b>APPROVALS AND CONDITIONS</b> .....	<b>9</b>
<b>1. KEY DATA</b> .....	<b>10</b>
1.1 The Funds.....	10
1.2 Fees, Charges and Expenses .....	13
1.3 Other Information .....	14
1.4 Avenue for Advice.....	14
<b>2. RISK FACTORS</b> .....	<b>15</b>
2.1 General Risks of Investing in ETFs .....	15
2.2 Specific Risks of Investing in the Funds .....	17
2.2.1 Specific Risks of Investing in Kenanga KLCI Daily 2x Leveraged ETF .....	17
2.2.2 Specific Risks of Investing in Kenanga KLCI Daily (-1x) Inverse ETF .....	20
<b>3. ABOUT THE FUND</b> .....	<b>24</b>
3.1 Kenanga KLCI Daily 2x Leveraged ETF .....	24
3.1.1 Investment Objective .....	24
3.1.2 Investor's Profile .....	24
3.1.3 Asset Allocation .....	24
3.1.4 Investment Strategy.....	24
3.1.5 Policy on Rebalancing the Investment Portfolio .....	25
3.1.6 Comparison Between the Fund, Underlying Index and the Benchmark for a Period Longer Than One Day (i.e. Comparison of the Point-to-point Performance).....	25
3.2 Kenanga KLCI Daily (-1x) Inverse ETF .....	31
3.2.1 Investment Objective .....	31
3.2.2 Investor's Profile .....	31
3.2.3 Asset Allocation .....	31
3.2.4 Investment Strategy.....	31
3.2.5 Policy on Rebalancing the Investment Portfolio .....	32
3.2.6 Comparison Between the Fund, Underlying Index and the Benchmark for a Period Longer Than One Day (i.e. Comparison of the Point-to-point Performance).....	32
3.3 Benchmark.....	38
3.4 Tracking Error & Strategies to Minimise such Tracking Error.....	40
3.5 Risk Management Strategies & Techniques.....	40
3.6 Permitted Investments & Investment Restrictions .....	41
3.7 Securities Lending & Borrowing.....	42
3.8 Distribution Policy .....	42
3.9 Valuations of the Fund Assets .....	43
3.10 Valuation Point for the Funds .....	43
3.11 Listing of the Funds.....	43

<b>4.</b>	<b>FEES &amp; CHARGES</b> .....	<b>44</b>
4.1	Charges directly incurred by an investor .....	44
4.1.1	Charges for the Creation and Redemption of Units through the Participating Dealer .....	44
4.1.2	Charges for the Buying and Selling of Units on Bursa Securities .....	44
4.2	Fees and expenses indirectly incurred by an investor.....	44
4.3	Establishment Costs of the Fund .....	45
4.4	Permitted Expenses.....	45
4.5	Policy on Rebates and Soft Commissions.....	46
<b>5.</b>	<b>DEALING INFORMATION</b> .....	<b>47</b>
5.1	Applications for the Purchase and Sale of Units .....	47
5.1.1	Before Listing.....	47
5.1.2	After Listing.....	47
5.1.3	Investors and the Participating Dealer .....	47
5.2	Procedures for the Application and Acceptance of the Initial Subscription .....	48
5.3	Procedures for Creation and Redemption of Units via the Participating Dealer (primary market).....	49
5.3.1	Procedures for Cash Creation .....	49
5.3.2	Provisions applicable for Cash Creation .....	49
5.3.3	Procedures for Cash Redemption .....	51
5.3.4	Provisions applicable for Cash Redemption .....	51
5.4	Computation of NAV .....	52
5.5	Calculation of Issue Price and Redemption Price .....	52
5.6	IOPV.....	53
5.7	Obtaining information on the NAV and IOPV per Unit.....	53
5.8	Trading of the Units on Bursa Securities (secondary market).....	53
5.9	Unit Trading Prices .....	53
5.10	Market Making .....	54
<b>6.</b>	<b>SALIENT TERMS OF THE DEED</b> .....	<b>55</b>
6.1	Rights of Unit Holders .....	55
6.2	Liabilities and limitations of Unit Holders .....	55
6.2.1	Liabilities .....	55
6.2.2	Limitations .....	55
6.3	Maximum fees and charges permitted by the Deed .....	56
6.4	Expenses permitted by the Deed.....	57
6.5	Retirement of the Manager .....	58
6.6	Power of the Trustee to remove or replace the Manager .....	58
6.7	Retirement of the Trustee .....	59
6.8	Power of the Manager to remove or replace the Trustee .....	59
6.9	Termination of the Fund.....	60
6.10	Unit Holders' Meeting.....	60
<b>7.</b>	<b>ABOUT THE MANAGER</b> .....	<b>62</b>
7.1	Corporate Information .....	62

7.2	Board of Directors .....	62
7.3	Key Personnel & Designated Fund Managers.....	65
7.4	Roles, Duties and Responsibilities of the Manager .....	66
7.5	Material Litigation and Arbitration .....	67
7.6	Material Contracts.....	67
7.7	Direct and Indirect Unit Holding in the Fund.....	67
7.8	Technical Advisor.....	67
<b>8.</b>	<b>ABOUT THE TRUSTEE .....</b>	<b>68</b>
8.1	Corporate Information and Experience as Trustee.....	68
8.2	Duties and Responsibilities.....	68
8.3	Material Litigation and Arbitration .....	68
8.4	Trustee's Responsibility Statement .....	68
<b>9.</b>	<b>RELATED PARTY TRANSACTIONS .....</b>	<b>69</b>
9.1	Existing and Potential Related Party Transactions.....	69
9.1.1	The Manager .....	69
9.1.2	The Trustee .....	69
9.2	Conflict of Interest.....	69
9.3	Policies on Dealing with Conflict of Interest Situation.....	69
9.3.1	Manager .....	69
9.3.2	Trustee .....	69
9.4	Details of the Directors of the Manager's Direct and Indirect Interest in Other Corporations Carrying on a Similar Business .....	70
9.5	Details of the Substantial Shareholders of the Manager's Direct and Indirect Interest in other Corporations Carrying on a Similar Business.....	70
9.6	Declaration of Conflict of Interest as at LPD.....	70
<b>10.</b>	<b>TAXATION.....</b>	<b>72</b>
<b>11.</b>	<b>RELEVANT INFORMATION .....</b>	<b>82</b>
11.1	Keeping abreast with developments of the Fund .....	82
11.2	Material Agreements.....	82
11.3	Avenue for Advice.....	82
11.4	Documents for Inspection .....	83
11.5	Consent.....	83

## ABBREVIATIONS / DEFINITIONS

In this Master Prospectus, unless the context requires otherwise, the following words and abbreviations shall have the following meanings:-

- After Listing : The period which commences on the Listing Date and continues until the Funds are terminated.
- Application : A Creation Application and/or a Redemption Application, as the case may be.
- Application Cancellation Fee : The fee which may, at the discretion of the Manager, be charged by and payable to the Manager upon the cancellation of each Application.
- Benchmark : (i) In respect of the Kenanga KLCI Daily 2x Leveraged ETF, the FTSE Bursa Malaysia KLCI 2x Daily Leveraged (Price) Index; and  
(ii) In respect of the Kenanga KLCI Daily (-1x) Inverse ETF, the FTSE Bursa Malaysia KLCI Daily Short (Price) Index,  
(or such other name by which the index may be known) provided by the Index Licensor or such replacement index as may be determined by the Manager in accordance with the Deed of each Fund and as set out in Section 3.3 of this Master Prospectus.

*Note: The Benchmark for the Kenanga KLCI Daily 2x Leveraged ETF is designed to provide 2x the return of the Underlying Index while the Benchmark for the Kenanga KLCI Daily (-1x) Inverse ETF is designed to provide -1x the return of the Underlying Index.*

- Bursa Depository : Bursa Malaysia Depository Sdn Bhd (165570-W).
- Bursa Securities : Bursa Malaysia Securities Berhad (635998-W).
- Business Day(s) : A day (other than Saturday, Sunday or public holidays in the Federal Territory of Kuala Lumpur) on which: (i) Bursa Securities is open for trading of securities, (ii) the Relevant Exchange in which the respective Funds is invested in is open for trading, (iii) the Underlying Index and the Benchmark is compiled and published, or such other day as may be agreed upon between the Manager and the Trustee from time to time.

The Manager may declare certain Business Day as non-Business Day when the Relevant Exchange in which the respective Funds is invested in is not open for trading but shall not include a day on which a force majeure event occurs or is continuing.

- Cash Creation : The creation of Units in Creation Unit Block(s) in exchange for the Subscription Amount delivered by the Participating Dealer.
- Cash Redemption : The redemption of existing Units in Redemption Unit Block(s) delivered by the Participating Dealer in exchange for the Redemption Amount.
- CDS : Central Depository System.
- CDS Account : An account established at Bursa Depository for the recording of deposit of securities and for dealing in such securities by the depositor.
- Central Depositories Act : The Securities Industry (Central Depositories) Act 1991.
- CMSA : The Capital Markets and Services Act 2007 as may be amended from time to time.
- correlation : The measure of how the NAV of the Fund moves in relation to the Benchmark. If the NAV of the Fund moves exactly the same direction as the



Benchmark, it would indicate a perfectly positive correlation or 100% correlation. If the NAV of the Fund does not move exactly the same direction as the Benchmark, the correlation is between 100% and -100%. If the NAV of the Fund moves exactly the opposite direction as the Benchmark, the correlation is -100%.

- Creation Application : An application by the Participating Dealer (in accordance with the terms of the Participating Dealer Agreement) to the Manager for the creation of new Units in a Creation Unit Block (or whole multiples thereof).
- Creation Application Fee : The fees which may be charged by the Manager to the Participating Dealer on each Creation Application in addition to the Transaction Costs.
- Creation Date : The next Business Day after the Trade Date on which a Creation Application for such Units is received or deemed received or such other day as may be agreed between the Manager and the Trustee (on either a general or case by case basis) and notified to the Participating Dealer on which Units are to be created.
- Creation Unit Block : The quantity of Units which will be issued upon a successful Creation Application in respect of the Subscription Amount.
- The size of a Creation Unit Block may change from time to time as determined by the Manager, upon consultation with the Trustee and notified to the Participating Dealer.
- Custodian : The custodian of the Fund Assets as may be appointed by the Trustee.
- Dealing Deadline : For the purposes of Creation Application(s) and/or Redemption Application(s), such time on any particular Business Day as the Manager may, in consultation with the Trustee, from time to time determine and notified to the Participating Dealer.
- Deed(s) : (i) In respect of the Kenanga KLCI Daily 2x Leveraged ETF, the deed dated 4 September 2019 between the Trustee and the Manager constituting the Fund; and  
(ii) In respect of the Kenanga KLCI Daily (-1x) Inverse ETF, the deed dated 4 September 2019 between the Trustee and the Manager constituting the Fund,
- as from time to time altered, modified or added to in accordance with the provisions therein contained and shall include any supplemental thereto executed in accordance with the provisions thereof; a Deed shall mean any one of the Deeds.
- Electronic Master Prospectus : A copy of this Master Prospectus that is issued, circulated or disseminated via the internet, and/or an electronic storage medium, including but not limited to CD-ROMs.
- ETF : Exchange-traded fund.
- ETF Guidelines : Guidelines on Exchange-traded Funds issued by the SC and any amendments thereafter.
- financial institutions : If –  
(i) the institutions are in Malaysia, any Licensed Bank, Licensed Investment Bank or Licensed Islamic Bank; or  
(ii) the institution is outside Malaysia, any institution that is licensed, registered, approved or authorised by the relevant banking regulator to provide financial services.

Fund(s)	:	Kenanga KLCI Daily 2x Leveraged ETF and/or Kenanga KLCI Daily (-1x) Inverse ETF; a Fund shall mean any one of the Funds.
Fund Assets	:	All the assets (including cash) of a Fund for the time being held or deemed to be held upon trust by the Trustee pursuant to the Deed.
Index Futures	:	Futures contracts on the Underlying Index.
Index Licensor	:	FTSE International Limited, the licensor of the Benchmark, who has the right to grant the Manager usage of the Benchmark.
Initial Issue Price	:	The price at which Units are issued under the Initial Subscription which is fixed at MYR 2.00.
Initial Subscription	:	The offer for subscription of Units during the Initial Subscription Period.
Initial Subscription Period	:	The period of eight (8) Business Days commencing at 9.00 a.m. on 20 December 2019 and ending at 5.00 p.m. on the closing date of the Initial Subscription, tentatively on 31 December 2019 or such other period as may be agreed between the Manager and the Trustee provided that the closing date of the Initial Subscription Period must be a Business Day.
IOPV	:	Indicative Optimised Portfolio Value which serves as an estimation of the NAV of the Fund's portfolio between Valuation Points as set out in Section 5.6 of this Master Prospectus.
Issue Price	:	The price per Unit at which Units are from time to time issued, based on the NAV per Unit and which shall be ascertained in accordance with the provisions of Section 5.5 - "Calculation of Issue Price and Redemption Price" of this Master Prospectus.
Licensed Bank	:	Has the meaning assigned to it in the Financial Services Act 2013.
Licensed Investment Bank	:	Has the meaning assigned to it in the Financial Services Act 2013.
Licensed Islamic Bank	:	Has the meaning assigned to it in the Islamic Financial Services Act 2013.
Listing	:	Admission to the Official List and the listing of and quotation for the Units on the Main Market of Bursa Securities.
Listing Date	:	The date of Listing.
Listing Requirements	:	The Main Market Listing Requirements of Bursa Securities.
LPD	:	30 September 2019, being the latest practicable date prior to the registration of this Master Prospectus.
Manager	:	Kenanga Investors Berhad (Registration No: 199501024358 (353563-P)).
Market Maker	:	Kenanga Investment Bank Berhad, and shall include any other eligible market maker who enters into a liquidity provider agreement with the Manager.
Master Prospectus	:	This master prospectus in respect of the Funds.
MYR or RM	:	Ringgit Malaysia, the lawful currency of Malaysia.
Net Asset Value or NAV	:	The value of all the Fund Assets less the value of all the Fund's liabilities, at the Valuation Point.
NAV per Unit	:	The NAV of a Fund at a particular Valuation Point divided by the number of Units in issue, at the same Valuation Point.

Official List	:	A list specifying all securities listed on the Main Market of Bursa Securities.
Ordinary Resolution	:	A resolution passed at a meeting of Unit Holders of a Fund duly convened and held in accordance with the provisions of the Deed by a simple majority of the votes validly cast by the Unit Holders present (in person or by proxy) at the meeting and voting.
Participating Dealer	:	Kenanga Investment Bank Berhad, and shall include any other eligible dealer who enters into a Participating Dealer Agreement in the form and substance acceptable to the Manager and Trustee.
Participating Dealer Agreement	:	The agreement entered into between the Participating Dealer, the Manager and the Trustee setting out, amongst others, the arrangement in respect of the creation and issue of Units and the redemption and cancellation of Units of a Fund.
Permitted Investments	:	The assets and instruments that a Fund is authorised to invest as set out in Section 3.6 of this Master Prospectus.
Placement Agent	:	Kenanga Investment Bank Berhad (Registration No: 197301002193 (15678-H)).
Redemption Amount	:	The cash sum to be delivered to the Participating Dealer equivalent to the Redemption Price multiplied by the number of Units to be redeemed.
Redemption Application	:	An application by the Participating Dealer to the Manager for the redemption of existing Units in a Redemption Unit Block (or whole multiples thereof).
Redemption Application Fee	:	The fee which may be charged by the Manager on each Redemption Application in addition to the Transaction Costs.
Redemption Date	:	In relation to Units applied for, the second (2 <sup>nd</sup> ) Business Day after the Trade Date on which a Redemption Application for such Units is received or deemed received or such other day as may be agreed between the Manager and the Trustee (on either a general or case by case basis) and notified to the Participating Dealer on which Units are to be redeemed/cancelled.
Redemption Price	:	The price at which Units are from time to time redeemed, based on the NAV per Unit, and which shall be ascertained in accordance with the provisions of Section 5.5 - "Calculation of Issue Price and Redemption Price" of this Master Prospectus.
Redemption Unit Block	:	The quantity of Units which is required to be delivered to the Trustee upon a successful Redemption Application in respect of the Redemption Amount:  The size of a Redemption Unit Block may change from time to time as determined by the Manager, upon consultation with the Trustee and notified to the Participating Dealer.
Register	:	The register of Unit Holders of a Fund kept and maintained by the Manager or its appointed agent on the basis only of (i) Units issued to the Unit Holders, (ii) Units redeemed by the Unit Holders and (iii) records obtained from Bursa Depository monthly or on such other dates as may be determined by the Manager from time to time and at any time.
Registrar	:	The Manager or such other party as may be appointed by the Manager from time to time.
Relevant Exchange	:	The exchange which a Fund may invest in.
SC	:	Securities Commission Malaysia.

Special Resolution	:	A resolution passed by a majority of not less than 75% of the total voting rights of the Unit Holders who are entitled to vote on the resolution at the meeting of Unit Holders, provided that for the purposes of terminating a Fund, a special resolution is passed by a majority in number representing at least 75% of the voting rights of the Unit Holders voting at the meeting of Unit Holders.
Subscription Amount	:	The cash sum to be paid to a Fund in respect of a Cash Creation.
Subscription Application	:	An application for Units under the Initial Subscription which can be made through a Placement Agent.
Trade Date	:	The Business Day on which the Manager receives/is deemed to have received a valid Application in accordance with the Deed and the Participating Dealer Agreement provided that if such valid Application is received after the Dealing Deadline, the next Business Day shall be the Trade Date.
Transaction Costs	:	In relation to any particular transaction or dealing, all stamp duty and other duties, taxes, government charges, brokerage fees, bank charges, transfer fees, registration fees, transaction levies, foreign exchange costs and other duties and charges whether in connection with the Fund Assets or the creation, issue, transfer, cancellation or redemption of Units or the acquisition or disposal of Fund Assets or otherwise which may have become or may be payable in respect of (whether prior to, upon or after the occasion of) such transaction or dealing.
Trustee	:	RHB Trustees Berhad (Registration No: 200201005356 (573019-U)).
Underlying Index	:	FTSE Bursa Malaysia KLCI Index.
Unit	:	An undivided beneficial interest in and ownership of a Fund.
Unit Holder	:	A person entered on the Register as the holder of Units in accordance with the provisions of the Deed.
Valuation Point	:	The time as set out in Section 3.10 of this Master Prospectus.

## INDICATIVE TIMETABLE

Dates & Time	Event
20 December 2019	: Issuance of this Master Prospectus
20 December 2019	: Opening date and time for the Initial Subscription through Placement Agent
31 December 2019	: Closing date and time for the Initial Subscription
8 January 2020	: Allotment of Units to successful applicants
13 January 2020	: Listing Date

Units subscribed for under the Initial Subscription will be created by the sixth (6<sup>th</sup>) Business Day from the closing date of the Initial Subscription Period. All Units created under the Initial Subscription will be deposited with Bursa Depository and credited into the CDS Accounts of the successful applicants prior to the Listing of a Fund.

Subsequent to the Listing of the Units on Bursa Securities, the Participating Dealer may request for the creation of additional Units in accordance with the terms of the Participating Dealer Agreement.

**THE INDICATIVE TIMING AS SET OUT ABOVE IS SUBJECT TO CHANGE WHICH MAY BE NECESSARY TO FACILITATE IMPLEMENTATION PROCEDURES. THE DIRECTORS OF THE MANAGER (IN CONSULTATION WITH THE TRUSTEE AND PLACEMENT AGENT) MAY, IN THEIR ABSOLUTE DISCRETION, DECIDE TO EXTEND THE LISTING DATE SUBJECT TO THE APPROVAL OF THE RELEVANT AUTHORTIES, IF REQUIRED. NOTICE OF ANY SUCH EXTENSION WILL BE MADE ON THE FUNDS' WEBSITE AT [www.oneetf.com.my](http://www.oneetf.com.my) AND BY WAY OF ADVERTISEMENT PUBLISHED IN A WIDELY-CIRCULATED BAHASA MALAYSIA NEWSPAPER AND ENGLISH DAILY NEWSPAPER WITHIN MALAYSIA.**

# CORPORATE DIRECTORY

## MANAGER

Kenanga Investors Berhad (Registration No: 199501024358 (353563-P))

### *Registered Office:*

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

Tel. No.: 03 – 2172 2888

Fax No.: 03 – 2172 2999

### *Business Address:*

Level 14, Kenanga Tower, 237, Jalan Tun Razak  
50400 Kuala Lumpur

Tel: 1800 88 3737

Fax: 03-2172 3080

E-mail: [investorservices@kenanga.com.my](mailto:investorservices@kenanga.com.my)

Website: [www.kenangainvestors.com.my](http://www.kenangainvestors.com.my)

## TRUSTEE

RHB Trustees Berhad (Registration No: 200201005356 (573019-U))

### *Registered Office:*

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

### *Business Address:*

Level 11 Tower Three, RHB Centre  
Jalan Tun Razak, 50400 Kuala Lumpur

Tel. No.: 03 – 9280 5933

Fax No.: 03 – 9280 5934

E-mail: [rhbtrustees@rhbgroup.com](mailto:rhbtrustees@rhbgroup.com)

Website: [www.rhbgroup.com](http://www.rhbgroup.com)

## TAX ADVISER

Ernst & Young Tax Consultants Sdn Bhd

Level 23A, Menara Milenium Jalan Damanlela

Pusat Bandar Damansara 50490 Kuala Lumpur Malaysia

## SOLICITOR

Messrs Wei Chien & Partners

D-20-02, Menara Suezcap 1, No.2, Jalan Kerinchi

Gerbang Kerinchi Lestari, 59200 Kuala Lumpur

## AUDITOR OF THE FUND AND THE MANAGER

Ernst & Young

Level 23A, Menara Milenium Jalan Damanlela

Pusat Bandar Damansara 50490 Kuala Lumpur Malaysia

## TECHNICAL ADVISOR

Yuanta Securities Investment Trust Co., Ltd.

11F, No. 219, Sect. 3, Nanjing E. Rd.

Taipei, 104

Taiwan

## PARTICIPATING DEALER AND MARKET MAKER

Kenanga Investment Bank Berhad (Registration No: 197301002193 (15678-H))

Level 12, Kenanga Tower, 237, Jalan Tun Razak

50400 Kuala Lumpur

*Note: Investors may also obtained information relating to the market maker from the Funds' website.*

**PLACEMENT AGENT**

Kenanga Investment Bank Berhad (Registration No: 197301002193 (15678-H))  
Level 12, Kenanga Tower, 237, Jalan Tun Razak  
50400 Kuala Lumpur

**REGISTRAR**

Kenanga Investors Berhad (Registration No: 199501024358 (353563-P))  
Level 14, Kenanga Tower,  
237, Jalan Tun Razak,  
50400 Kuala Lumpur, Malaysia.

**INDEX LICENSOR**

FTSE International Limited  
10 Paternoster Square  
London  
EC4M 7LS  
United Kingdom

**LISTING SOUGHT**

Main Market of Bursa Securities

## **APPROVALS AND CONDITIONS**

The SC had on 29 August 2019, approved the following proposals subject to the following terms:-

- (i) establishment of each Fund with an initial fund size of up to 1 billion units, and
- (ii) listing of and quotation for up to 1 billion units for each Fund on the Main Market of Bursa Securities.



# 1. KEY DATA

**IMPORTANT:** The Funds are only suitable for active investors who constantly monitor the performance of their portfolio on a daily basis, and are in a financial position to assume the risks in derivatives investments. The Funds are high risk funds designed to be used as short term trading tools managed on a daily basis for market timing or hedging purposes and are not appropriate for long term (longer than one (1) day) investment. The performance of the Funds, when held overnight, may deviate from the Benchmark. Please refer to Sections 3.1.6 and 3.2.6, Comparison Between the Fund, Underlying Index and the Benchmark for a Period Longer Than One Day (i.e. Comparison of the Point-to-point Performance), in this Master Prospectus for further information.

As the Funds invest in derivatives such as futures, the investments in the Funds are subject to abnormally high risks as described in Section 2.2 of this Master Prospectus as compared to conventional ETFs. As a result of the daily rebalancing, the Underlying Index's volatility and the effects of compounding of each day's return over time, it is possible that the leveraged Fund (inverse Fund) will lose money over time while the performance of the Benchmark falls (rise) or is flat. In addition, if the Index Futures have limited trading markets, or if the spreads are wide, this may adversely affect the price of the Units and the ability of an investor to dispose of his Units at the desired price.

The Funds may not be suitable for all investors. It is possible that the entire value of the investors' investment could be lost.

A performance simulator will be made available in the Manager's website and investors may utilise the performance simulator to gauge the performance of the Funds under different market conditions based on the Funds' historical data.

**This section is only a summary of the salient information about the Funds. Investors should read and understand the whole Master Prospectus prior to making an investment decision.**

## 1.1 The Funds

Name of Fund	Kenanga KLCI Daily 2x Leveraged ETF	Kenanga KLCI Daily (-1x) Inverse ETF	-
Category of Fund	Exchange-traded fund		-
Type of Fund	Leveraged exchange-traded fund	Inverse exchange-traded fund	-
Initial Approved Fund Size	1,000,000,000 Units	1,000,000,000 Units	3.11
Initial Issue Price	MYR 2.00	MYR2.00	5.1.1
Base Currency	MYR	MYR	-
Financial Year End of the Fund	The period of twelve (12) months ending on 31 December each calendar year. For avoidance of doubt, the first financial year shall commence on the date of this Master Prospectus and shall end on 31 December 2019.		-
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 aims to provide daily performance, before fees and expenses, which closely corresponds to the daily performance of the Benchmark.	3.1.1 3.2.1

	<b><i>The Fund does not seek to achieve its stated investment objective over a period of time greater than one (1) day.</i></b>	<b><i>The Fund does not seek to achieve its stated investment objective over a period of time greater than one (1) day.</i></b>	
Investment Policy & 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, subject to the rolling strategy discussed in Section 3.1.4 of this Master Prospectus, to obtain the required exposure to the Benchmark.	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, subject to the rolling strategy discussed in Section 3.2.4 of this Master Prospectus, to obtain the required exposure to the Benchmark.	3.1.4 3.2.4
Asset Allocation	<ul style="list-style-type: none"> <li>➤ Up to 70% of the Fund's NAV is to be committed as margin for futures contracts; and</li> <li>➤ The remaining balance of the Fund's NAV (if any) is to be invested in money market instruments, money market collective investment schemes and/or deposits placed with financial institutions.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Up to 70% of the Fund's NAV is to be committed as margin for futures contracts; and</li> <li>➤ The remaining balance of the Fund's NAV (if any) is to be invested in money market instruments, money market collective investment schemes and/or deposits placed with financial institutions.</li> </ul>	3.1.3 3.2.3
Benchmark	FTSE Bursa Malaysia KLCI 2x Daily Leveraged (Price) Index.	FTSE Bursa Malaysia KLCI Daily Short (Price) Index.	3.3
Investor Profile	<p>The Fund is suitable for investors who:</p> <ul style="list-style-type: none"> <li>➤ seek 2x leveraged exposure to the companies of the Underlying Index;</li> <li>➤ have a bullish view of the market;</li> <li>➤ intend to actively monitor and manage their investments; and</li> <li>➤ have high risk tolerance.</li> </ul>	<p>The Fund is suitable for investors who:</p> <ul style="list-style-type: none"> <li>➤ seek inverse (-1x) exposure to the companies of the Underlying Index;</li> <li>➤ have a bearish view of the market;</li> <li>➤ intend to actively monitor and manage their investments; and</li> <li>➤ have high risk tolerance.</li> </ul>	3.1.2 3.2.2
Distribution Policy	Distribution of income, if any, will be on incidental basis.		3.8
Summary of Risk Factors	<p>General Risks of Investing in ETFs and a Fund in Particular</p> <ul style="list-style-type: none"> <li>➤ Market Risk</li> <li>➤ Capital and Returns Not Guaranteed</li> <li>➤ Inflation Risk</li> <li>➤ Liquidity Risk</li> <li>➤ Units may Trade other than at Net Asset Value</li> <li>➤ Trading in Units on Bursa Securities may be Suspended or De-Listed</li> <li>➤ Suspension of Creations and/or Redemptions by the Manager</li> <li>➤ Legal and Regulatory Risks</li> <li>➤ Reliance on Participating Dealer</li> <li>➤ Passive Investment</li> <li>➤ Tracking Error Risk</li> <li>➤ Fund is Not a Typical Unit Trust</li> <li>➤ Minimum Creation/Redemption Unit Block</li> <li>➤ Volatility Risk</li> </ul>		2.1

	<p>(ii) Specific Risks of Investing in Kenanga KLCI Daily 2x Leveraged ETF</p> <ul style="list-style-type: none"> <li>➤ Long Term Holding Risk</li> <li>➤ Leverage Risk</li> <li>➤ Risk of Rebalancing Activities</li> <li>➤ Liquidity Risk</li> <li>➤ Intraday Investment Risk</li> <li>➤ Portfolio Turnover Risk</li> <li>➤ Risk Associated With Investment in Futures Contracts</li> <li>➤ Path Dependency</li> <li>➤ Risk Related to the Benchmark</li> <li>➤ Risk of Reliance on the Manager</li> <li>➤ Risk of Reliance on the Technical Advisor</li> </ul>	<p>(iii) Specific Risks of Investing in Kenanga KLCI Daily (-1x) Inverse ETF</p> <ul style="list-style-type: none"> <li>➤ Long Term Holding Risk</li> <li>➤ Inverse Fund vs. Short Selling Risk</li> <li>➤ Unconventional Return Pattern Risk</li> <li>➤ Risk of Rebalancing Activities</li> <li>➤ Liquidity Risk</li> <li>➤ Intraday Investment Risk</li> <li>➤ Portfolio Turnover Risk</li> <li>➤ Risk Associated With Investment in Futures Contracts</li> <li>➤ Inverse Performance of Underlying Index</li> <li>➤ Path Dependency</li> <li>➤ Risk Related to the Benchmark</li> <li>➤ Risk of Reliance on the Manager</li> <li>➤ Risk of Reliance on the Technical Advisor</li> </ul>	<p>2.2.1</p> <p>2.2.2</p>
Use of Proceeds	For investments in Permitted Investments as set out in Section 3.6 of this Master Prospectus.		5.1.1
Offering of Units – Before Listing	During the Initial Subscription Period, application of the Units can be made through the Placement Agent. The minimum size of the Subscription Application under the Initial Subscription is 100 Units, or whole multiples thereof. Units will be issued at the Initial Issue Price to investors.		5.2
Offering of Units – After Listing	<p>Units may be purchased and sold in two ways:-</p> <ul style="list-style-type: none"> <li>➤ Participating Dealer In the primary market, the Participating Dealer (either acting for itself or for an investor as its client) may apply for the creation or redemption of Units in a Creation Unit Block or a Redemption Unit Block.</li> <li>➤ Bursa Securities In the secondary market, investors may purchase or sell the Units in board lots of 100 units (or multiples thereof) on the Main Market of Bursa Securities.</li> </ul>		5.1.2 5.3 5.8
Creation / Redemption of Units	<ul style="list-style-type: none"> <li>➤ Creation of Units The Participating Dealer (either for its own account or for the account of its clients) can apply for Cash Creation of new Units via the delivery of Subscription Amount.</li> <li>➤ Redemption of Units The Participating Dealer (either for its own account or for the account of its clients) can apply for Cash Redemption via the delivery of existing Units in exchange for Redemption Amount.</li> </ul>		5.3.1 5.3.2  5.3.3 5.3.4
Creation / Redemption Unit Block	<p>500,000 Units</p> <p>This quantity may change from time to time as determined by the Manager, upon consultation with the Trustee and notified to the Participating Dealer. The Creation/Redemption of Units must be in a Creation/Redemption Unit Block (or whole multiple thereof).</p>		5.3.1 5.3.3

Trading of Units on Bursa Securities	Investors may trade (buy and sell) Units on the Main Market of Bursa Securities upon Listing of the Fund.	5.8
Trading Board Lot Size	100 Units	5.8

## 1.2 Fees, Charges and Expenses

The following are the charges that the investors may incur **directly** when they invest in the Units of a Fund.

### ➤ Through Participating Dealer

This table describes the fees and charges (excluding out-of-pocket expenses) to be paid by the Participating Dealer to the Manager and/or the Trustee. Investors should check with the relevant Participating Dealer on the actual fees and charges which may be incurred.

<b>Fees &amp; Charges</b>	
Creation/Redemption Application Fee	: RM200.
Creation/Redemption Application Cancellation Fee	: Up to 1.00% of the Subscription Amount or Cash Redemption or such amount as may be determined by the Manager from time to time, in consultation with the Trustee.
Transaction Costs	: The Manager may charge Transaction Costs (incurred by a Fund) to prevent the NAV of the Fund from being diluted.
Other Fees	: The amount (other than Transaction Costs described above) that may be incurred by the Manager and/or the Trustee from time to time in relation to the Applications submitted by the Participating Dealer, which is charged by Bursa Depository.

### ➤ Through Bursa Securities

This table describes the charges that investors may incur (based on the charges imposed by Bursa Securities as at the date of this Master Prospectus which charges may be varied from time to time) when they buy or sell Units in a Fund on Bursa Securities. Investors should check with their brokers on the actual fees and charges which may be incurred.

<b>Fees &amp; Charges</b>	<b>Details</b>
Brokerage Fee	: As prescribed by the Bursa Securities.
Bursa Securities Clearing fee	: 0.03% of the transaction value subject to a maximum of MYR 1,000 per transaction. A MYR 10 minimum fee per transaction is applicable for direct business contracts.

Further information on the charges investors will incur when trading Units on Bursa Securities can be found at [www.bursamalaysia.com](http://www.bursamalaysia.com).

The following are the charges that the investors may incur **indirectly** when they invest in the Units of a Fund.

<b>Fees &amp; Charges</b>	<b>Details</b>
Management Fee	: 0.50% per annum of the NAV of the Fund
Trustee Fee	: 0.04% per annum of the NAV of the Fund
Index Licence Fee <sup>^</sup>	: Up to 0.05% per annum of the NAV of the Fund

<sup>^</sup> The index licence fee is calculated based on the NAV accrued daily (at the end of each trading day) for the quarter. Subsequently, the fee is payable to the Index Licensor on the following quarter.

### **Establishment Costs of the Fund**

The cost of establishment and Listing of a Fund which includes the following expenses will be borne by the Fund:

- Cost of preparation and publishing of this Master Prospectus;
- Professional and advisory fees; and
- Regulatory fees.

(collectively, the “**Establishment Costs**”).

The aforesaid Establishment Costs shall be funded upfront by the Manager as and when incurred. The Manager is allowed to charge the Establishment Cost, which shall not exceed MYR500,000.00, over a period of 2 years to reduce the impact of dilution on the returns of the Fund.

### **1.3 Other Information**

<b>Kenanga KLCI Daily 2x Leveraged ETF</b>	<b>Kenanga KLCI Daily (-1x) Inverse ETF</b>
Deed dated 4 September 2019 entered into between the Manager and the Trustee.	Deed dated 4 September 2019 entered into between the Manager and the Trustee.

### **1.4 Avenue for Advice**

Investors can contact the Manager at its business office during its business hours from 8.30 a.m. to 5.30 p.m. from Monday to Friday for any enquiry or information relating to the Funds.

## 2. RISK FACTORS

An investment in the Units involves risk. Prospective investors should rely on their own evaluation and carefully consider the following risk factors in addition to other information contained elsewhere in this Master Prospectus, before investing in a Fund.

The following risk factors may not be exhaustive, and additional risks and uncertainties not presently known to the Funds or the Manager, or which are currently deemed to be immaterial may become material in the future, which could have a material adverse effect on the Funds or the price of the Units.

### 2.1 General Risks of Investing in ETFs

#### ➤ **Market Risk**

- General movements in the market and factors that affect the investment climate and investor sentiment could affect the level of trading and therefore the market price of the Units, which can go down in price as well as up. These risks include market fluctuations caused by factors such as economic and political developments.

#### ➤ **Capital and Returns Not Guaranteed**

- Investors should be aware that by investing in the Fund, there is no guarantee of any returns or capital appreciation. Unlike fixed deposits placed directly by the investors into any financial institutions which carry a specific rate of return, the Fund does not provide a fixed rate of return. There is no guarantee that investors will enjoy any capital appreciation or will not experience any loss of capital invested in the Fund.

#### ➤ **Inflation Risk**

- Inflation is one of the long term risks as it creates uncertainty over the future value of the investments. Any investment is subject to the risk that the investments may not grow proportionately with the inflation rate. A return on investment which is lower than inflationary rate would reduce Unit Holder's purchasing power per MYR, even though the value of the investment in monetary terms has increased.

#### ➤ **Liquidity Risk**

- Although the Units are listed for trading on the Bursa Securities, there is no assurance that an active trading market for such Unit will develop or be maintained. There is no certain basis for predicting the actual price levels at, or volume in which, the Units may trade. Accordingly, if a Unit Holder needs to sell his Units at a time when no active market for them exists, the price he receives for his Units (assuming he is able to sell them) is likely to be lower than the price received if an active market did exist.
- Whilst the Market Maker has been appointed by the Manager, there can be no assurance that such liquidity risk will be fully mitigated. Investors should note, however, that the liquidity in the market for the Units may be adversely affected if the Market Maker fails or ceased to fulfil its role as a market maker. Subject to applicable regulatory requirements, the Manager intends to ensure that there is at least one market maker for the Fund to facilitate efficient trading.

#### ➤ **Units may Trade other than at Net Asset Value**

- The NAV of the Fund represents the fair price for buying or selling Units. As with any listed fund, the secondary market price of Units may sometimes trade above or below its NAV. There is a risk, therefore, that Unit Holders may not be able to buy or sell at a price close to its NAV. The deviation from NAV is dependent on a number of factors, but will be accentuated when there is a large imbalance between market supply and demand for Units on Bursa Securities. However, given that the Units can be created and redeemed in Creation Unit Blocks and Redemption Unit Blocks by Participating Dealer, as applicable, it is not anticipated that large discounts or premiums will be sustained.
- Further, the role of the Market Maker is intended to minimise the difference between the trade prices on Bursa Securities and the NAV per Unit of the Fund.

- **Trading in Units on Bursa Securities may be Suspended or Delisted**
  - Unit Holders and potential Unit Holders will not be able to buy, nor will Unit Holders be able to sell Units on Bursa Securities during any period in which trading of the Units is suspended. Bursa Securities may suspend the trading of Units pursuant to Bursa Securities' rules and policies whenever Bursa Securities determines that it is appropriate in the interests of a fair and orderly market to protect Unit Holders. The creation and redemption of Units may also be suspended if the trading of Units on the Bursa Securities is suspended.
  - Further, Bursa Securities imposes certain requirements for the continued listing of securities, including the Units, on Bursa Securities. Investors cannot be assured that the Fund will continue to meet the requirements necessary to maintain the listing of the Units on the Main Market or that Bursa Securities will not change the Listing Requirements. The Fund may be terminated if its Units are delisted from Bursa Securities.
- **Suspension of Creations and/or Redemptions by the Manager**
  - Dealings of Units on Bursa Securities may not necessarily be suspended in the event that the creation and/or redemption of Units is temporarily suspended by the Manager in accordance with the terms of the Deed. If the creation and/or redemption of Units is temporarily suspended, the trading price of the Units may be adversely affected and differ from the market value of the Fund's underlying assets.
- **Legal and Regulatory Risks**
  - The Fund must comply with regulatory constraints or changes in the laws affecting it or its investment restrictions which might require a change in the investment policy and objective of the Fund. Furthermore, such change in the laws may have an impact on the market sentiment which may, in turn, affect the performance of the Fund. It is impossible to predict whether such an impact caused by any change of law will be positive or negative for the Fund. In the worst case scenario, a Unit Holder may lose all of his investment in the Fund.
- **Reliance on Participating Dealer**
  - The creation and redemption of Units may only be effected through the Participating Dealer. As at the date of this Master Prospectus, the Manager has entered into a Participating Dealer Agreement with the Participating Dealer. This enables the Participating Dealer to request the creation of new Units and/or require the redemption of existing Units. If the existing Participating Dealer were to withdraw at any time and no new or additional participating dealer is appointed and/or enters into a Participating Dealer Agreement with the Manager, no new Units may then be created or redeemed. Since there is currently only one participating dealer, Unit Holders will not be able to create or redeem Units freely.
  - Although the Participating Dealer has agreed, pursuant to the Participating Dealer Agreement, with the Manager that it will create and redeem for investors, whether or not a Participating Dealer agrees with the investors to create or to redeem Units for them has to be agreed between the relevant investor and that Participating Dealer. The Participating Dealer may charge a fee for providing this service. The Participating Dealer will not be able to create or redeem Units during a suspension period.
- **Passive Investment**
  - As the objective of the Fund is to track the performance of the Benchmark, the Fund is not actively managed and invests all or a substantial portion of the Fund Assets in the Index Futures regardless of their investment merit. Investors should take note that the Manager does not attempt to select investments individually or take defensive positions in declining markets. Therefore, a decline in the performance of the Benchmark will result in a corresponding fall in the value of the Fund irrespective of the performance of the overall market. Accordingly, there can be no assurance that the movement of the Benchmark and the NAV of the Fund will correspond with the movement of the overall market.
- **Tracking Error Risk**
  - The Net Asset Value of the Fund may not correlate exactly with the performance of the Benchmark. Factors such as the fees and expenses of the Fund, imperfect correlation between the Fund's assets and the Index Futures, inability to rebalance the Fund's holdings of futures contracts in response to high portfolio turnover, transaction costs, a temporary lack of liquidity in the markets for the futures contracts held by the Fund, changes in the

constituents of the Underlying Index, rounding of the futures contracts prices, inability to acquire the required number of futures contracts due to limited Fund size, changes to the Underlying Index and regulatory policies may affect the Manager's ability to achieve close correlation with the performance of the Benchmark. The level of fees, taxes and expenses payable by the Fund will fluctuate in relation to the Net Asset Value. Although the amounts of certain ordinary expenses of the Fund can be estimated, the growth rate of the Fund, and hence its Net Asset Value, cannot be anticipated. The above factors may cause the Fund's returns to deviate from the performance of the Benchmark.

➤ **Fund is Not a Typical Unit Trust**

- Investors should note that the Fund is not like a typical unit trust fund offered to the public in Malaysia. Units may only be created and redeemed in Creation Unit Block by Participating Dealer and Units may not be subscribed for, or redeemed, directly by retail investors. For so long as the Units are listed for quotation on the Bursa Securities, retail investors shall have no right to request the Manager to redeem or purchase their Units. Participating Dealer will not be able to create or redeem Units during any period when, amongst other things, dealings on the Bursa Securities are restricted or suspended, settlement or clearing of securities is disrupted or the Benchmark is not compiled or published. Investors may generally only realise the value of their Units by selling their Units on the Bursa Securities. These features are not usually present in a typical unit trust fund offered to the public in Malaysia, where units can generally be purchased and redeemed directly by the retail public.

➤ **Minimum Creation / Redemption Unit Block**

- Units will normally only be issued or redeemed in Creation Unit Block or Redemption Unit Block (currently 500,000 Units). Investors who do not hold a Redemption Unit Block may only be able to realise the value of their Units by selling their Units on the Bursa Securities.

➤ **Volatility Risk**

- Prices of the Fund may be more volatile than conventional exchange-traded funds because of the daily rebalancing activities.

## 2.2 Specific Risks of Investing in the Funds

### 2.2.1 Specific Risks of Investing in Kenanga KLCI Daily 2x Leveraged ETF

➤ **Long Term Holding Risk**

- **The Fund is not intended for holding longer than one (1) day** as the performance of the Fund over a period longer than one (1) day will very likely differ in amount and possibly direction from the leveraged performance of the Underlying Index over that same period (e.g. the loss may be more than twice the fall in the Underlying Index). The effect of compounding becomes more pronounced on the Fund's performance as the Underlying Index experiences volatility. The deviation of the Fund's performance from the leveraged performance of the Underlying Index will increase, and the performance of the Fund will generally be adversely affected with higher Underlying Index's volatility. As a result of daily rebalancing, the Underlying Index's volatility and the effects of compounding of each day's return over time, it is even possible that investors will lose money over time while the Underlying Index's performance increases or is flat.

➤ **Leverage Risk**

- The Fund will utilise leverage to achieve the daily return equivalent to twice (2x) the return of the Underlying Index. Both gains and losses will be magnified. The risk of loss resulting from an investment in the Fund in certain circumstances including a bear market will be substantially more than a fund that does not employ leverage.

➤ **Risk of Rebalancing Activities**

- There is no assurance that the Fund can rebalance its portfolio on a daily basis to achieve its investment objective. Market disruption, regulatory restrictions or extreme market volatility may adversely affect the Fund's ability to rebalance its portfolio. This may result in the Net Asset Value of the Fund may not correlate exactly with the performance of the Benchmark.



- **Liquidity Risk**
  - The rebalancing activities of the Fund typically take place prior to the close of trading of the Index Futures, to minimise tracking difference. As a result, the Fund may be more exposed to the market conditions during a shorter interval and may be more subject to liquidity risk.
- **Intraday Investment Risk**
  - The Fund is normally rebalanced prior to the close of trading of the Index Futures. As such, return for investors that invest for period less than a full trading day will generally be greater than or less than two times (2x) leveraged investment exposure to the Underlying Index, depending on the movement of the Underlying Index from the end of one (1) trading day until the time of purchase.
- **Portfolio Turnover Risk**
  - Daily rebalancing of the Fund's holdings causes a higher level of portfolio transactions as compared to the conventional ETFs. High levels of transactions increase brokerage and other transaction costs to be incurred by the Fund.
- **Risks Associated with Investment in Futures Contracts**
  - *Rolling of Futures Contracts Risk*  
The Fund will utilise futures contracts which may expose the Fund to liquidity risk linked to futures contracts which may affect the value of such futures contracts. A "roll" occurs when an existing futures contract is about to expire and is replaced with a futures contract representing the same underlying but with a later expiration date. The Fund may be adversely affected by the cost of rolling positions forward due to the higher price of the futures contract with a later expiration date as the futures contracts approach expiry. The change in price of a futures contract may reflect many factors such as perceived economic changes or political circumstances as well as increased demand.
  - *Contango and Backwardation Risk*  
As the Index Futures come to expiration, they are replaced by contracts that have a later expiration. For example, a contract entered into a long position and held until June may specify a June expiration. As time passes, the contract expiring in June is replaced by a contract for expiration in July. This is accomplished by selling the June contract and entering into a long position of the July contract. This process is referred to as "rolling". Excluding other considerations, if the market for these contracts is in "contango", where the prices are higher in the distant expiration months than in the nearer expiration months, the sale of the June contract would take place at a price that is lower than the price of the July contract. Accordingly, sale proceeds when rolling (selling and then buying the Index Futures) will not be sufficient to purchase the same number of Index Futures which have a higher price, thereby creating a negative "roll yield" which adversely affects the NAV of the Fund. By contrast, if the market for these contracts is in "backwardation", where the prices are lower in the distant expiration months than in the nearer expiration months, the sale of the June contract would take place at a price that is higher than the price of the July contract, thereby creating a positive "roll yield".
  - *Margin Risk*  
Generally, most leveraged transactions, such as futures contracts, involve the posting of margin or collateral. Because of the low margin deposits or collateral normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in a proportionally high impact and substantial losses to the Fund having a material adverse effect on the NAV of the Fund. Like other leveraged investments, a futures transaction by the Fund may result in significant losses in excess of the amount invested by the Fund. Additional funds may need to be posted as margin or collateral to meet such calls based upon daily mark to market of futures contracts. Increases in the amount of margin or collateral or similar payments may result in the need for the Fund to liquidate its investments at unfavourable prices in order to meet margin or collateral calls. This may result in substantial losses to Unit Holders.

- *Futures Contracts Market Risk*  
Futures contracts markets may be uncorrelated to traditional markets (such as equities markets) and are subject to greater risks than other markets. It is a feature of futures contracts generally that they are subject to rapid change and the risks involved may change relatively quickly. The price of futures contracts can be highly volatile. Such price movements are influenced by, among other things, interest rates, changing market supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments. In some cases, far-reaching political changes may result in constitutional and social tensions, instability and reaction against market reforms.
- *Holding of Index Futures Restriction in Number Risk*  
As per the futures contract specification, a person can only hold a maximum 10,000 contracts of the FTSE KLCI Futures Index's futures contract in all contract months combined. Accordingly, the Fund's ability to acquire further futures contract may be affected if the NAV of the Fund grows significantly which may prevent creations of Units. This may cause a divergence between the trading price of a Unit on the Bursa Securities and the NAV per Unit. In addition, the investment exposure could also deviate from the target exposure which adds tracking error to the Fund.

➤ **Path Dependency**

- The objective of the Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Benchmark on a daily basis only. Therefore, the Fund should not be equated with seeking a leveraged position for periods longer than a day. Investors in the Fund should note that the point-to-point performance of the Fund over a period longer than one (1) day may not be twice (2x) the performance of the Underlying Index over the same period of time due to the effect of "path dependency" and compounding of the daily returns of the Underlying Index. The performance of the Fund over a period longer than one day is path dependent on the Benchmark, meaning that regardless of the cumulative performance of the Underlying Index, different paths would yield different returns for the Fund. Please refer to section 3.1.6 "Comparison Between the Fund, Underlying Index and the Benchmark for a Period Longer Than One Day (i.e. Comparison of the Point-to-point Performance)" for illustration on the different paths which yield different returns for the Fund.

Investors must exercise caution when holding the Fund for longer than the rebalancing interval, i.e. one (1) Business Day. The performance of the Fund, when held overnight, will likely deviate from the performance of the Benchmark.

➤ **Risk Related to the Benchmark**

- *Fluctuations Risk*  
The performance of the Units should, before fees and expenses, correspond closely with the performance of the Benchmark which is twice (2x) the performance of the Underlying Index. If the Underlying Index experiences volatility or fluctuations, the price of the Units will vary and may decline.
- *Licence to Use Benchmark may be Terminated*  
The Manager is granted a licence by the Index Licensor to use the Benchmark in connection with the Fund and to use certain trademarks and any copyright in the Benchmark. The Fund may not be able to fulfil its objective and may be terminated if the licence agreement is terminated or if the Benchmark ceases to be compiled or published.
- *Compilation of Underlying Index Risk*  
The securities of the Underlying Index are determined and composed by the Index Licensor without regard to the performance of the Fund. The Fund is not sponsored, endorsed, sold or promoted by the Index Licensor. The Index Licensor makes no representation or warranty, express or implied, to investors of the Fund or other persons regarding the advisability of investing in futures contracts generally or in the Fund particularly. The Index Licensor has no obligation to take the needs of the Manager or investors in the Fund into consideration in determining, composing or calculating the Underlying Index. There is no assurance that the Index Licensor will compile the Underlying Index accurately, or that the Underlying Index will be determined, composed or calculated accurately. In addition, the process and the basis of computing and compiling the Underlying Index and any of its

related formula, constituent companies and factors may at any time be changed or altered by the Index Licensor without notice. Consequently there can be no guarantee that the actions of an Index Licensor will not prejudice the interests of the Fund or the investors.

➤ **Risk of Reliance on the Manager**

- This risk refers to the Unit Holders' reliance on the Manager to formulate the investment strategies for the Fund. The performance of the Fund is also dependent on the services and skills of the Manager's employees. In the case of loss of service of the Manager, or any of its key personnel, as well as any significant interruption of the Manager's business operations or in the extreme case of the insolvency of the Manager, there is a risk that the Trustee may not be able to appoint a replacement management company with the required skills and qualifications expeditiously or at all. Furthermore, any replacement manager appointed may not be of similar quality.

➤ **Risk of Reliance on the Technical Advisor**

- Although certain employees of the Manager have experience in managing unit trust funds, futures-based leveraged funds are new to the Manager. As such, the Manager substantially relies upon the expertise of the Technical Advisor to support the investments of the Fund. In the event of a breakdown or a disruption in communications with or the provisions by the Technical Advisor of its assistance to the Manager, the operations of the Fund may be at risk of being adversely affected. The occurrence of such events could cause a deterioration in the Fund's performance, and investors would face the risk of financial losses under such circumstances.

## 2.2.2 Specific Risks of Investing in Kenanga KLCI Daily (-1x) Inverse ETF

➤ **Long Term Holding Risk**

- **The Fund is not intended for holding longer than one (1) day** as the performance of the Fund over a period longer than one (1) day will very likely differ in amount and possibly direction from the inverse performance of the Underlying Index over that same period (e.g. the loss may be more than one time the increase in the Underlying Index). The effect of compounding becomes more pronounced on the Fund's performance as the Underlying Index experiences volatility. The deviation of the Fund's performance from the inverse performance of the Underlying Index will increase, and the performance of the Fund will generally be adversely affected with higher Underlying Index volatility. As a result of daily rebalancing, the Underlying Index's volatility and the effects of compounding of each day's return over time, it is even possible that investors will lose money over time while the Underlying Index's performance falls or is flat.

➤ **Inverse Fund vs. Short Selling Risk**

- Investing in the Fund is different from taking a short position. Because of rebalancing the return profile of the Fund is not the same as that of a short position. In a volatile market with frequent directional swings, the performance of the Fund may deviate from a short position.

➤ **Unconventional Return Pattern Risk**

- An inverse fund aims to deliver the opposite of the daily return of the Underlying Index. Risk investment outcome of the Fund is the opposite of conventional investment funds. If the value of the Underlying Index increases for extended periods, the Fund will likely lose most or all of its value.

➤ **Risk of Rebalancing Activities**

- There is no assurance that the Fund can rebalance their portfolio on a daily basis to achieve their investment objectives. Market disruption, regulatory restrictions or extreme market volatility may adversely affect the Fund's ability to rebalance its portfolio. This may result in the Net Asset Value of the Fund may not correlate exactly with the performance of the Benchmark.

➤ **Liquidity Risk**

- The rebalancing activities of the Fund typically takes place prior to the close of trading of the Index Futures, to minimise tracking difference. As a result, the Fund may be more exposed to the market conditions during a shorter interval and may be more subject to liquidity risk.

- **Intraday Investment Risk**
  - The Fund is normally rebalanced prior to the close of trading of the Index Futures. As such, return for investors that invest for period less than a full trading day will generally be greater than or less than the inverse investment exposure to the Underlying Index, depending on the movement of the Underlying Index from the end of one (1) trading day until the time of purchase.
  
- **Portfolio Turnover Risk**
  - Daily rebalancing of the Fund's holdings causes a higher level of portfolio transactions as compared to the conventional ETFs. High levels of transactions increase brokerage and other transaction costs to be incurred by the Fund.
  
- **Risks Associated with Investment in Futures Contracts**
  - *Rolling of Futures Contracts Risk*  
The Fund will utilise futures contracts which may expose the Fund to liquidity risk linked to futures contracts which may affect the value of such futures contracts. A "roll" occurs when an existing futures contract is about to expire and is replaced with a futures contract representing the same underlying but with a later expiration date. The Fund may be adversely affected by the cost of rolling positions forward as the futures contracts approach expiry. The change in price of a futures contract may reflect many factors such as perceived economic changes or political circumstances as well as increased demand.
  
  - *Contango and Backwardation Risk*  
As the Index Futures come to expiration, they are replaced by contracts that have a later expiration. For example, a contract entered into a short position and held until June may specify a June expiration. As time passes, the contract expiring in June is replaced by a contract for expiration in July. This is accomplished by buying the June contract and entering into a short position of the July contract. This process is referred to as "short rolling". Excluding other considerations, if the market for these contracts is in "contango", where the prices are higher in the distant expiration months than in the nearer expiration months, the purchase of the June contract would take place at a price that is lower than the price of the July contract. Accordingly proceeds from closing out the June short position when rolling (buying and then selling the Index Futures) would take place at a price that is lower than the price of the July contract, thereby creating a positive "roll yield". By contrast, if the market for these contracts is in "backwardation", where the prices are lower in the distant expiration months than in the nearer expiration months, the closing out of the June short position would take place at a price that is higher than the price of the July contract, thereby creating a negative "roll yield" which adversely affects the NAV of the Fund.
  
  - *Margin Risk*  
Generally, investment in futures contracts involves the posting of margin or collateral. Because of the low margin deposits or collateral normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in a proportionally high impact and substantial losses to the Fund having a material adverse effect on the NAV of the Fund. A futures transaction by the Fund may result in significant losses in excess of the amount invested by the Fund. Additional funds may need to be posted as margin or collateral to meet such calls based upon daily mark to market of futures contracts. Increases in the amount of margin or collateral or similar payments may result in the need for the Fund to liquidate its investments at unfavourable prices in order to meet margin or collateral calls. This may result in substantial losses to Unit Holders.
  
  - *Futures Contracts Market Risk*  
Futures contracts markets may be uncorrelated to traditional markets (such as equities markets) and are subject to greater risks than other markets. It is a feature of futures contracts generally that they are subject to rapid change and the risks involved may change relatively quickly. The price of futures contracts can be highly volatile. Such price movements are influenced by, among other things, interest rates, changing market supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments. In some cases, far-reaching political changes may result in constitutional and social tensions, instability and reaction against market reforms.

- *Holding of Index Futures Restriction in Number Risk*  
As per the futures contract specification, a person can only hold a maximum 10,000 contracts of the FTSE KLCI Futures Index's futures contract in all contract months combined. Accordingly, the Fund's ability to acquire further futures contract may be affected if the NAV of the Fund grows significantly which may prevent creations of Units. This may cause a divergence between the trading price of a Unit on the Bursa Securities and the NAV per Unit. In addition, the investment exposure could also deviate from the target exposure which adds tracking error to the Fund.

➤ **Inverse Performance of Underlying Index**

- Investors in the Fund should note that the objective and the risks inherent in the Fund are not typically encountered in traditional exchange traded funds which track the "long" performance rather than inverse performance of an index. Should the value of the underlying securities of the Underlying Index increase, it could have a negative effect on the performance of the Fund. As such, Unit Holders could, in certain circumstances including a bull market, face minimal or no returns, or may even suffer a complete loss, on such investments. The negative effect of compounding is more pronounced when combined with daily rebalancing in volatile markets.

The Fund is designed as a trading tool for short-term market timing or hedging purposes, and is not intended for long term investment. It is only suitable for investors who understand the potential consequences of seeking daily inverse results, the associated risks and constantly monitor the performance of their holding on a daily basis.

➤ **Path Dependency**

- The objective of the Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Benchmark on a daily basis only. Therefore, the Fund should not be equated with seeking an inverse position for periods longer than a day. Investors in the Fund should note that the point-to-point performance of the historical inverse performance of the Fund over a certain period may not be "symmetrical" to the point-to-point performance of the Underlying Index multiplied by -100% over the same period of time due to the effect of "path dependency" and compounding of the daily returns of the Fund. The performance of the Fund over a period longer than one (1) day is path dependent on the Benchmark, meaning that regardless of the cumulative performance of the Underlying Index, different paths would yield different returns for the Fund. Please refer to section 3.2.6 "Comparison Between the Fund, Underlying Index and the Benchmark for a Period Longer Than One Day (i.e. Comparison of the Point-to-point Performance)" for illustration on the different paths which yield different returns for the Fund.

Investors must exercise caution when holding the Fund for longer than the rebalancing interval, i.e. one (1) Business Day. The performance of the Fund, when held overnight, will likely deviate from the performance of the Benchmark.

➤ **Risk Related to the Benchmark**

- *Fluctuations Risk*  
The performance of the Units should, before fees and expenses, correspond closely with the performance of the Benchmark which is the inverse (-1x) performance of the Underlying Index. If the Underlying Index experiences volatility or fluctuations, the price of the Units will vary and may decline.
- *Licence to Use Benchmark may be Terminated*  
The Manager is granted a licence by the Index Licensor to use the Benchmark in connection with the Fund and to use certain trademarks and any copyright in the Benchmark. The Fund may not be able to fulfil its objective and may be terminated if the licence agreement is terminated or if the Benchmark ceases to be compiled or published.
- *Compilation of Underlying Index Risk*  
The securities of the Underlying Index are determined and composed by the Index Licensor without regard to the performance of the Fund. The Fund is not sponsored, endorsed, sold or promoted by the Index Licensor. The Index Licensor makes no representation or warranty, express or implied, to investors of the Fund or other persons regarding the advisability of investing in futures contracts generally or in the Fund particularly. The Index

Licensor has no obligation to take the needs of the Manager or investors in the Fund into consideration in determining, composing or calculating the Underlying Index. There is no assurance that the Index Licensor will compile the Underlying Index accurately, or that the Underlying Index will be determined, composed or calculated accurately. In addition, the process and the basis of computing and compiling the Underlying Index and any of its related formula, constituent companies and factors may at any time be changed or altered by the Index Licensor without notice. Consequently there can be no guarantee that the actions of an Index Licensor will not prejudice the interests of the Fund, the Manager or the investors.

➤ **Risk of Reliance on the Manager**

- This risk refers to the Unit Holders' reliance on the Manager to formulate the investment strategies for the Fund. The performance of the Fund is also dependent on the services and skills of the Manager's employees. In the case of loss of service of the Manager, or any of its key personnel, as well as any significant interruption of the Manager's business operations or in the extreme case of the insolvency of the Manager, there is a risk that the Trustee may not be able to appoint a replacement management company with the required skills and qualifications expeditiously or at all. Furthermore, any replacement manager appointed may not be of similar quality.

➤ **Risk of Reliance on the Technical Advisor**

- Although certain employees of the Manager have experience in managing unit trust funds, futures-based inverse funds are new to the Manager. As such, the Manager substantially relies upon the expertise of the Technical Advisor to support the investments of the Fund. In the event of a breakdown or a disruption in communications with or the provisions by the Technical Advisor of its assistance to the Manager, the operations of the Fund may be at risk of being adversely affected. The occurrence of such events could cause a deterioration in the Fund's performance, and investors would face the risk of financial losses under such circumstances.

## 3. ABOUT THE FUND

### 3.1 Kenanga KLCI Daily 2x Leveraged ETF

#### 3.1.1 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.**

*Any material change to the Fund's investment objective will require the approval of the Unit Holders.*

#### 3.1.2 Investor's Profile

The Fund is suitable for investors who:

- seek 2x leveraged exposure to the companies of the Underlying Index;
- have a bullish view of the market;
- intend to actively monitor and manage their investments; and
- have high risk tolerance.

#### 3.1.3 Asset Allocation

- Up to 70% of its NAV is to be committed as margin for futures contracts; and
- The remaining balance of the Fund's NAV (if any) is to be invested in money market instruments, money market collective investment schemes and/or deposits placed with financial institutions.

#### 3.1.4 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, subject to the rolling strategy below, to obtain the required exposure to the Benchmark.

In entering into the Index Futures each calendar month, the Manager anticipates that up to 70%\* of the Fund's NAV from time to time will be used as margin to acquire the Index Futures. The remaining balance of the Fund's NAV (if any) will be invested in money market instruments, money market collective investment schemes and deposits placed with financial institutions. Yield from such investment will be used to meet the Fund's fees and expenses and after deduction of such fees and expenses, the remainder will be reinvested into money market instruments, money market collective investment schemes and deposits placed with financial institutions.

The Manager may also place up to 100% of the Fund's NAV in a margin account with the futures broker for investments in the Index Futures if the size of the Fund is less than RM50 million or the market is deemed volatile by the Manager.

The Manager will not invest the Fund in any financial derivative instruments other than Index Futures for investment purposes. The Fund will not enter into securities lending or other similar over-the-counter transactions.

The Fund's exposure to Index Futures will not exceed 200% of its NAV (i) at the time of daily rebalancing of the Fund, and (ii) between daily rebalancing, unless due to market movements. For the calculation of the Fund's exposure, the commitment approach will be used, whereby the derivative positions are converted into the equivalent positions in the underlying assets embedded in those derivatives, i.e. the constituents of the Underlying Index. The Manager will also take into account market movements.

*\* or up to 500% of initial margin requirement set by Bursa Securities as margin for futures contract, whichever is higher.*

### *Rolling of Index Futures*

To ensure that the Fund will continue to have the required exposure to the Benchmark, the Manager will close out existing futures position in the spot month and enter into the forward month before the last trading day of the spot month.

#### **3.1.5 Policy on Rebalancing the Investment Portfolio**

The Fund seeks to closely track the daily performance of the Benchmark which is designed to provide 2x the return of the Underlying Index. Prior to the close of trading of the Index Futures, the Fund will seek to rebalance its portfolio, by increasing exposure in response to the Benchmark's daily gains or reducing exposure in response to the Benchmark's daily losses, so that its daily exposure to the Benchmark is consistent with the Fund's investment objective.

The table below illustrates how the Fund as a leveraged ETF will rebalance its position following the movement of the Underlying Index by the end of the Business Day. \*Assuming that the initial NAV of the Fund is 100 on Day 0, the Fund will need to have an exposure of 200 to meet the objective of the Fund. If the Underlying Index increases by 20% during the day, the NAV of the Fund would have increased to 140, making the exposure of the Fund 240. As the Fund needs an exposure of 280, which is 2x the Fund's NAV at closing, the Fund will need to rebalance its position by an additional 40.

Day 1 illustrates the rebalancing requirements if the Underlying Index falls by 10% on the subsequent day; Day 2 illustrates the rebalancing requirements if the Underlying Index rises by 10% on the subsequent day.

	Calculation	Day 0	Day 1	Day 2
(a) Initial NAV		100.0	140.0	112.0
(b) Initial exposure	(b) = (a) x 2	200.0	280.0	224.0
(c) Daily Index change (%)		20%	-10%	10%
(d) Profit / loss on exposure	(d) = (b) x (c)	40.0	-28.0	22.4
(e) Closing Fund NAV	(e) = (a) + (d)	140.0	112.0	134.4
(f) Closing exposure before rebalancing	(f) = (b) x (1+(c))	240.0	252.0	246.4
(g) Target exposure	(g) = (e) x 2	280.0	224.0	268.8
(h) Required rebalancing amount	(h) = (g) – (f)	40.0	-28.0	22.4

\* The above figures are calculated before fees and expenses.

#### **3.1.6 Comparison Between the Fund, Underlying Index and the Benchmark for a Period Longer Than One Day (i.e. Comparison of the Point-to-point Performance)**

The Fund's objective is to provide daily performance, before fees and expenses, which closely corresponds to the daily performance of the Benchmark. The Fund does not attempt to, and should not be expected to, provide returns, before fees and expenses, which are the returns of the Benchmark for periods other than a single day. The Fund rebalances 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. This means that for a period longer than one (1) Business Day, the pursuit of a daily investment objective may result in daily compounding of the Fund. As such, the Fund's performance may not track the cumulative Benchmark return over a period greater than one (1) Business Day. This means that the return of the Benchmark over a period of time greater than a single day generally will not equal the Fund's performance over that same period. Over time, the cumulative percentage increase or decrease in the value of the Fund's portfolio may diverge significantly from the cumulative percentage increase or decrease in the return of the Benchmark due to the compounding effect of losses and gains on the returns of the Fund.

It is also expected that the Fund will underperform the return of the Benchmark in a trendless or flat market. This is caused by compounding, which is the cumulative effect of previous earnings generating earnings or losses in addition to the principal amount, and will be amplified by the volatility of the market and the holding period of the Fund. The effect of compounding becomes more pronounced on the Fund's performance as it experiences volatility. In addition, the effects of volatility are magnified in the Fund due to leverage. The following scenarios illustrate how the Fund's performance may deviate from that of the cumulative Benchmark return over a longer period of time



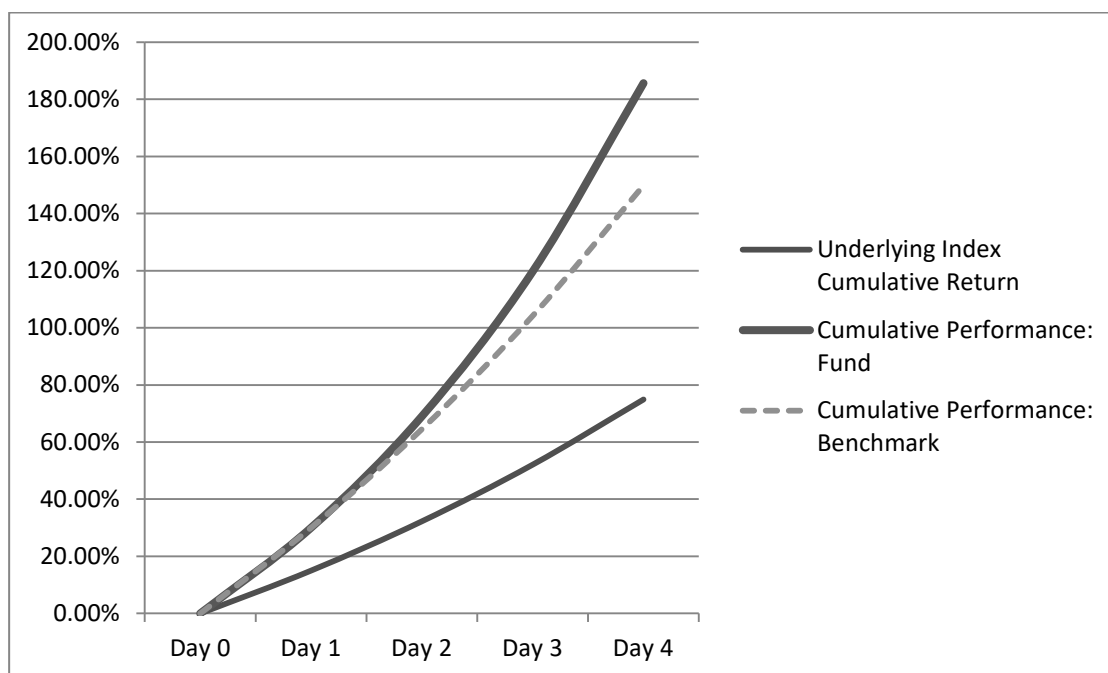
in various market conditions. All the scenarios are based on a hypothetical MYR10 investment in the Fund.

*Scenario I: Continuous Upward Trend*

In a continuous upward trend, where the Benchmark rises steadily for more than one (1) Business Day, the Fund's accumulated return will be greater than the cumulative Benchmark gain. As illustrated in the scenario below, where an investor has invested in the Fund on Day 0 and the Underlying Index grows by 15% daily for four (4) Business Days, by Day 4 the Fund would have an accumulated gain of 185.61%, compared with a 149.80% gain which is the cumulative Benchmark return.

	Underlying Index Daily Return	Underlying Index Level	Underlying Index Cumulative Return	Fund's Daily Return	Fund's NAV (MYR)	Cumulative Performance: Fund	Cumulative Performance: Benchmark
Day 0		100.0	0.00%		MYR10.00	0.00%	0.00%
Day 1	15.0%	115.0	15.00%	30.0%	MYR13.00	30.00%	30.00%
Day 2	15.0%	132.25	32.25%	30.0%	MYR16.90	69.00%	64.50%
Day 3	15.0%	152.09	52.09%	30.0%	MYR21.97	119.70%	104.18%
Day 4	15.0%	174.90	74.90%	30.0%	MYR28.56	185.61%	149.80%

The chart below further illustrates the difference between (i) the Fund's performance; (ii) the cumulative Benchmark return; and (iii) cumulative Underlying Index return, in a continuous upward market trend over a period greater than one (1) Business Day.

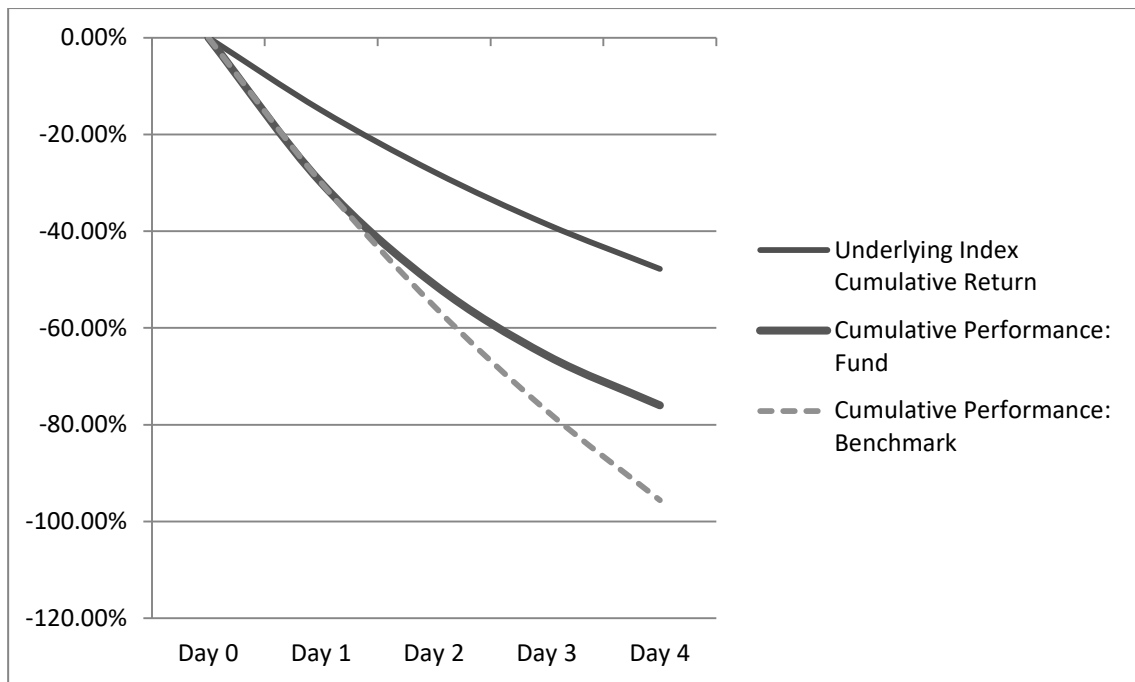


*Scenario II: Continuous Downward Trend*

In a continuous downward trend, where the Benchmark falls steadily for more than one (1) Business Day, the Fund's accumulated loss will be less than the cumulative Benchmark loss. As illustrated in the scenario below, where an investor has invested in the Fund on Day 0 and the Underlying Index falls by 15% daily for four (4) Business Days, by Day 4 the Fund would have an accumulated loss of 75.99%, compared with a 95.60% loss which is the cumulative Benchmark return.

	Underlying Index Daily Return	Underlying Index Level	Underlying Index Cumulative Return	Fund's Daily Return	Fund's NAV (MYR)	Cumulative Performance: Fund	Cumulative Performance: Benchmark
Day 0		100.0	0.00%		MYR10.00	0.00%	0.00%
Day 1	-15.0%	85.00	-15.00%	-30.0%	MYR7.00	-30.00%	-30.00%
Day 2	-15.0%	72.25	-27.75%	-30.0%	MYR4.90	-51.00%	-55.50%
Day 3	-15.0%	61.41	-38.59%	-30.0%	MYR3.43	-65.70%	-77.18%
Day 4	-15.0%	52.20	-47.80%	-30.0%	MYR2.40	-75.99%	-95.60%

The chart below further illustrates the difference between (i) the Fund's performance; (ii) the cumulative Benchmark return; and (iii) cumulative Underlying Index return, in a continuous downward market trend over a period greater than one (1) Business Day.

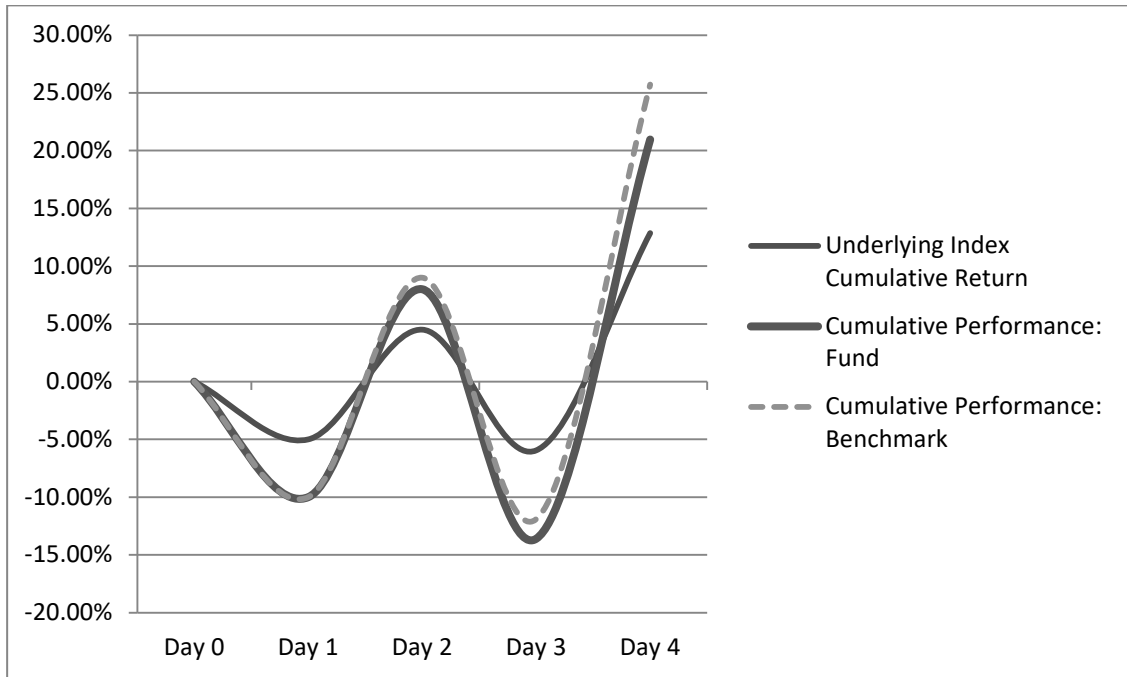


### Scenario III: Volatile Upward Trend

In a volatile upward trend, where the Benchmark generally moves upward over a period longer than one (1) Business Day but with daily volatility, the Fund's performance may be adversely affected in that the Fund's performance may fall short of the cumulative Benchmark return. As illustrated in the scenario below, where the Underlying Index grows by 12.86% over five (5) Business Days but with daily volatility, the Fund would have an accumulated gain of 20.96%, compared with a 25.72% gain which is the cumulative Benchmark return.

	Underlying Index Daily Return	Underlying Index Level	Underlying Index Cumulative Return	Fund's Daily Return	Fund's NAV (MYR)	Cumulative Performance: Fund	Cumulative Performance: Benchmark
Day 0		100.00	0.00%		MYR10.00	0.00%	0.00%
Day 1	-5.0%	95.00	-5.00%	-10.0%	MYR9.00	-10.00%	-10.00%
Day 2	10.0%	104.50	4.50%	20.0%	MYR10.80	8.00%	9.00%
Day 3	-10.0%	94.05	-5.95%	-20.0%	MYR8.64	-13.60%	-11.90%
Day 4	20.0%	112.86	12.86%	40.0%	MYR12.10	20.96%	25.72%

The chart below further illustrates the difference between (i) the Fund's performance; (ii) the cumulative Benchmark return; and (iii) cumulative Underlying Index return, in a volatile upward market trend over a period greater than one (1) Business Day.

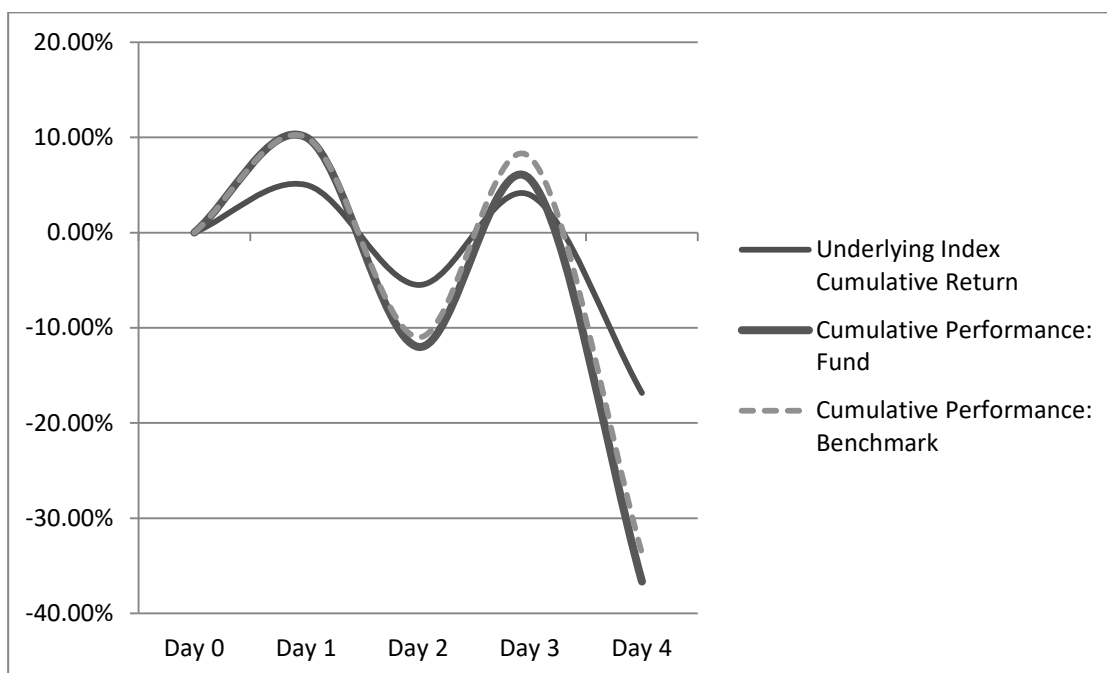


**Scenario IV: Volatile Downward Trend**

In a volatile downward trend, where the Benchmark generally moves downward over a period longer than one (1) Business Day but with daily volatility, the Fund's performance may be adversely affected in that the Fund's performance may be more than the cumulative Benchmark loss. As illustrated in the scenario below, where the Underlying Index falls by 16.84% over five (5) Business Days but with daily volatility, the Fund would have an accumulated loss of 36.64%, compared with a 33.68% loss which is the cumulative Benchmark return.

	Underlying Index Daily Return	Underlying Index Level	Underlying Index Cumulative Return	Fund's Daily Return	Fund's NAV (MYR)	Cumulative Performance: Fund	Cumulative Performance: Benchmark
Day 0		100.00	0.00%		MYR10.00	0.00%	0.00%
Day 1	5.0%	105.00	5.00%	10.0%	MYR11.00	10.00%	10.00%
Day 2	-10.0%	94.50	-5.50%	-20.0%	MYR8.80	-12.00%	-11.00%
Day 3	10.0%	103.95	3.95%	20.0%	MYR10.56	5.60%	7.90%
Day 4	-20.0%	83.16	-16.84%	-40.0%	MYR6.34	-36.64%	-33.68%

The chart below further illustrates the difference between (i) the Fund's performance; (ii) the cumulative Benchmark return; and (iii) cumulative Underlying Index return, in a volatile downward market trend over a period greater than one (1) Business Day.

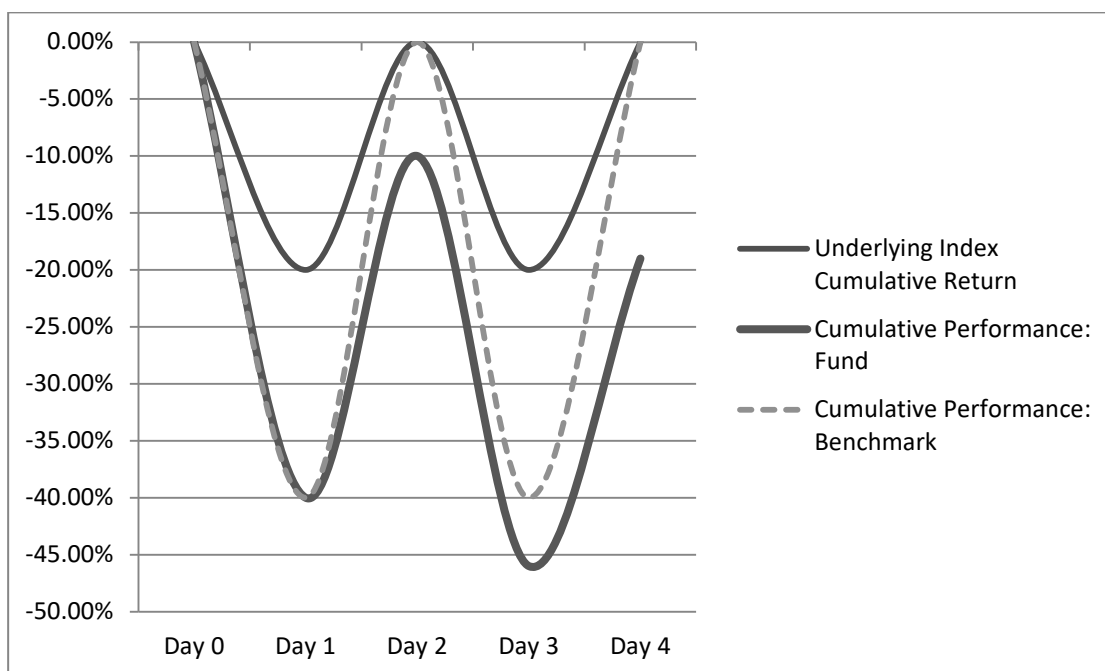


**Scenario V: Volatile Market with Flat Index Performance**

In a volatile market with flat index performance, the aforementioned compounding can have an adverse effect on the performance of the Fund. As illustrated below, even if the Underlying Index has returned to its previous level, the Fund may lose value.

	Underlying Index Daily Return	Underlying Index Level	Underlying Index Cumulative Return	Fund's Daily Return	Fund's NAV (MYR)	Cumulative Performance: Fund	Cumulative Performance: Benchmark
Day 0		100.00	0.00%		MYR10.00	0.00%	0.00%
Day 1	-20.0%	80.00	-20.00%	-40.0%	MYR6.00	-40.00%	-40.00%
Day 2	25.0%	100.00	0.00%	50.0%	MYR9.00	-10.00%	0.00%
Day 3	-20.0%	80.00	-20.00%	-40.0%	MYR5.40	-46.00%	-40.00%
Day 4	25.0%	100.00	0.00%	50.0%	MYR8.10	-19.00%	0.00%

The chart below further illustrates the difference between (i) the Fund's performance; (ii) the cumulative Benchmark return; and (iii) cumulative Underlying Index return, in a volatile market with flat index performance over a period greater than one (1) Business Day.



As illustrated in the graphs and the tables, the cumulative performance of the Fund before deduction of fees and expenses is not equal to the cumulative performance of the Benchmark over a period longer than one (1) Business Day.

As explained above, the Fund tracks the performance of the Benchmark if observed on a daily basis. However, due to path dependency of the Underlying Index and the daily leveraged performance of the Underlying Index, when comparing the Underlying Index and the Benchmark for a period longer than one (1) day (i.e. comparison of the point-to-point performance), the historical performance of the Fund will not be equal to the simple leveraged performance of the Underlying Index over the same period of time.

The Fund seeks leveraged investment results on a daily basis to the Underlying Index – from the close of regular trading on one (1) trading day to the close on the next trading day – which should not be equated with seeking a leveraged investment objective for any other period. For instance, if the Underlying Index gains 10% for a week, the Fund should not be expected to provide a return of 20% for the week even if it meets its daily leveraged investment objective throughout the week. This is true because of the expenses and charges noted above but also because the pursuit of daily goals may result in daily leveraged compounding, which means that the return of the Benchmark over a period of time greater than one (1) Business Day will not generally equal the Fund's performance over that same period. In addition, the effects of compounding become greater the longer Units are held beyond a single trading day.

Investors should note that due to the effect of "path dependency" and compounding of the daily returns of the Benchmark, the performance of the Fund before deduction of fees and expenses for periods longer than a single day, especially in periods of market volatility which has a negative impact on the cumulative return of the Fund, may not be the return of the Benchmark and may be completely uncorrelated to the extent of change of the Benchmark over the same period.

Holding an unmanaged position opens the investor to the risk of market volatility adversely affecting the performance of the investment. The Fund is not appropriate for investors who do not intend to actively monitor and manage their portfolios. These scenarios are intended to underscore the fact that the Fund is designed as short-term trading vehicles for investors who intend to actively monitor and manage their portfolios.

## 3.2 Kenanga KLCI Daily (-1x) Inverse ETF

### 3.2.1 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.**

*Any material change to the Fund's investment objective will require the approval of the Unit Holders.*

### 3.2.2 Investor's Profile

The Fund is suitable for investors who:

- seek inverse (-1x) exposure to the companies of the Underlying Index;
- have a bearish view of the market;
- intend to actively monitor and manage their investments; and
- have high risk tolerance.

### 3.2.3 Asset Allocation

- Up to 70% of its NAV is to be committed as margin for futures contracts; and
- The remaining balance of the Fund's NAV (if any) is to be invested in money market instruments, money market collective investment schemes and/or deposits placed with financial institutions

### 3.2.4 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, subject to the rolling strategy below, to obtain the required exposure to the Benchmark.

In entering into the Index Futures each calendar month, the Manager anticipates that up to 70%\* of the Fund's NAV from time to time will be used as margin to acquire the Index Futures. The remaining balance of the Fund's NAV (if any) will be invested in money market instruments, money market collective investment schemes and deposits placed with financial institutions. Yield from such investment will be used to meet the Fund's fees and expenses and after deduction of such fees and expenses the remainder will be reinvested into the Fund.

The Manager may also place up to 100% of the Fund's NAV in a margin account with the futures broker for investments in the Index Futures if the size of the Fund is less than RM50 million or the market is deemed volatile by the Manager.

The Manager will not invest the Fund in any financial derivative instruments other than Index Futures for i.e. investment purposes. The Fund will not enter into securities lending or other similar over-the-counter transactions.

The Fund's exposure to Index Futures will not exceed 100% of its NAV (i) at the time of daily rebalancing of the Fund, and (ii) between daily rebalancing, unless due to market movements. For the calculation of the Fund's exposure, the commitment approach will be used, whereby the derivative positions are converted into the equivalent positions in the underlying assets embedded in those derivatives, i.e. the constituents of the Underlying Index. The Manager will also take into account market movements.

*\* or up to 500% of initial margin requirement set by Bursa Securities as margin for futures contract, whichever is higher.*

### Rolling of Index Futures

To ensure that the Fund will continue to have the required exposure to the Benchmark, the Manager will close out existing futures position in the spot month and enter into the forward month before the last trading day of the spot month.

#### 3.2.5 Policy on Rebalancing the Investment Portfolio

The Fund seeks to closely track the daily performance of the Benchmark which is designed to provide -1x the return of the Underlying Index. Prior to the close of trading of the Index Futures, the Fund will seek to rebalance its portfolio, by decreasing exposure in response to the Benchmark's daily gains or increasing exposure in response to the Benchmark's daily losses, so that its daily exposure to the Benchmark is consistent with the Fund's investment objective.

The table below illustrates how the Fund as an inverse ETF will rebalance its position following the movement of the Underlying Index by the end of the Business Day. \*Assuming that the initial NAV of the Fund is 100 on Day 0, the Fund will need to have an exposure of -100 to meet the objective of the Fund. If the Underlying Index decreases by 20% during the day, the NAV of the Fund would have increased to 120, making the exposure of the Fund -80. As the Fund needs an exposure of -120, which is -1x the Fund's NAV at closing, the Fund will need to rebalance its position by an additional -40.

Day 1 illustrates the rebalancing requirements if the Underlying Index increases by 10% on the subsequent day; Day 2 illustrates the rebalancing requirements if the Underlying Index falls by 10% on the subsequent day.

	Calculation	Day 0	Day 1	Day 2
(a) Initial NAV		100.0	120.0	108.0
(b) Initial exposure	(b) = (a) x -1	-100.0	-120.0	-108.0
(c) Daily Index change (%)		-20%	10%	-10%
(d) Profit / loss on exposure	(d) = (b) x (c)	20.0	-12.0	10.8
(e) Closing Fund NAV	(e) = (a) + (d)	120.0	108.0	118.8
(f) Closing exposure before rebalancing	(f) = (b) x (1+(c))	-80.0	-132.0	-97.2
(g) Target exposure	(g) = (e) x -1	-120.0	-108.0	-118.8
(h) Required rebalancing amount	(h) = (g) – (f)	-40.0	24.0	-21.6

\* The above figures are calculated before fees and expenses.

#### 3.2.6 Comparison Between the Fund, Underlying Index and the Benchmark for a Period Longer Than One Day (i.e. Comparison of the Point-to-point Performance)

The Fund's objective is to provide daily performance, before fees and expenses, which closely corresponds to the daily performance of the Benchmark. The Fund does not attempt to, and should not be expected to, provide returns, before fees and expenses, which are the returns of the Benchmark for periods other than a single day. The Fund rebalances its portfolio on a daily basis, increasing exposure in response to the Benchmark's daily losses and reducing exposure in response to the Benchmark's daily gains. This means that for a period longer than one (1) Business Day, the pursuit of a daily investment objective may result in daily compounding of the Fund. As such, the Fund's performance may not track the cumulative Benchmark return over a period greater than one (1) Business Day. This means that the return of the Benchmark over a period of time greater than a single day will not equal the Fund's performance over that same period. Over time, the cumulative percentage increase or decrease in the value of the Fund's portfolio may diverge significantly from the cumulative percentage increase or decrease in the return of the Benchmark due to the compounding effect of losses and gains on the returns of the Fund.

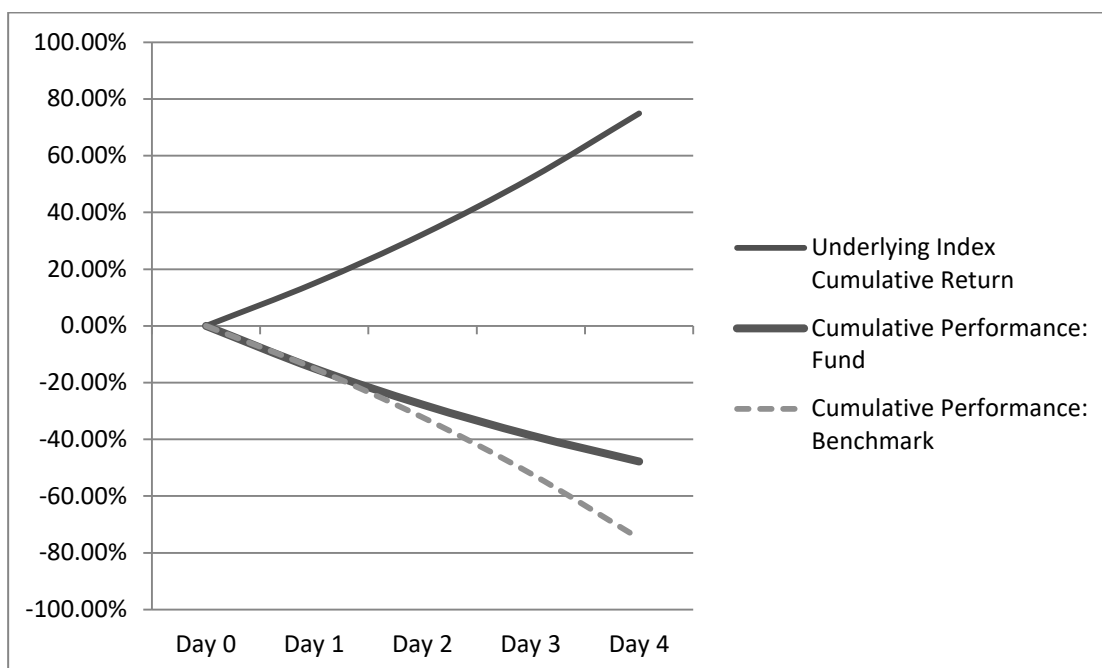
It is also expected that the Fund will underperform the return of the Benchmark in a trendless or flat market. This is caused by compounding, which is the cumulative effect of previous earnings generating earnings or losses in addition to the principal amount, and will be amplified by the volatility of the market and the holding period of the Fund. The effect of compounding becomes more pronounced on the Fund's performance as it experiences volatility. The following scenarios illustrate how the Fund's performance may deviate from that of the cumulative Benchmark return over a longer period of time in various market conditions. All the scenarios are based on a hypothetical MYR10 investment in the Fund.

*Scenario I: Continuous Upward Trend*

In a continuous upward trend, where the Benchmark rises steadily for more than one (1) Business Day, the Fund's accumulated loss will be less than the cumulative Benchmark gain. As illustrated in the scenario below, where an investor has invested in the Fund on Day 0 and the Underlying Index grows by 15% daily for four (4) Business Days, by Day 4 the Fund would have an accumulated loss of 47.80%, compared with a 74.90% loss which is the cumulative Benchmark return.

	Underlying Index Daily Return	Underlying Index Level	Underlying Index Cumulative Return	Fund's Daily Return	Fund's NAV (MYR)	Cumulative Performance: Fund	Cumulative Performance: Benchmark
Day 0		100.0	0.00%		MYR10.00	0.00%	0.00%
Day 1	15.0%	115.0	15.00%	-15.0%	MYR8.50	-15.00%	-15.00%
Day 2	15.0%	132.25	32.25%	-15.0%	MYR7.23	-27.75%	-32.25%
Day 3	15.0%	152.09	52.09%	-15.0%	MYR6.14	-38.59%	-52.09%
Day 4	15.0%	174.90	74.90%	-15.0%	MYR5.22	-47.80%	-74.90%

The chart below further illustrates the difference between (i) the Fund's performance; (ii) the cumulative Benchmark return; and (iii) cumulative Underlying Index return, in a continuous upward market trend over a period greater than one (1) Business Day.



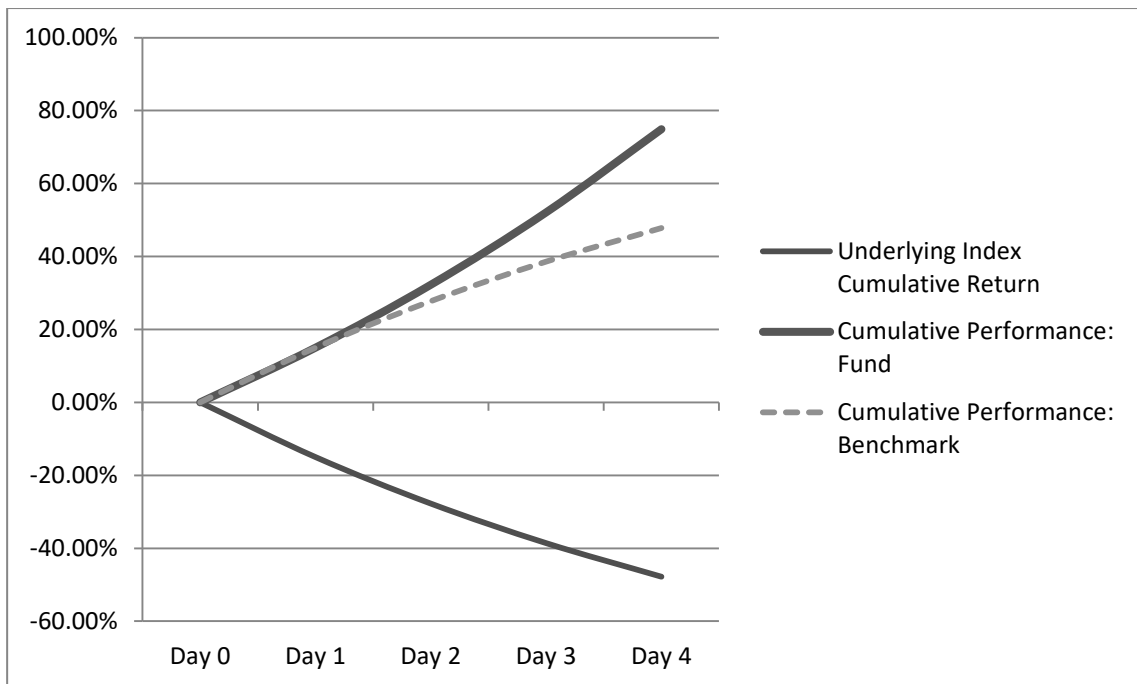
*Scenario II: Continuous Downward Trend*

In a continuous downward trend, where the Benchmark falls steadily for more than one (1) Business Day, the Fund's accumulated gains will be greater than the cumulative Benchmark loss. As illustrated in the scenario below, where an investor has invested in the Fund on Day 0 and the Underlying Index falls by 15% daily for four (4) Business Days, by Day 4 the Fund would have an accumulated gain of 74.90%, compared with a 47.80% gain which is the cumulative Benchmark return.



	Underlying Index Daily Return	Underlying Index Level	Underlying Index Cumulative Return	Fund's Daily Return	Fund's NAV (MYR)	Cumulative Performance: Fund	Cumulative Performance: Benchmark
Day 0		100.0	0.00%		MYR10.00	0.00%	0.00%
Day 1	-15.0%	85.00	-15.00%	15.0%	MYR11.50	15.00%	15.00%
Day 2	-15.0%	72.25	-27.75%	15.0%	MYR13.23	32.25%	27.75%
Day 3	-15.0%	61.41	-38.59%	15.0%	MYR15.21	52.09%	38.59%
Day 4	-15.0%	52.20	-47.80%	15.0%	MYR17.49	74.90%	47.80%

The chart below further illustrates the difference between (i) the Fund's performance; (ii) the cumulative Benchmark return; and (iii) cumulative Underlying Index return, in a continuous downward market trend over a period greater than one (1) Business Day.

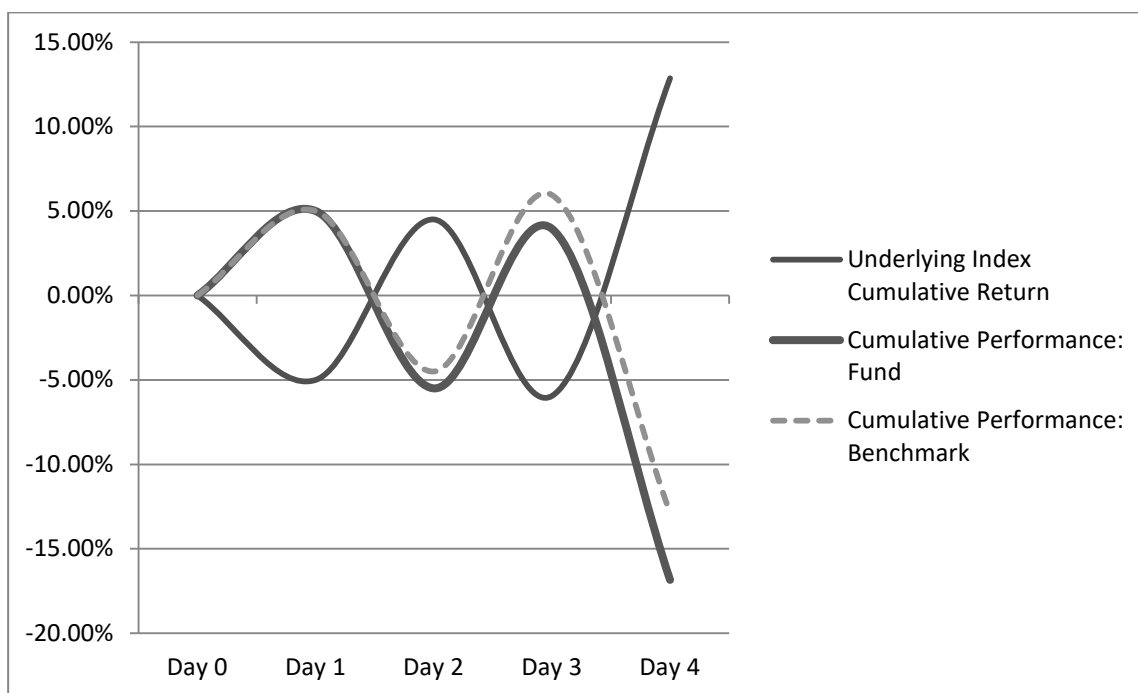


### Scenario III: Volatile Upward Trend

In a volatile upward trend, where the Benchmark generally moves upward over a period longer than one (1) Business Day but with daily volatility, the Fund's performance may be adversely affected in that the Fund's performance may fall short of the cumulative Benchmark return. As illustrated in the scenario below, where the Underlying Index grows by 12.86% over five (5) Business Days but with daily volatility, the Fund would have an accumulated loss of 16.84%, compared with a 12.86% loss which is the cumulative Benchmark return.

	Underlying Index Daily Return	Underlying Index Level	Underlying Index Cumulative Return	Fund's Daily Return	Fund's NAV (MYR)	Cumulative Performance: Fund	Cumulative Performance: Benchmark
Day 0		100.00	0.00%		MYR10.00	0.00%	0.00%
Day 1	-5.0%	95.00	-5.00%	5.0%	MYR10.50	5.00%	5.00%
Day 2	10.0%	104.50	4.50%	-10.0%	MYR9.45	-5.50%	-4.50%
Day 3	-10.0%	94.05	-5.95%	10.0%	MYR10.40	3.95%	5.95%
Day 4	20.0%	112.86	12.86%	-20.0%	MYR8.32	-16.84%	-12.86%

The chart below further illustrates the difference between (i) the Fund's performance; (ii) the cumulative Benchmark return; and (iii) cumulative Underlying Index return, in a volatile upward market trend over a period greater than one (1) Business Day.

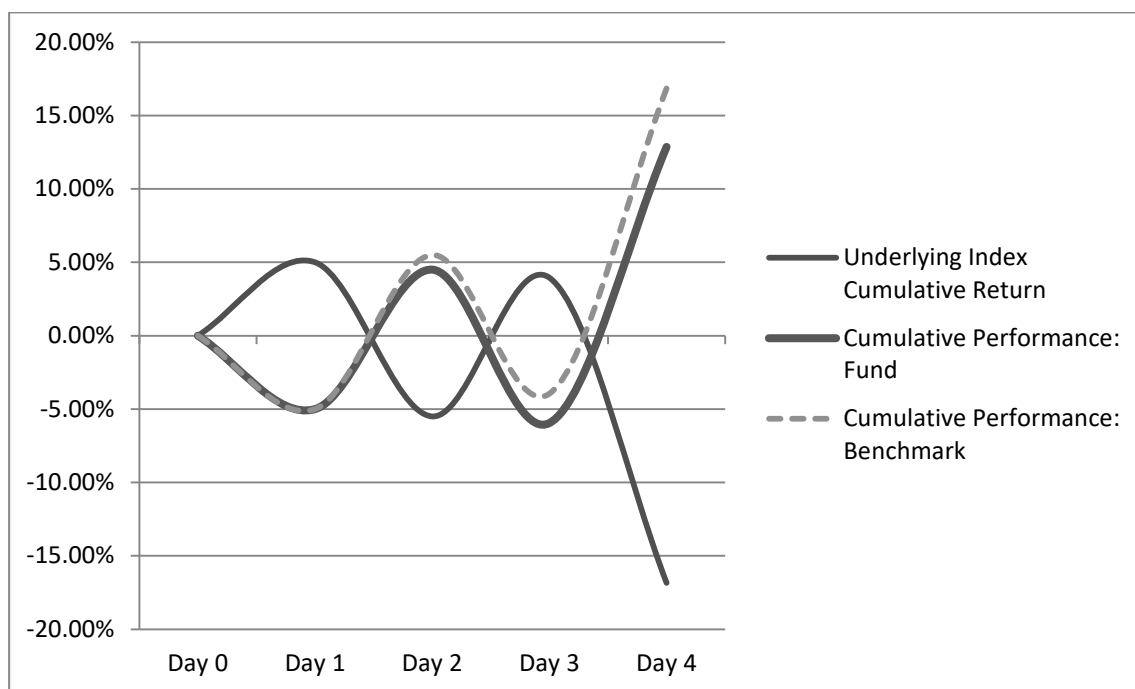


*Scenario IV: Volatile Downward Trend*

In a volatile downward trend, where the Benchmark generally moves downward over a period longer than one (1) Business Day but with daily volatility, the Fund's performance may be adversely affected in that the Fund's performance may fall short of the cumulative Benchmark loss. As illustrated in the scenario below, where the Underlying Index falls by 16.84% over five (5) Business Days but with daily volatility, the Fund would have an accumulated gain of 12.86%, compared with a 16.84% gain which is the cumulative Benchmark return.

	Underlying Index Daily Return	Underlying Index Level	Underlying Index Cumulative Return	Fund's Daily Return	Fund's NAV (MYR)	Cumulative Performance: Fund	Cumulative Performance: Benchmark
Day 0		100.00	0.00%		MYR10.00	0.00%	0.00%
Day 1	5.0%	105.00	5.00%	-5.0%	MYR9.50	-5.00%	-5.00%
Day 2	-10.0%	94.50	-5.50%	10.0%	MYR10.45	4.50%	5.50%
Day 3	10.0%	103.95	3.95%	-10.0%	MYR9.41	-5.95%	-3.95%
Day 4	-20.0%	83.16	-16.84%	20.0%	MYR11.29	12.86%	16.84%

The chart below further illustrates the difference between (i) the Fund's performance; (ii) the cumulative Benchmark return; and (iii) cumulative Underlying Index return, in a volatile downward market trend over a period greater than one (1) Business Day.

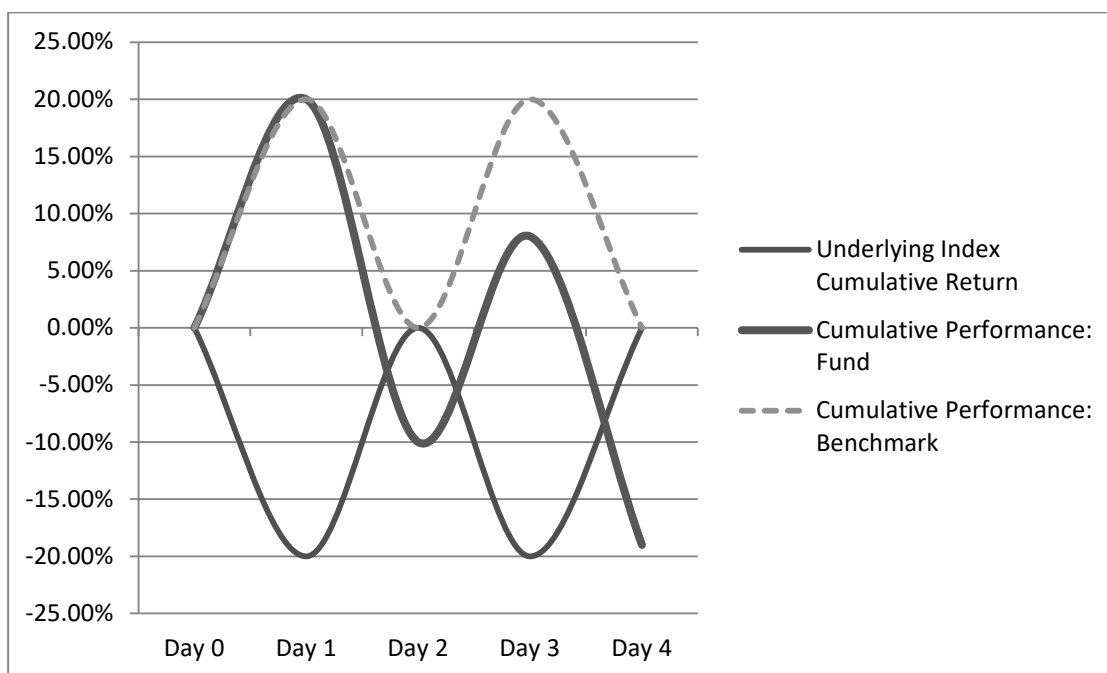


*Scenario V: Volatile Market with Flat Index Performance*

In a volatile market with flat index performance, the aforementioned compounding can have an adverse effect on the performance of the Fund. As illustrated below, even if the Benchmark has returned to its previous level, the Fund may lose value.

	Underlying Index Daily Return	Underlying Index Level	Underlying Index Cumulative Return	Fund's Daily Return	Fund's NAV (MYR)	Cumulative Performance: Fund	Cumulative Performance: Benchmark
Day 0		100.00	0.00%		MYR10.00	0.00%	0.00%
Day 1	-20.0%	80.00	-20.00%	20.0%	MYR12.00	20.00%	20.00%
Day 2	25.0%	100.00	0.00%	-25.0%	MYR9.00	-10.00%	0.00%
Day 3	-20.0%	80.00	-20.0%	20.0%	MYR10.80	8.00%	20.00%
Day 4	25.0%	100.00	0.00%	-25.0%	MYR8.10	-19.00%	0.00%

The chart below further illustrates the difference between (i) the Fund's performance; (ii) the cumulative Benchmark return; and (iii) cumulative Underlying Index return, in a volatile market with flat index performance over a period greater than one (1) Business Day.



As illustrated in the graphs and the tables, the performance of the Fund before deduction of fees and expenses is not “symmetrical” to the cumulative performance of the Underlying Index over a period longer than one (1) Business Day.

As explained above, the Fund tracks the performance of the Benchmark if observed on a daily basis. However, due to path dependency of the Underlying Index and the daily inverse performance of the Underlying Index, when comparing the Underlying Index and the Benchmark for a period longer than one (1) day (i.e. comparison of the point-to-point performance), the historical performance of the Fund will not be equal to the simple inverse performance of the Underlying Index over the same period of time.

The Fund seeks inverse investment results on a daily basis to the Underlying Index – from the close of regular trading on one (1) trading day to the close on the next trading day – which should not be equated with seeking an inverse investment objective for any other period. For instance, if the Underlying Index gains 10% for a week, the Fund should not be expected to provide a return of -10% for the week even if it meets its daily inverse investment objective throughout the week. This is true because of the expenses and charges noted above but also because the pursuit of daily goals may result in daily compounding, which means that the return of the Benchmark over a period of time greater than one (1) Business Day will not generally equal the Fund’s performance over that same period. In addition, the effects of compounding become greater the longer Units are held beyond a single trading day.

Investors should note that due to the effect of “path dependency” and compounding of the daily returns of the Benchmark, the performance of the Fund before deduction of fees and expenses for periods longer than a single day, especially in periods of market volatility which has a negative impact on the cumulative return of the Fund, may be completely uncorrelated to the extent of change of the Benchmark over the same period.

Holding an unmanaged position opens the investor to the risk of market volatility adversely affecting the performance of the investment. The Fund is not appropriate for investors who do not intend to actively monitor and manage their portfolios. These scenarios are intended to underscore the fact that the Fund is designed as short-term trading vehicles for investors who intend to actively monitor and manage their portfolios.

### 3.3 Benchmark

#### Introduction

The Benchmark for Kenanga KLCI Daily 2x Leveraged ETF is designed to provide a 2x leveraged exposure to the daily performance of the Underlying Index. The daily leveraged price return is calculated by multiplying the 2x leveraged factor to the daily price return of the Underlying Index, with finance cost<sup>^</sup>.

The Benchmark for Kenanga KLCI Daily (-1x) Inverse ETF is designed to provide an -1x inverse exposure to the daily performance of the Underlying Index. The daily inverse price return is calculated by multiplying the -1x inverse factor to the daily price return of the Underlying Index, excluding finance cost<sup>^</sup>.

As the Benchmark for each Fund derives its return from the Underlying Index, its performance is dependent on the performance of the constituents of the Underlying Index.

The Underlying Index consists of the largest 30 companies ranked by full market capitalisation, i.e. before the application of any investability weightings, in the FTSE Bursa Malaysia EMAS Index. The number of constituents in the Underlying Index is fixed.

The Benchmark for each Fund and the Underlying Index are all constructed, compiled, calculated, maintained, reviewed and published by the Index Licensor. The Underlying Index was launched with a base date of 1 January 1977 and was constructed based on a reference value of 100. The Benchmark for each Fund was launched on 4 March 2019.

The Benchmark for each Fund and the Underlying Index are all denominated in MYR.

The end of the day index values of the Benchmark for each Fund are available through the Fund's website at [www.oneetf.com.my](http://www.oneetf.com.my).

The Index Licensor is not a related corporation of the Manager.

<sup>^</sup> Finance cost refers to the financing cost of leverage and is the Kuala Lumpur Interbank Offered Rate ("KLIBOR") rate. The Benchmark for the Kenanga KLCI Daily 2x Leveraged ETF includes finance cost as the Benchmark is required to leverage its exposure to 200% of the Underlying Index by holding futures contracts to represent 200% of the Underlying Index and there is costs to be incurred for holding such futures contracts. Whereas, the Benchmark for Kenanga KLCI Daily (-1x) Inverse ETF excludes finance cost as there is no leverage on the total exposure to the Underlying Index.

#### Weightings of the top 10 constituents of the Underlying Index as at LPD

Rank	Constituent	Index Weight (%)
1.	Public Bank Bhd	12.44
2.	Tenaga Nasional Bhd	10.65
3.	Malayan Banking Bhd	10.22
4.	CIMB Group Holdings Bhd	6.89
5.	Petronas Chemical Group Bhd	4.27
6.	Axiata Group Bhd	3.95
7.	DiGi.Com Bhd	3.48
8.	Sime Darby Plantation Bhd	3.38
9.	IHH Healthcare Bhd	3.38
10.	Dialog Group Bhd	3.11

Source: FTSE Russell

**There is no guarantee or assurance of exact or identical replication at any time of the performance of the Benchmark.**

**Index composition of the Underlying Index may change and securities may be de-listed.**

**There is a lack of discretion for the Funds to adapt to market changes due to the inherent investment nature of exchange-traded funds and that falls in the Benchmark are expected to result in corresponding falls in the value of the Funds.**

## **Review and Rebalancing of the Underlying Index**

### Periodic Review of Constituents

The semi-annual review of the Underlying Index constituents takes place in June and December. The meeting to review the constituents will be held in June and December, using data from the close of business on the Monday four (4) weeks prior to the review effective date. Any constituent changes will be implemented after close of business on the third (3<sup>rd</sup>) Friday (i.e. effective Monday) of June and December.

Details of the outcome of the review and the dates, on which any changes are to be implemented, will be published after the close of business on the first (1<sup>st</sup>) Thursday of June and December to give users of the Underlying Index sufficient notification of the changes before their implementation.

### Inclusion of New Constituents

If a new issue is so large (i.e. its full market capitalisation amounts to 2% or more of the full capitalisation of the FTSE Bursa Malaysia EMAS Index, before the application of individual constituent investability weightings) that the effectiveness of the Underlying Index as a market indicator would be significantly and adversely affected by its omission, the new issue will be included as a constituent of the Underlying Index after the close of business on the fifth (5<sup>th</sup>) day of trading and eligibility will be determined using the closing price on the first (1<sup>st</sup>) day of trading. In all cases, advance notification confirming the timing of the inclusion of the new constituent will be given accordingly. The instrument which is the lowest ranking constituent of the Underlying Index will be selected for removal and related indices adjusted. In the event that the fifth (5<sup>th</sup>) day of trading is in close proximity to the Underlying Index review, FTSE Russell may use its discretion to include a fast entrant at the Underlying Index review date following advance notice.

### Removal of constituents

If a constituent is de-listed from Bursa Securities, or ceases to have a firm quotation, or is subject to a take-over or has ceased to be a viable constituent, it will be removed from the list of constituents.

The vacancy will be filled by selecting the highest ranking security by full market value in the reserve list as at the close of the index calculation two (2) days prior to the deletion and index adjusted in accordingly.

### Impact on the Benchmark

If there is any change to the Underlying Index, the change will be reflected in the Benchmark.

## **Replacement of the Benchmark**

The Manager may, after taking into account the interests of the Unit Holders and subject to the approval of the SC, replace the Benchmark with another index in the event any of the following occurs:-

- (i) the Benchmark ceases to exist;
- (ii) a major change is made in the formula or method used to calculate the Benchmark (other than a change in accordance with the operating rules of the Benchmark, such as a change in constituents), which may affect the constituents of the Benchmark;
- (iii) a new index replacing the Benchmark is released;
- (iv) in the opinion of the Manager's board of directors a new index permitting better valuation of the Fund is released. The decision to replace the Benchmark, which is a price return index, will be based on objective financial criteria, including an index with lower turnover ratio and/or an index that charges lower index licence fee, all of which will translate to lower cost and higher total return of the Fund and in turn better valuation of the Fund;
- (v) the Index Licensor increases its licence fee to a level the Manager considered too high; or

- (vi) in the Manager's opinion, the quality (including the precision and availability of data) of the Benchmark has deteriorated.

### **Further Information on the Benchmark**

Latest information and other important news on the Benchmark for each Fund will be published on the Funds' website at [www.oneetf.com.my](http://www.oneetf.com.my) (for end of day Benchmark values).

In the event of a cessation of the availability of the Benchmark, the Manager will source for alternative arrangement within three (3) months from the date of notice of such cessation from the Index Licensor.

## **3.4 Tracking Error & Strategies to Minimise such Tracking Error**

**Investors should note that there is no guarantee or assurance that the investment results of a Fund will exactly correspond to the performance of its Benchmark.**

Tracking errors may occur when comparing the performance of a Fund against its Benchmark. Although the Fund's primary investment strategy is to adopt a futures-based replication strategy, there is no assurance that the replication can be perfect. Further, factors such as but not limited to the imperfect correlation between the Benchmark of a Fund with the Fund Assets, high transaction costs due to the daily rebalancing, expenses of the Fund and liquidity of the futures contract may affect the tracking error of the Fund.

In order to minimise tracking error, the Manager will closely monitor each Fund's performance and its correlation with its Benchmark and seek to rebalance the Fund's portfolio daily.

## **3.5 Risk Management Strategies & Techniques**

The risk management strategies and techniques employed by the Manager includes the use of a futures-based replication strategy, as well as rebalancing the Fund's portfolio daily, to achieve the investment objective of the Fund and to minimise tracking error. Accordingly, the Fund is subjected to numerous risk management techniques including a series of limit checks to ensure the portfolio is within its target exposure. See Section 3.6 for more details on the Fund's permitted investments and investment restrictions.

Additionally, in managing the futures trading account, the Manager intends to allocate **a buffer** in addition to the original margin levels to maintain the existing position. This is to manage liquidity risk of the margin account whereby if the value falls below the maintenance margin level, a margin call will be activated and the Fund is required to deposit more funds to continue holding a position. If the funds do not arrive promptly, the broker will likely liquidate enough a part or all of the positions to eliminate the margin call. In such circumstance, the Fund may not be able to achieve its investment objective. To this end, the Manager has established thresholds to monitor the margin ratio on a daily basis. These thresholds should act as indicators for the Manager to take all necessary actions to bring the account back up to the initial margin level.

As the Fund invests in Index Futures, the investments in the Fund would be subject to abnormally high risks as compared to a conventional ETF. The Manager has in place policies and procedures to regularly monitor, measure and manage the risk relating to the trading of Index Futures for the Funds and the rebalancing of the Fund's portfolio on a daily basis. The Manager will also review investment matters relating to the Funds and, if necessary, escalate the same to the senior management of the Manager.

The Manager will ensure that it has in place the necessary risk management measures which would enable it to monitor, measure and manage the risks of the Fund's position relating to the use of derivatives on an on-going basis and their contribution to the overall risk profile of the Fund. In managing the liquidity of the Fund, the Manager reserves the right to halt the subscription, creation or redemption of Units of the Fund on a Business Day if such subscription, creation or redemption of Units exceeds a certain daily limits as determined by the Manager from time to time taking into consideration the average trading volume of the Index Futures.

For information concerning certain risk factors which should be considered by prospective investors, see "Risk Factors" in Section 2 of this Master Prospectus.

### 3.6 Permitted Investments & Investment Restrictions

#### Permitted Investments:

- Futures;
- Money market instruments;
- Deposits placed with financial institutions;
- Money market collective investment schemes; and
- Any other investments permitted by the SC from time to time.

#### Investment Restrictions and Limits:

1. The value of the Fund's investments in money market instruments, bond or sukuk issued by any single issuer must not exceed 15% of the Fund's NAV.
2. The value of the Fund's placement in deposits with any single institution must not exceed 20% of the Fund's NAV.
3. The aggregate value of the Fund's investments in money market instruments, deposits, bond or sukuk, issued by or placed with, as the case may be, any single issuer/institution must not exceed 25% of the Fund's NAV.
4. The value of the Fund's investments in money market instruments, deposits, bond or sukuk issued by any group of companies must not exceed 20% of the Fund's NAV.
5. The value of the Fund's investments in units/ shares of any collective investment scheme must not exceed 20% of the Fund's NAV.
6. The Fund's investment in bond or sukuk must not exceed 20% of the bond or sukuk issued by any single issuer.
7. The Fund's investment in money market instruments must not exceed 10% of the instruments issued by any single issuer. However, this limit does not apply to money market instruments that do not have a predetermined issue size.
8. The global exposure of the Fund from the derivative position calculated based on the commitment approach:
  - (a) in respect of the Kenanga KLCI Daily 2x Leveraged ETF, must not exceed 200% of the Fund's NAV; and
  - (b) in respect of the Kenanga KLCI Daily (-1x) Inverse ETF, must not exceed -100% of the Fund's NAV,

at the time of daily rebalancing of the Fund, and between each daily rebalancing. An allowance in excess of the above limit by 20% for the Kenanga KLCI Daily 2x Leveraged ETF and -10% for the Kenanga KLCI Daily (-1x) Inverse ETF due to market movements is permitted. In such an event, the Manager must take all necessary action to rectify the derivative position as soon as practicable.

*Note: The calculation of global exposure is based on an exact conversion of the derivatives into the market value of an equivalent position in the underlying index of the futures. The formula is as follows:*

*Number of contracts x notional contract size x market price of underlying index.*



*The Manager is aiming to long or short the amount of futures contracts with global exposure that is equivalent to 200%/-100% (as the case may be) of the Fund's NAV during the time of rebalancing (daily).*

The abovementioned restrictions and limits will be complied with at all times based on the up-to-date value of the Fund, and the value of its investments and instruments.

The Manager will take all necessary steps and actions to rectify any breach to the abovementioned restrictions or limits within a reasonable period as may be specified under the relevant laws.

### **3.7 Securities Lending & Borrowing**

#### **Securities Lending**

The Funds will not participate in the lending of securities.

#### **Borrowing**

The Funds are not permitted to borrow cash or other assets (including the borrowing of securities within the meaning of the SBL Guidelines) in connection with their activities. However, the Funds may borrow cash for the purpose of meeting redemption requests and for short-term bridging requirements and such borrowings are subjected to the following:-

- the Fund's cash borrowing is only on a temporary basis and that borrowings are not persistent;
- the borrowing period should not exceed one (1) month;
- the aggregate borrowings of the Fund must not exceed 10% of the Fund's NAV at the time the borrowing is incurred; and
- the Fund may only borrow from financial institutions.

### **3.8 Distribution Policy**

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

The Funds may distribute to the Unit Holders all or substantial portion of the Funds' income (after the deduction of fees, costs, expenses and taxes), pro-rated based on the number of Units held by each Unit Holder as at the entitlement date of the income distribution.

Details of the entitlement date, distribution amount, ex-entitlement dates and payment date for the distributions will be published on Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com) and the Funds' website at [www.oneetf.com.my](http://www.oneetf.com.my).

An income distribution to the Unit Holders shall be made in the following manner:

- (i) by way of eDividend;
- (ii) by way of a cheque sent to the Unit Holders' postal address; or
- (iii) such other method to be determined by the Manager and the Trustee, and allowed under the relevant rules and regulations in Malaysia.

### 3.9 Valuations of the Fund Assets

#### **Listed Futures**

The valuation of listed futures will be based on the closing market price. Where no market price is publicly available or where the use of the quoted market value is inappropriate, or where no market price is available, including in the event of suspension in the quotation of the futures for a period exceeding fourteen (14) days, or such shorter period as agreed by the Trustee, such investments are valued at fair value determined in good faith by the Manager or its delegate, based on the methods or bases approved by the Trustee after appropriate technical consultation.

#### **Money Market Instruments**

The valuation of money market instruments will be based on the price quoted by a bond pricing agency ("BPA") registered with the SC.

#### **Deposits**

Deposits placed with financial institutions are valued by reference to the principal value of such investments and the interests accrued thereon for the relevant period.

#### **Money Market Collective Investment Schemes**

An unlisted collective investment schemes will be valued based on its last published repurchase price.

#### **Any Other Investment**

The valuation will be at fair value as determined in good faith by the Manager, on methods or bases which have been verified by the auditor of the Funds and approved by the Trustee.

### 3.10 Valuation Point for the Funds

The Funds will be valued at the official close of trading of the Bursa Derivatives Exchange on each Business Day other than where there is a suspension of calculation of the NAV of the Funds.

### 3.11 Listing of the Funds

The approval for admission to the Official List and the listing of and quotation for up to 1,000,000,000 Units of each Fund on the Main Market of Bursa Securities was obtained from Bursa Securities on 26 November 2019.

The admission to the Official List and the listing of and quotation for the Units on the Main Market of Bursa Securities will commence after, amongst others, receipt of confirmation from Bursa Depository that all the Units issued have been duly credited into the CDS Accounts of the successful applicants and notices of allotment have been dispatched to the successful applicants. Upon Listing, the Units will trade in board lots of 100 Units. Admission to the Official List of Bursa Securities shall not be taken as an indication of the merits of the Fund, the Units or the Initial Subscription.

In the event that the Listing does not occur due to any reasons, all monies received in respect of any Units subscribed for by the applicants will be repaid in full without interest. If any such monies are not repaid within fourteen (14) days after the Fund becomes liable to repay it, the provision of Section 243(2) of the CMSA shall apply accordingly.

**Pursuant to Section 14 (1) of the Central Depositories Act, Bursa Securities has prescribed the Units as a prescribed security. In consequence thereof, the Units offered through this Master Prospectus will be deposited directly with Bursa Depository and any dealings in these Units will be carried out in accordance with the Central Depositories Act and the rules of Bursa Depository.**

## 4. FEES & CHARGES

### 4.1 Charges directly incurred by an investor

#### 4.1.1 Charges for the Creation and Redemption of Units through the Participating Dealer

All Creation Applications and Redemption Applications must be submitted to the Manager through the Participating Dealer and the creation and redemption of Units must be implemented in accordance with the terms and conditions set out in the Participating Dealer Agreement.

This table describes the fees and charges (excluding out-of-pocket expenses) to be paid by the Participating Dealer to the Manager and/or the Trustee. Investors should check with the relevant Participating Dealer on the actual fees and charges which may be incurred.

<b>Fees &amp; Charges</b>	<b>Details</b>
Creation/Redemption Application Fee	: RM200
Creation/Redemption Cancellation Fee	: Up to 1.00% of the Subscription Amount or Cash Redemption or such amount as may be determined by the Manager from time to time, in consultation with the Trustee
Transaction Costs	: The Manager may charge Transaction Costs (incurred by the Fund) to prevent the NAV of the Fund from being diluted.
Other Fees	: The amount (other than Transaction Costs described above) that may be incurred by the Manager and/or the Trustee from time to time in relation to the Applications submitted by the Participating Dealer, which is charged by Bursa Depository.

Additionally, investors should note that they may have to pay fees and expenses to the Participating Dealer for its services for and in connection with applying for the creation and redemption of Units through the Participating Dealer. These fees and expenses are charged by the Participating Dealer for providing its services and to meet the expenses in connection therewith.

#### 4.1.2 Charges for the Buying and Selling of Units on Bursa Securities

This table describes the charges that investors may incur (based on the charges imposed by Bursa Securities as at the date of this Master Prospectus which charges may be varied from time to time) when they buy or sell Units in a Fund on Bursa Securities. Investors should check with their brokers on the actual fees and charges which may be incurred.

<b>Fees &amp; Charges</b>	<b>Details</b>
Brokerage Fee	: As prescribed by the Bursa Securities.
Bursa Securities Clearing fee	: 0.03% of the transaction value subject to a maximum of MYR 1,000 per transaction. A MYR 10 minimum fee per transaction is applicable for direct business contracts.

Further information on the charges investors will incur when trading Units on Bursa Securities can be found at [www.bursamalaysia.com](http://www.bursamalaysia.com).

### 4.2 Fees and expenses indirectly incurred by an investor

<b>Fees &amp; Charges</b>	<b>Details</b>
Management Fee	: 0.50% per annum of the NAV of the Fund
Trustee Fee	: 0.04% per annum of the NAV of the Fund
Index Licence Fee <sup>^</sup>	: An annual fee equivalent to 10% of the total management fee during the quarter preceding each quarter date provided that such quarterly charge shall not be less than 4bps of the asset under management during the quarter preceding each quarter date.

<sup>^</sup> The index licence fee for a preceding quarter will be calculated within fifteen (15) days from each quarter date and payment of such quarterly index licence fee will be made by the Fund within thirty (30) days from the date such quarterly index licence fee is payable.

All of the abovementioned fees and expenses will be deducted from the Fund Assets.

### 4.3 Establishment Costs of the Fund

The cost of establishment and Listing of a Fund which includes the following expenses will be borne by the Fund:

- Cost of preparation and publishing of this Master Prospectus;
- Professional and advisory fees; and
- Regulatory fees.

(collectively, the “**Establishment Costs**”).

The aforesaid Establishment Costs shall be funded upfront by the Manager as and when incurred. The Manager is allowed to charge the Establishment Cost, which shall not exceed MYR500,000.00 over a period of two (2) years to reduce the impact of dilution on the returns of the Fund.

### 4.4 Permitted Expenses

The Manager and/or the Trustee shall be entitled to pay the following fees, costs and expenses from the Fund Assets to the extent they have been incurred in relation to a Fund:-

- any costs, fees and expenses to be paid under any licence and data supply contracts in relation to the Index Licensor entered into by the Manager in respect of the Fund;
- the processing or handling fees levied by any person for rendering services to effect any acquisition, disposal or any other dealings whatsoever in the Fund Assets and any expenses in relation thereto including commissions or fees paid to brokers and/or dealers in effecting dealings in the permitted investments of the Fund;
- all fees, charges, expenses and disbursements of any legal adviser or counsel, accountant, auditor, valuer, broker, banker, tax adviser or other professional advisers employed or engaged by the Trustee or the Manager in the establishment of the Fund, in maintaining, preserving and protecting the Fund Assets and in the ongoing performance of their respective duties and obligations under the Deed, or otherwise in connection with the Fund;
- all fees, charges, expenses and disbursements incurred in relation to the safe custody, acquisition, holding, registration, realisation of or other dealing with any foreign investments of the Fund Assets and all transactional fees as may be agreed from time to time between the Manager and the Trustee in relation to all transactions involving the whole or any part of the Fund Assets;
- all charges and expenses incurred for any meeting of Unit Holders other than convened by and for the Manager’s or the Trustee’s benefit;
- the fees and expenses incurred by the Manager and the Trustee in obtaining and/or maintaining the listing of and quotation for the Units on Bursa Securities and/or the authorisation or other official approval or sanction of the Fund under the CMSA or any other applicable laws or regulations;
- the fees and expenses incurred in connection with depositing and holding Units with the Depository and the clearing house (and in any other securities depository or clearing system);
- Establishment Costs of the Fund;

- all charges, costs and expenses incurred by the Manager and/or the Trustee in respect of and/or in connection with the maintenance of a website or webpages (as the case may be) dedicated entirely to the Fund and communications with and/or notification to the Unit Holders, the Registrar and/or any relevant authorities including notifications made in relation to the Fund in Bursa Securities, newspaper(s) in Malaysia and such other forms of communication permitted or acceptable under the ETF Guidelines and as the Manager may from time to time determine;
- all fees, costs and expenses incurred in respect of preparing any deeds supplemental to the Deed and in respect of preparing any agreement in connection with the Fund other than those for the Manager's or the Trustee's benefit;
- all costs incurred in respect of the preparation, publication and distribution of the annual reports and of all cheques, statements, notices and other documents relating to the Fund;
- all fees and expenses incurred in connection with the removal of the Manager, the Trustee or the auditor of the Fund or the appointment of a new management company, a new trustee or a new auditor other than those for the benefit of the Manager or the Trustee;
- all expenses incurred in the collection of income (including expenses incurred in obtaining tax repayments or relief and agreement of tax liabilities) or the determination of taxation;
- all expenses associated with the distributions declared pursuant to the Deed including without limitation fees for the revalidation or reissuance of any distribution cheque or warrant or telegraphic transfer;
- all fees and expenses incurred by the Manager and the Trustee in terminating the Fund;
- fees for the valuation of the Fund by independent valuers for the benefit of the Fund; and
- such other charges, costs, expenses and disbursements (including but not limited to any tax and other duties imposed by any government and other authorities) as permitted or required (as the case may be) under the applicable laws which the Manager or the Trustee is entitled to charge to the Fund.

#### **4.5 Policy on Rebates and Soft Commissions**

The Manager or any of its delegate thereof shall not retain any rebate from, or otherwise share in any commission with, any broker / dealer in consideration for direct dealings (if any) in the investments of a Fund. Accordingly, any rebate or shared commission should be directed to the account of the Fund.

The soft commission can be retained by the Manager provided that:-

- the Manager does not utilise the soft commission for the purpose of defraying costs relating to the establishment or maintenance of the Manager's infrastructure, framework or systems;
- the Manager ensures that the goods and services are in the form of research and advisory services that assist in the decision-making process relating to the Fund's investments; and
- the Manager's practice in relation to soft commission is adequately disclosed in the Master Prospectus and annual report, including a description of the goods and services received by the Manager.

**All fees and charges payable by investors are subject to all applicable taxes and/or duties as may be imposed by the government and/or the relevant authorities from time to time.**

## 5. DEALING INFORMATION

### 5.1 Applications for the Purchase and Sale of Units

#### 5.1.1 Before Listing

During the Initial Subscription Period, investors may apply to subscribe for the Units through the Placement Agent. See Section 5.2 for more details on the application procedure.

During the Initial Subscription Period, the Initial Issue Price is fixed at MYR2.00 per Unit.

Proceeds received by the Fund from the Initial Subscription will be used for investments in Permitted Investments. The timeframe for full utilisation of the proceeds will be within two (2) Business Days of the receipt of the proceeds.

#### 5.1.2 After Listing

After Listing, there are two (2) methods of subscribing for or redeeming Units -

i) Creation / Redemption of Units via the Participating Dealer (primary market)

A Participating Dealer (either acting for itself or for an investor as its client) may apply for the creation or redemption of Units. Investors who wish to apply for the creation or redemption of Units can do so through the Participating Dealer.

Creation of Units can be done via Cash Creation in a Creation Unit Block (or whole multiples thereof). Redemption of Units can be done via Cash Redemption in a Redemption Unit Block (or whole multiples thereof).

See Section 5.3 for more details on the application for the creation and redemption of Units procedure.

ii) Buying / Selling of Units on Bursa Securities (secondary market)

Investors can buy Units in MYR through a licensed intermediary such as a stockbroker or any of the share dealing services offered by banks or other financial advisers.

Further details are set out in Section 5.8 of this Master Prospectus.

#### 5.1.3 Investors and the Participating Dealer

Where investors choose to apply for the creation or redemption of Units via the Participating Dealer (primary market) in the manner described above, the following should be noted –

- i) The application for the creation and/or redemption of Units can only be made through the Participating Dealer.
- ii) Investors who apply for the creation and/or redemption of Units through the Participating Dealer should note that the Participating Dealer may, for its own account, charge fees and expenses not set out in this Master Prospectus for providing its services and apply its own conditions for application for or redemption of Units in addition to those set out in this Master Prospectus.
- iii) The Participating Dealer will accept requests received from investors, subject to normal market conditions, agreement as to fees and completion of client acceptance procedures, to create and/or redeem Units on behalf of such investors. Investors should note that although the Manager has a duty to closely monitor the operations of the Fund, neither the Manager nor the Trustee are/is empowered to compel the Participating Dealer to disclose its fees agreed with specific investors or other proprietary or confidential information to the Manager or the Trustee, or to accept any such application requests received from investors.

- iv) Investors should note that the arrangements set out between the Participating Dealer and the investor are solely a contractual arrangement between the investor and the Participating Dealer. The Manager and the Trustee are not parties to these arrangements. Therefore, neither the Manager nor the Trustee shall be held responsible to the respective investors for these arrangements. An investor should contact the Participating Dealer and obtain further details before entering into any such arrangement.

## 5.2 Procedures for the Application and Acceptance of the Initial Subscription

5.2.1 The table below details the opening and closing of Subscription Applications:-

Event	Date	Time
Opening date and time for the Initial Subscription through Placement Agent	20 December 2019	9.00 a.m.
Closing date and time for the Initial Subscription	31 December 2019	5.00 p.m.

The Manager (in consultation of the Trustee and Placement Agent) may in its absolute discretion, extend the closing date for the Initial Subscription. If the closing date for the Initial Subscription is extended, the dates for allotment to successful applicants and the Listing of the Fund will be extended accordingly. Any extension of the abovementioned dates will be announced to investors via the Fund's website at [www.oneeff.com.my](http://www.oneeff.com.my).

Investors are advised to contact the Placement Agent directly for further information on the application procedure.

5.2.2 An applicant must meet the following requirements:-

- Have a CDS account.
- (i) A Malaysian citizen who is at least eighteen (18) years old; or  
(ii) A corporation/institution.

5.2.3 Application of Units can be made through the Placement Agent by way of cash subscription only.

Each application must be for at least 100 Units or multiple of 100 Units.

5.2.4 Payment for the Units can be made via any of the following methods:

- i) Payment via telegraphic transfer from investors; or
- ii) Payment via cheques; or
- iii) Bank draft; or
- iv) Cashier's order.

5.2.5 Application of Units submitted by the Placement Agents to the Manager can only be made in MYR.

### **5.3 Procedures for Creation and Redemption of Units via the Participating Dealer (primary market)**

The procedures set out in this Section are in relation to the creation and redemption of Units After Listing.

During this period:-

- (i) Both Creation Applications and Redemption Applications may be made by the Participating Dealer before the Dealing Deadline on any Business Day. If the Creation Applications and Redemption Applications are received on a day which is not a Business Day or received after the Dealing Deadline of a Business Day, such Applications will be treated as having been received on the following Business Day;
- (ii) Creation Applications by the Participating Dealer must be made by way of Cash Creation in a Creation Unit Block (or whole multiples thereof) only; and
- (iii) Redemption Applications by the Participating Dealer must be made by way of Cash Redemption in a Redemption Unit Block (or whole multiples thereof).

The Issue Price and Redemption Price for the Units After Listing shall be ascertained in accordance with the provisions of Section 5.5 of this Master Prospectus.

Units issued After Listing, pursuant to Creation Applications made by the Participating Dealer, will be registered in the name of the Participating Dealer in the Register and will be deposited with Bursa Depository on the Creation Date relating thereto. Subject to the agreement between an investor and the Participating Dealer, the Units applied for or on behalf of the investor will thereafter be credited to the CDS Account of the investor.

#### **5.3.1 Procedures for Cash Creation**

- (i) The Subscription Amount will be determined by the Manager on each Business Day and published on the Fund's website at [www.oneetf.com.my](http://www.oneetf.com.my) and Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com) prior to the opening of the market on the following Business Day.
- (ii) For a Creation Application to be valid, it must:
  - be submitted by the Participating Dealer in accordance with the Participating Dealer Agreement;
  - include the certifications required under the Participating Dealer Agreement;
  - specify the number of Creation Unit Blocks; and
  - specify the person making the Creation Application or on whose behalf the Creation Application is being made.
- (iii) Upon receipt of a valid Creation Application, the Manager will instruct the Trustee to create and issue new Units, which will be settled in cash.
- (iv) The new Units will be created and issued, and the Register will be updated on the Creation Date. The Issue Price will be based on the NAV of the Fund as at the Valuation Point on the Trade Date.

#### **5.3.2 Provisions applicable for Cash Creation**

- (i) The Manager and/or the Trustee reserves the right in its sole discretion, provided that it is reasonable, to reject or suspend a Creation Application if:
  - the Creation Application is unclear, erroneous or ambiguous (in the Manager's and/or the Trustee's reasonable opinion);
  - the aggregate of the Creation Unit Block(s) in respect of a Creation Application and the number of Units then in issue exceeds the authorised size of the Fund as approved from time to time by the SC;



- if the relevant exchange is closed; or
  - the Manager has suspended the rights of the Participating Dealer to make Creation Applications pursuant to the Deed.
- (ii) In addition, the Trustee may (by notice to the Manager) refuse to:
- create Units; or
  - create Units in the number instructed by the Manager;
- if the Trustee considers that such creation is not in the interest of the Unit Holders or that it would result in a breach of the provisions of the Deed and other applicable laws.
- (iii) Cancellation of Units created pursuant to a Creation Application for Cash Creation:
- The Manager may instruct the Trustee to cancel the Units created (but not yet issued) pursuant to a Creation Application if:
    - (a) the full Subscription Amount has not been received in cleared funds by or on behalf of the Manager and/or the Trustee (as the case may be); or
    - (b) the Creation Application Fee and Transaction Costs (if any) have not been received in cleared funds by or on behalf of the Manager (in the case of Creation Application Fee) and Trustee for the account of the Fund (in the case of Transaction Costs);

by such time and date as determined by the Manager (in consultation with the Trustee) in accordance with the Participating Dealer Agreement.
  - If any Units are cancelled as described above, the Subscription Amount (if already received by the Trustee) shall be redelivered to the Participating Dealer.
- The relevant cancelled Units shall be deemed to never have been created and the Participating Dealer shall have no right or claim against the Manager or the Trustee in respect of such cancellation. Further, the Manager may, but shall not be bound to:
- (a) charge the Participating Dealer the Application Cancellation Fee;
  - (b) charge the Participating Dealer any losses arising from the acquisition or disposal of the Index Futures and any costs incurred by the Fund in connection with such failed creation; and
  - (c) require the Participating Dealer to pay to the Trustee (for the account of the Fund) in respect of each Unit so cancelled, the amount (if any) by which the Issue Price (as at the Trade Date of the Creation Application) exceeds the Redemption Price (which would have been applicable if the Manager had received a Redemption Application on the date on which such Units are cancelled).
- (iv) Once a Creation Application is submitted, it cannot be revoked or withdrawn without the Manager's consent unless a suspension period has been declared by the Manager in accordance with the Deed.
- (iv) Any commission, remuneration or other sum payable by the Manager in respect of the issue or sale of any Unit shall not be added to the Issue Price of such Unit and shall not be paid from the Fund Assets.

### 5.3.3 Procedures for Cash Redemption

- (i) The Redemption Amount will be determined by the Manager on each Business Day and published on the Fund's website at [www.oneetf.com.my](http://www.oneetf.com.my) and Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com) prior to the opening of the market on the following Business Day.
- (ii) For a Redemption Application to be valid, it must:
  - be submitted by the Participating Dealer in accordance with the Participating Dealer Agreement;
  - include the certifications required under the Participating Dealer Agreement;
  - specify the number of Redemption Unit Blocks; and
  - specify the person making the Redemption Application or on whose behalf the Redemption Application is being made.
- (iii) Upon receipt of a valid Redemption Application, the Manager will instruct the Trustee (by notice in writing) to effect the redemption, which will be settled by cancelling the Units and payment of proceeds in cash.
- (iv) The Units will be redeemed and cancelled and the Register will be updated on the Redemption Date. The Redemption Price will be based on the NAV of the Fund as at the Valuation Point on the Trade Date.

The Fund size shall be reduced by the number of Units cancelled.

For Cash Redemption, the Trustee shall pay the Redemption Amount out of the Fund Assets to the Participating Dealer.

### 5.3.4 Provisions applicable for Cash Redemption

- (i) The Manager and/or the Trustee reserves the right in its discretion, provided that it is reasonable to reject or suspend a Redemption Application if:
  - the Redemption Application is unclear, erroneous or ambiguous (in the Manager's and/or the Trustee's reasonable opinion);
  - the number of Units in respect of which Redemption Applications are received by the Manager exceeds the limit set out in this Section, item (vi) below;
  - the Manager has suspended the rights of the Participating Dealer to make Redemption Applications pursuant to the Deed;
  - if the relevant exchange is closed; or
  - in the Manager's reasonable opinion, the Redemption Application may breach any of the terms or conditions of the Participating Dealer Agreement and/or the Deed.
- (ii) In addition, the Trustee may (by notice to the Manager) refuse to:
  - redeem Units; or
  - redeem Units in the number instructed by the Manager;

if the Trustee considers that such redemption is not in the interest of the Unit Holders or that it would result in a breach of the provisions of the Deed and other applicable laws.
- (iii) Payment of Redemption Amount for Cash Redemption:

The Redemption Amount in respect of the redemption of Units shall be payable to the Participating Dealer on the Redemption Date provided that:

- the Redemption Application has been received by the Manager in accordance with the Deed;
  - the Units to be redeemed have been delivered to the Trustee; and
  - the Redemption Application Fee has been paid in full.
- (iv) The Manager may deduct and set-off the Redemption Application Fee and Transaction Costs (if any) against any Redemption Amount payable to the Participating Dealer.
- (v) If the Units to be redeemed are not delivered to the Trustee in accordance with the provisions of the Deed:
- the Redemption Application shall be deemed never to have been made (except that the Redemption Application Fee shall remain due and payable); and
  - the Manager may charge the Participating Dealer:
    - (a) the Application Cancellation Fee;
    - (b) any Transaction Costs; and
    - (c) any losses arising from the acquisition or disposal of the Index Futures and any costs incurred by the Fund in connection with such failed redemption; the amount (if any) by which the Issue Price (which would have been applicable if the Manager had received a Creation Application on the date on which such Units were to be cancelled) exceeds the Redemption Price (as at the Trade Date of the Redemption Application).

#### **5.4 Computation of NAV**

The valuation of a Fund will be done in the Fund's Base Currency, namely MYR.

The NAV of the Fund is determined by deducting the value of all the Fund's liabilities from the value of all the Fund's assets, at a particular Valuation Point. Please refer to Section 3.10 of this Master Prospectus on details of the valuation point for the Fund.

#### **5.5 Calculation of Issue Price and Redemption Price**

The Deed provides that the Issue Price or Redemption Price of each Unit for any relevant Business Day will, subject to the qualification below, be calculated by the Manager and shall be based on the NAV of a Fund as at the Valuation Point on the Trade Date divided by the number of Units in issue, truncated to four (4) decimal places, or in such manner as may be determined by the Manager from time to time in consultation with the Trustee. The benefit of any such adjustment shall accrue to the Fund.

The Manager may, in consultation with the Trustee, add to the Issue Price (but not include within it) such sum (if any) as the Manager may consider representative of the appropriate provision for Transaction Costs which shall be for the account of the Fund.

## 5.6 IOPV

The IOPV per Unit will be calculated by the Manager close to real-time (fifteen (15) seconds intervals) on each Business Day to serve as an approximation to the NAV of a Fund. The IOPV per Unit, which is the estimated NAV per Unit of a Fund, is calculated as follows:

- (i) the value of the Fund Assets at the respective interval on a Business Day, including liquid assets;
- (ii) minus the liabilities of a Fund; and
- (iii) dividing the aggregation of sub-paragraph (i) and (ii) above by the number of Units in issue.

## 5.7 Obtaining information on the NAV and IOPV per Unit

Details of the NAV of a Fund and the NAV per Unit of each Business Day will be made available the following Business Day while the IOPV per Unit will be made available on each Business Day on Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com) and on the Fund's website at [www.oneeff.com.my](http://www.oneeff.com.my).

## 5.8 Trading of the Units on Bursa Securities (secondary market)

After Listing, Units of a Fund can be bought and sold on Bursa Securities throughout the trading day like any other publicly-traded shares. Units are generally purchased and sold in "board lots" of 100 Units or such other number of board lots as may be prescribed by the relevant laws. However, brokerage firms may permit investors to purchase or sell Units in smaller "odd-lots", although prices of Units traded in "odd-lots" may differ from Units purchased and sold in "board lots".

However, investors should note that transactions in the secondary market on Bursa Securities will occur at quoted market prices which may differ from the daily NAV per Unit due to market demand and supply, liquidity and trading spread for the Units in the secondary market. As a result, the market price of the Units in the secondary market may be higher or lower than the daily NAV per Unit.

When buying or selling Units through a broker, investors will incur customary brokerage and clearing fees.

Pursuant to Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed the Units as a prescribed security. In consequence thereof, the Units will be deposited directly with Bursa Depository and any dealings in these Units will be carried out in accordance with the Central Depositories Act and the rules of Bursa Depository.

As an investor, the Unit Holder is the beneficial owner of the Units as shown in the records of Bursa Depository. Bursa Depository serves as the securities depository for all Units of a Fund. The Unit Holder is not entitled to receive physical delivery of Unit certificates or to have Units registered in its name, and it is not considered a registered owner of Units. Therefore, to exercise any right as the beneficial owner of Units, the Unit Holder must rely upon the procedures of Bursa Depository. These procedures are the same as those that apply to securities listed on Bursa Securities.

## 5.9 Unit Trading Prices

The trading prices of Units on Bursa Securities may differ from their daily NAV per Unit and IOPV per Unit and can be affected by market forces such as supply and demand, economic conditions and other factors. Unit Holders may keep track of the current market price of the Units via Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com) on a daily basis.

## **5.10 Market Making**

It is the Manager's intention to facilitate the provision of liquidity for Unit Holders through the appointment of the Market Maker who is required to maintain a market for the Units. In maintaining a market for Units, the Market Maker may realise profits or sustain losses. Any profit made by the Market Maker may be retained by it for its absolute benefit and it shall not be liable to account to the Funds in respect of such profits.

Although the Market Maker may buy and sell Units just like retail investors via Bursa Securities, there is no guarantee or assurance as to the price at which a market for the Units will be made. Additional market maker(s) may be appointed in future by the Manager. A list of market makers appointed by the Manager for the Funds may be obtained from Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com) and on the Funds' website at [www.oneetf.com.my](http://www.oneetf.com.my). The Manager will also notify Bursa Securities of any changes to the list of market makers.

## 6. SALIENT TERMS OF THE DEED

The Deed had been entered into between the Manager and the Trustee of the Fund. The Fund is constituted by the Deed and regulated primarily by the CMSA and the ETF Guidelines. The terms and conditions of the Deed and of any deed supplemental thereto entered into pursuant to the provisions of the Deed is binding on each of the Unit Holders and all persons claiming through or under such Unit Holders as if they had:-

- (i) been a party to and had executed the Deed and any such supplemental deed;
- (ii) thereby covenanted for themselves and for all such persons to observe and be bound by all the provisions thereof; and
- (iii) thereby authorised the Trustee and the Manager respectively to do all such acts and things as the Deed or any such supplemental deed may require or authorise the Trustee or the Manager (as the case may be) to do.

### 6.1 Rights of Unit Holders

A Unit Holder has the right, among others, to the following:

- (i) to inspect the Register, free of charge, at any time during normal working hours at the registered office of the Manager, and obtain such information pertaining to its Units as permitted under the Deed and the ETF Guidelines;
- (ii) to receive distributions declared by the Fund (if any), and to other rights and privileges as set out in the Deed;
- (iii) to vote for the removal of the Trustee or the Manager through a Special Resolution; and
- (iv) to receive annual reports or any other reports of the Fund.

Unit Holders' rights may be varied by changes to the Deed, the ETF Guidelines or judicial decisions or interpretation.

### 6.2 Liabilities and limitations of Unit Holders

#### 6.2.1 Liabilities

- (i) A Unit Holder need not indemnify the Trustee, the Manager or any creditor of any one or more of them if there is a deficiency of Fund Assets when compared with liabilities.
- (ii) The right of the Trustee, the Manager or any such creditor to seek indemnity is limited to having recourse to the Fund.

#### 6.2.2 Limitations

A Unit Holder cannot:

- (i) interfere with the rights or powers of the Manager and/or the Trustee in their dealings with the Fund;
- (ii) assert an interest in any particular part of the Fund Assets;
- (iii) require the transfer to the Unit Holder of any particular part of the Fund Assets;

- (iv) attend meetings whether of shareholders, creditors, ratepayers or otherwise or to take part in or to consent to any action concerning any property, corporation or scheme in connection with the Fund Assets;
- (v) exercise any rights, powers or privileges in respect of any of the Fund Assets;
- (vi) lodge with a government authority or any person any caveat or other notice whether under the provisions of any regulation, legislation, rule or otherwise;
  - (a) prohibiting the government authority or person (either conditionally or absolutely) from taking the action specified in the caveat or notice or forbidding (either conditionally or absolutely) the registration of any person as transferee or proprietor of, or of any instrument or thing affecting any particular part of the Fund Assets; or
  - (b) claiming any estate or interest in any particular part of the Fund Asset; or
- (vii) interfere in any way with the Fund.

For full details of the rights of a registered Unit Holder of the Fund, please refer to the Deed.

### 6.3 Maximum fees and charges permitted by the Deed

This table describes the maximum fees permitted by the Deed and payable indirectly by investors.

Fees	% / MYR
Management Fee	3.00% per annum, calculated daily on the NAV of the Fund.
Trustee Fee	0.10% per annum, calculated daily on the NAV of the Fund (excluding foreign sub-custodian fees and charges).

A lower fee and/or charges than what is stated in the Deed may be charged, all current fees and/or charges will be disclosed in the Master Prospectus.

Any increase of the fees and/or charges that is stated in the current Master Prospectus may be made provided that:

- (i) In relation to the Manager,
  - (a) the higher management fee does not exceed the maximum rate stipulated in the Deed;
  - (b) the Manager has notified the Trustee in writing of the higher management fee and the Trustee agrees after considering the matters required under the ETF Guidelines;
  - (c) the Manager has announced to Bursa Securities of the higher management fee and its effective date; and
  - (d) thirty (30) days have elapsed since the date of the announcement in Section 6.3(i)(c) above.
- (ii) In relation to the Trustee,
  - (a) the higher trustee fee does not exceed the maximum rate stipulated in the Deed;
  - (b) the Trustee has notified the Manager in writing of the higher trustee fee and the Manager agrees after considering the matters required under the ETF Guidelines;
  - (c) the Manager has announced to Bursa Securities of the higher trustee fee and its effective date; and

- (d) thirty (30) days have elapsed since the date of announcement in Section 6.3(ii)(c) above.

Any increase in the maximum rates for the management fee and trustee fee stipulated in the Deed and this Section 6.3 may only be made by way of supplementary deed and in accordance with the requirements of the CMSA.

#### **6.4 Expenses permitted by the Deed**

The Deed allows for payment of other fees, costs and expenses from the Fund Assets, which include (without limitation) expenses connected with:

- any costs, fees and expenses to be paid under any licence and data supply contracts in relation to the Index Licensor entered into by the Manager in respect of the Fund;
- the processing or handling fees levied by any person for rendering services to effect any acquisition, disposal or any other dealings whatsoever in the Fund Assets and any expenses in relation thereto including commissions or fees paid to brokers and/or dealers in effecting dealings in the permitted investments of the Fund;
- all fees, charges, expenses and disbursements of any legal adviser or counsel, accountant, auditor, valuer, broker, banker, tax adviser or other professional advisers employed or engaged by the Trustee or the Manager in the establishment of the Fund, in maintaining, preserving and protecting the Fund Assets and in the ongoing performance of their respective duties and obligations under the Deed, or otherwise in connection with the Fund;
- all fees, charges, expenses and disbursements incurred in relation to the safe custody, acquisition, holding, registration, realisation of or other dealing with any foreign investments of the Fund Assets and all transactional fees as may be agreed from time to time between the Manager and Trustee in relation to all transactions involving the whole or any part of the Fund Assets;
- all charges and expenses incurred for any meeting of Unit Holders other than convened by and for the benefit of the Manager and the Trustee;
- the fees and expenses incurred by the Manager and the Trustee in obtaining and/or maintaining the listing of and quotation for the Units on Bursa Securities and/or the authorisation or other official approval or sanction of the Fund under the CMSA or any other applicable laws or regulation;
- the fees and expenses incurred in connection with depositing and holding Units with Bursa Depository and the clearing house (and in any other securities depository or clearing system);
- Establishment Costs of the Fund;
- all charges, costs and expenses incurred by the Manager and/or the Trustee in respect of and/or in connection with the maintenance of a website or web pages (as the case may be) dedicated entirely to the Fund and communications with and/or notification to the Unit Holders, the Registrar and/or any relevant authorities including notifications made in relation to the Fund in Bursa Securities, newspaper(s) in Malaysia and such other forms of communication permitted or acceptable under the ETF Guidelines and as the Manager may from time to time determine;
- all fees, costs and expenses incurred in respect of preparing any deeds supplemental to the Deed and in respect of preparing any agreement in connection with the Fund other than those for the benefit of the Manager or the Trustee;
- all costs incurred in respect of the preparation, publication and distribution of the annual reports and of all cheques, statements, notices and other documents relating to the Fund;



- all fees and expenses incurred in connection with the removal of the Manager, the Trustee or the auditor of the Fund or the appointment of a new management company, a new trustee or a new auditor other than those for the benefit of the Manager or the Trustee;
- all expenses incurred in the collection of income (including expenses incurred in obtaining tax repayments or relief and agreement of tax liabilities) or the determination of taxation;
- all expenses associated with the distributions declared pursuant to the Deed including without limitation, fees for the revalidation or reissuance of any distribution cheque or warrant or telegraphic transfer;
- all fees and expenses incurred by the Manager and the Trustee in terminating the Fund;
- fees for the valuation of the Fund by independent valuers for the benefit of the Fund; and
- such other charges, costs, expenses and disbursements (including but not limited to any tax and other duties imposed by any government and other authorities) as permitted or required (as the case may be) under the applicable laws which the Manager or the Trustee is entitled to charge to the Fund.

## **6.5 Retirement of the Manager**

The Manager may retire from the management of the Fund upon giving to the Trustee twelve (12) months' notice in writing of its desire to do so or such lesser time as the Manager and the Trustee may agree upon.

The retiring Manager, subject to the approval required by applicable laws, may appoint in writing any other suitably qualified corporation approved by the Trustee and the SC (if required) as the new management company in its stead.

The Trustee shall take reasonable steps to remove and replace the Manager as soon as practicable after becoming aware of any such circumstances as stated under Section 6.6 below.

## **6.6 Power of the Trustee to remove or replace the Manager**

The Manager may be removed by the Trustee under certain circumstances as specified in the Deed which include the following events:

- (i) if the Manager goes into liquidation or provisional liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation or some similar purpose upon terms previously approved in writing by the Trustee) or is placed under official management or ceases to carry on business or if a receiver, or receiver and manager is appointed in relation to all or a substantial portion of the property of the Manager and is not removed or withdrawn within thirty (30) days of appointment or if any encumbrances shall take possession of any of its assets;
- (ii) if the Trustee is of the reasonable opinion that the Manager has, to the prejudice of the Unit Holders, failed to comply with any provision or covenant under the Deed or contravened any of the provisions of the CMSA and within such period as is specified by the Trustee in a written notice to the Manager, the contravention(s) have not been remedied;
- (iii) if the Manager has failed or neglected to carry out its duties to the satisfaction of the Trustee and the Trustee considers that it would be in the interests of the Unit Holders for the Trustee to remove the Manager provided that:
  - (a) the Trustee has given notice to the Manager of that opinion and the reasons for that opinion, and the Trustee has considered any representations made by the Manager in respect of that opinion;
  - (b) after consultation with the SC; and

- (c) a Special Resolution has been duly passed by the Unit Holders;
- (iv) if the Unit Holders by a Special Resolution resolve that the Manager shall be removed; or
- (v) if the Manager ceases to be an approved management company under the provisions of the CMSA and applicable regulations.

In any of the above said grounds, the Manager for the time being shall upon receipt of a written notice by the Trustee cease to be the management company and the Trustee shall subject to any approval required by applicable laws, is entitled to appoint in writing some other suitably qualified corporation to be the management company of the Fund with approval of the Unit Holders by way of a Special Resolution at a meeting convened in accordance with the Deed.

The purported appointment of a new management company has no effect until the new management company executes a deed under which it covenants to act as the management company in accordance with the Deed.

## **6.7 Retirement of the Trustee**

The Trustee may retire as trustee of the Fund upon giving to the Manager twelve (12) months' notice in writing of its desire to do so, or such lesser time as the Manager and Trustee may agree upon.

The retiring Trustee, subject to the approval required by applicable laws, may appoint in writing any other suitably qualified corporation approved by the Manager and the SC (if required) as the new trustee in its stead.

The Manager shall take reasonable steps to remove and replace the Trustee as soon as practicable after becoming aware of any such circumstances as stated under Section 6.8 below.

## **6.8 Power of the Manager to remove or replace the Trustee**

The Trustee may be removed by the Manager under certain circumstances as specified in the Deed which include the following events:

- (i) if the Trustee goes into liquidation or provisional liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation or some similar purpose upon terms previously approved in writing by the Manager) or is placed under official management or ceases to carry on business or if a receiver, or receiver and manager, is appointed in relation to all or a substantial portion of the property of the Trustee and is not removed or withdrawn within thirty (30) days of the appointment or if any encumbrances shall take possession of any of its assets;
- (ii) if the Trustee ceases to be an approved trustee under the provisions of the CMSA and applicable regulations;
- (iii) if the Unit Holders by Special Resolution resolve that the Trustee should be removed; or
- (iv) if the Trustee has contravened its obligation to the Unit Holders in a manner that, in the reasonable opinion of the Manager, adversely affects those Unit Holders and, within such period as is specified by the Manager in a written notice to the Trustee, the contravention(s) have not been remedied.

In any of the above said grounds, the Trustee for the time being shall upon receipt of a written notice by the Manager cease to be the trustee and the Manager shall subject to any approval required by applicable laws, is entitled to appoint in writing some other suitably qualified corporation to be the trustee with approval of the Unit Holders by way of Special Resolution at a meeting convened in accordance with the Deed.

The purported appointment of a new trustee has no effect until the new trustee executes a deed under which it covenants to act as trustee in accordance with the Deed.

## **6.9 Termination of the Fund**

6.9.1 The Fund may be terminated by the Trustee in accordance with the provisions of the CMSA upon the occurrence of any of the following events:

- (i) if the Manager has gone into liquidation, except for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee and the relevant authorities;
- (ii) if, in the opinion of the Trustee, the Manager has ceased to carry on business; or
- (iii) if, in the opinion of the Trustee, the Manager has to the prejudice of Unit Holders failed to comply with the provisions of the Deed or contravened any of the provisions of any relevant law.

Upon a Special Resolution to terminate the Fund is passed by the Unit Holders at a meeting of Unit Holders summoned by the Trustee pursuant to Sections 6.9.1(i), (ii) and (iii) above, the Trustee shall apply to the court for an order confirming such Special Resolution.

6.9.2 The Fund may be terminated by the Trustee or the Manager by notice in writing to the Unit Holders in the event the Fund ceases to be approved under the CMSA.

6.9.3 Notwithstanding Sections 6.9.1 and 6.9.2 above, the Fund may be terminated at any time by Special Resolution of the Unit Holders and such termination shall take effect from the date on which such Special Resolution is passed or such later date (if any) as the Special Resolution may provide.

## **6.10 Unit Holders' Meeting**

6.10.1 The Trustee or the Manager may respectively at any time convene a meeting of Unit Holders at such time or place in Malaysia as the party convening the meeting may think fit.

6.10.2 The Manager shall call for a meeting of Unit Holders if not less than fifty (50) Unit Holders or ten percent (10%) of all Unit Holders, whichever is less, direct the Manager to do so in writing delivered to the registered office of the Manager for the purpose of:

- (i) considering the most recent financial statement of the Fund;
- (ii) giving the Trustee such directions as the meeting thinks proper; or
- (iii) considering any other matter related to the Deed.

6.10.3 Where the meeting is convened to pass:

- (i) an Ordinary Resolution, at least fourteen (14) days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of such meeting shall be given to the Unit Holders by the Manager or the Trustee in the manner provided in the Deed; or
- (ii) a Special Resolution, at least twenty one (21) days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of such meeting shall be given to the Unit Holders by the Manager or the Trustee in the manner provided in the Deed; or
- (iii) where resolution which requires approval by not less than two-thirds (2/3) of all Unit Holders at a Unit Holders' meeting, at least twenty one (21) days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for

which notice is given) of such meeting shall be given to the Unit Holders by the Manager or the Trustee in the manner provided in the Deed.

Such notices shall be given to the Unit Holders in the following manner as contemplated under the Deed:

- (i) in writing to the Unit Holder by letter addressed to the Unit Holder at the Unit Holder's address appearing in the Register;
- (ii) by publication in a national language daily national newspaper and in one (1) other newspaper as may be approved by the SC; or
- (iii) by such other forms of communication permitted or acceptable under the ETF Guidelines and as the Manager may from time to time determine.

- 6.10.4 The notice shall be in the form of a circular and shall specify the place, time of meeting, the general nature of the business to be transacted and the terms of any resolution to be proposed thereat. A copy of the notice shall be sent to the Trustee unless the meeting is convened by the Trustee. The accidental omission to give notice to or the non-receipt of notice by any of the Unit Holders shall not invalidate the proceedings at any meeting. The Manager or the Trustee shall publish an advertisement giving the relevant notice of the Unit Holders' meeting in at least one nationally circulated Bahasa Malaysia or English daily newspaper. The Unit Holders' meeting shall be held not later than two (2) months after the notice was given at the place and time specified in the notice and advertisement.
- 6.10.5 At any meeting, at least five (5) Unit Holders present in person or by proxy shall form a quorum for the transaction of business except for the purpose of passing a Special Resolution. The quorum for passing a Special Resolution shall be at least five (5) Unit Holders present in person or by proxy registered as holding not less than twenty five percent (25%) of the Units in issue provided that if there are only five (5) or less than five (5) Unit Holders, the quorum shall be by all the Unit Holders for the time being. No business shall be transacted at any meeting unless the requisite quorum is present at the commencement of business.
- 6.10.6 Every Unit Holder (being an individual) who is present in person or by proxy or (being a corporation) is represented by one of its representatives or by proxy shall, on a poll, have one vote for every Unit of which he or it is the Unit Holder and need not cast all the votes to which he or it is entitled in the same way.
- 6.10.7 Each Unit Holder shall be entitled to attend and vote at any meeting of Unit Holders, and shall be entitled to appoint another person (whether or not a Unit Holder) as his proxy to attend and vote. Where the Unit Holder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with Units standing to the credit of the said securities account. Where a Unit Holder appoints two (2) proxies in accordance with this provision the appointment shall be invalid unless he specifies the proportions of his holding to be represented by each proxy. Such proxy shall have the same rights as the member to vote, to speak and to be reckoned in a quorum.
- 6.10.8 Any Unit Holder being a corporation may by resolution of its directors or other governing body authorise any person to act as its representative at any meeting of Unit Holders, and a person so authorised shall at such meeting be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Unit Holder.
- 6.10.9 In the case of equality of votes the chairman of a meeting of Unit Holders shall have a casting vote in addition to his votes (if any) as a Unit Holder.
- 6.10.10 Every question arising at a general meeting of Unit Holders shall be decided by a poll.
- 6.10.11 Upon any question decided by a poll, each Unit Holder present in person or by proxy shall have one vote for each fully paid Unit.

## 7. ABOUT THE MANAGER

### 7.1 Corporate Information

Kenanga Investors Berhad (Company No. 353563-P) was incorporated as a public limited company on 2 August 1995 at Kuala Lumpur, Malaysia with issued share capital of RM18,465,300.00 comprising 13,465,300 ordinary shares and 5,000,000 preference shares. KIB is a wholly-owned subsidiary of Kenanga Investment Bank Berhad.

The Manager is licensed and authorised to conduct business in distributing unit trust funds and fund management on behalf of corporate, institutional and individual clients under the CMSA. The Manager established its maiden fund, the Kenanga Premier Fund, on 26 November 1996 and has since then been managing an array of unit trust funds and private mandates.

As at LPD, the Manager manages 26 unit trust funds, 2 private retirement schemes (consisting of 6 core funds and 1 non-core fund), 23 wholesale funds and other funds from government agencies, pension funds, insurance, corporate and individual clients with a total fund size of RM8.44 billion.

### 7.2 Board of Directors

The board of directors is responsible for the overall management of the Manager and its funds. The board not only ensures corporate governance is practised but policies and guidelines are adhered to. The board will meet at least four (4) times every year, or more should the need arise.

#### Members of the Board of Directors as at LPD

##### **Datuk Syed Ahmad Alwee Alsree, Chairman**

**Datuk Syed Ahmad Alwee Alsree** is 53 years old and was appointed Chairman of KIB on 1 January 2008 after having been appointed to the board of directors in October 2006. He was appointed to the board of Kenanga Investment Bank Berhad ("KIBB") as a non-independent non-executive director on 21 April 2010. He was subsequently re-designated as KIBB's board's Deputy Chairman on 25 October 2011.

Datuk Syed Ahmad graduated with a Bachelor of Law (LL.B.) degree from the National University of Singapore, and practised law in Singapore for over ten (10) years prior to joining Cahya Mata Sarawak Berhad (CMS), a conglomerate listed on the Main Market of Bursa Malaysia Securities Berhad with cement, construction materials, infrastructure and property development as its core businesses..

In February 2004, Datuk Syed Ahmad was appointed as Group General Manager – Human Resources of CMS and was subsequently appointed as its Deputy Group Managing Director in September 2006, prior to being re-designated as Group Executive Director in August 2008. In 2012, Datuk Syed Ahmad attended and completed the Advanced Management Program at Harvard Business School. At present, Datuk Syed Ahmad is also a director of Kenanga Islamic Investors Berhad, KKB Engineering Berhad, SIG Gases Berhad and several private limited companies.

##### **Syed Zafilen Syed Alwee, Independent director**

**Syed Zafilen Syed Alwee** is 53 years old and was appointed as an independent non-executive director of KIB on 12 May 2008. He is also the Chairman of Audit Committee and a member of Investment Committee of KIB.

He holds a Diploma in Electrical Engineering from Universiti Teknologi Malaysia. He is currently an executive director of Grass2Route Sdn Bhd.

He has spent his career in managing various sectors of operations of companies such as sales, marketing, technical, management, finance in local listed companies as well as multinationals including Patimas Computers Berhad, Lityan Holdings Berhad, Cahya Mata Sarawak Berhad, Lucent Technologies International (Brunei) Ltd, Motorola, Mobil, as well as having ownership of two other companies.

**Peter John Rayner, Independent director**

**Peter John Rayner** is 66 years old and was appointed as an independent non-executive director of KIB on 11 November 2010. He is also the Chairman of Investment Committee and a member of Audit Committee of KIB.

He holds a business degree (majoring in Accounting & Finance) from Charles Sturt University in Australia and is a Certified Practising Accountant (FCPA Australia), and a Fellow of The Australian Institute of Company Directors (FAICD).

Peter Rayner has over thirty (30) years successful experience in building and leading businesses in the fields of Asset Management, Private Equity and Chartered Accounting. He has held many senior positions including as Chief Executive Officer of Dresdner RCM Global Investors (later Allianz Global Investors), and Saltbush Funds Management in Australia. He was also an Executive Director of a private equity firm, Audant Capital, Head of Institutional Investment at Perpetual Investments and National Chief Financial Officer of a major Australian hospital group.

He is also a past trustee of the Rookwood General Cemeteries Trust in Sydney.

Currently, he is a member of the Risk and Audit Committee of the Aged Care Quality and Safety Commission of Australia and consults as Head of Business Advisory & Valuations at Valuator in Sydney. A professional director and business advisor, he has held a number of public and private entity directorship.

**Imran Devindran bin Abdullah, Independent director**

**Imran Devindran bin Abdullah** is 53 years old and was appointed as an independent non-executive director of KIB on 1 June 2015. He is also a member of KIB's Audit Committee and Investment Committee.

He is currently a senior associate of BH Lawrence & Co, advocates and solicitors in Damansara, Petaling Jaya. He has accumulated over twenty-five (25) years' of experience in criminal and civil litigation, with a portfolio that includes expertise in insurance, civil litigation and banking from his tenure as a legal assistant with some of the most established firms in Kuala Lumpur.

Imran Devindran holds an Honours Bachelor of Law (1988) from the University of Buckingham, England and a Certificate of Legal Practice from the University of Malaya. He acquired his formative education in Malaysia, before progressing with his secondary schooling in Singapore and acquiring his A-Levels at Raffles Junior College, Singapore.

He was admitted to the Malaysian Bar as an advocate and solicitor in August 1990 after successfully completing his chambering with M/S Rashid & Lee in Kuala Lumpur.

Imran Devindran has represented major corporations such as Pan Global Insurance Berhad, Royal Insurance (M) Berhad, Malayan British Assurance, United Oriental Assurance Berhad (now known as Tune Insurance Berhad), Nusantara Worldwide Insurance (M) Sdn. Bhd, Progressive Insurance Sdn. Bhd and People's Insurance Sdn. Bhd. in settlement negotiation, claims consultancy and developing strategies for litigation.

Imran Devindran was also active in the North Johor Affairs Committee, from 2003 until 2008. In that capacity, he brought his superb communication skills and vigilant analytical approach to execute his responsibilities mediating and resolving complaints received by the Johor Bar, overseeing the welfare of lawyers and nurturing closer relations between the lawyers and the North Johor judiciary by organizing social interaction activities.

When he is not running his successful law firm, Imran Devindran keeps his mind and body active through games and sports, mainly badminton, football and improving his golfing skills.

**Norazian Ahmad Tajuddin, Independent director**

**Norazian Ahmad Tajuddin** (“Norazian”) is 58 years old and was appointed to the board of directors of KIB as an independent non-executive director on 1 March 2019. She is currently an independent non-executive director of Kenanga Investment Bank Berhad, the holding company of KIB and a member of KIB’s Audit Committee and Investment Committee.

She holds a Bachelor of Science (Honours) in Mathematics from the University of Leeds, United Kingdom and a Master of Business Administration (Finance) from the Edith Cowan University, Australia. Norazian has more than twenty-five (25) years of experience in banking, the last fifteen (15) years being in senior management, encompassing areas in treasury operations, business and banking operations, risk management and support services. She has strong and varied experience in dealing with foreign exchange, international banking, investments, sales, customer and corporate relations, information technology, as well as asset and liability management.

She joined Bank Simpanan Nasional Berhad (“BSN”) in 2005 as director in CEO’s office and was promoted to deputy Chief Executive Officer during its re-organisation and continued to serve as its deputy Chief Executive Officer until she retired in 2010. During her tenure in BSN, she played a leading role in the transformation of BSN into a sustainable and profitable development bank. From June 2008 to March 2010, she served as a non-independent non-executive director of Prudential BSN Takaful Bhd and was appointed as a member of its risk management committee and nomination & remuneration committee.

On 1 August 2018, Norazian was appointed as the chairman of Pacific & Orient Insurance Co. Berhad (“POI”), which is a subsidiary of Pacific & Orient Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. She has been an independent non-executive director of POI since 1 April 2015. At POI, she currently serves as a member of the nomination committee, remuneration committee, as well as the audit committee and risk management committee.

**Ismitz Matthew De Alwis, Executive Director / Chief Executive Officer**

**Ismitz Matthew De Alwis** is 45 years old and is the Chief Executive Officer for KIB responsible for the overall asset and investment management business of KIB and its subsidiaries. He joined KIB in June 2013 upon the acquisition of ING Funds Berhad where he was the Executive Director and country head for ING Investment Management business in Malaysia. He started as an Investment Analyst with a regional research & advisory firm, where he obtained vast regional exposure in Hong Kong, Philippines, Dubai and Singapore. He brings with him more than 25 years of experience, expertise and several leadership roles in the fields of financial and investment management both regionally and locally.

He is a member of University of Cambridge, Judge Business School – ABSEP alumni network and also attended the Advanced Business Management Program (ABMP) by International Institute for Management Development (IMD), Lausanne, Switzerland. He holds an MBA and professional qualifications from the Chartered Institute of Marketing UK (CIM UK). He is also a Certified Financial Planner (CFP) and an Islamic Financial Planner (IFP). He has a Capital Markets Services Representative’s License (CMSRL) from the Securities Commission for fund management, investment advice and financial planning.

He is currently on the board of the Federation of Investment Managers Malaysia (FIMM), Committee Member of Malaysia Association of Asset Managers (MAAM), and member of the Licensing Examinations Review Committee (LERC) for the Securities Commission Licensing Examination Module 10: Asset & Funds Management. He was also appointed to the Industry Competency Framework (ICF) Advisory Panel for the Malaysian Capital Market project undertaken by the Securities Industry Development Corporation (SIDC). He is also currently the President of Financial Planning Association of Malaysia (FPAM).

***Note: Please refer to the Manager’s website for information relating to its board of directors. As there may be changes to the composition and/or profile of the board of directors from time to time, please refer to the Manager’s website for the updated information.***

### 7.3 Key Personnel & Designated Fund Managers

#### Key Personnel:-

##### **Ismitz Matthew De Alwis, Executive Director / Chief Executive Officer**

*(Please refer to his profile in Section 7.2 above)*

##### **Andrew Chan Yee Kok, Chief Financial Officer**

**Andrew Chan** is 57 years old and joined KIB in 2013 to head the Finance & Investment Operations team. Prior to this, he was with ING Funds Berhad where he served since the company's inception and is one of the pioneers during the company's green field set-up. Andrew has more than 20 years of experience unit trust and fund management industries. His last stint prior to joining ING Funds Berhad was with an established unit trust management company where he was responsible for all financial reporting and management reporting.

Andrew is a CPA Australia member and holds a Bachelor of Economics from La Trobe University, Melbourne, Australia.

##### **Lee Sook Yee, Chief Investment Officer**

**Lee Sook Yee** is 42 years old and joined KIB as Chief Investment Officer in March 2013, bringing with her more than sixteen (16) years of experience in local and regional equities investment. Prior to this, Sook Yee was Head of Equities at Meridian Asset Management, where she managed various local and regional funds. Before joining Meridian, Sook Yee was Vice President/Senior Portfolio Manager at Credit-Suisse Asset Management in Singapore where she co-managed mutual funds focusing on emerging Asian markets. She was also Associate Director/ Portfolio Manager with UOB-OSK Asset Management.

Sook Yee graduated with a Bachelor of Science (First Class Honours) in Economics from the London School of Economics, United Kingdom, and later obtained her Master of Philosophy (M.Phil) in Economics from the University of Cambridge, UK.

##### **Dr. Sahar Effendi bin Hj Daud, Head, Compliance**

**Dr. Sahar** is 46 years old and joined KIB on 3 November 2014 as the Head of Compliance. He started his career in 1997 with an international affiliated accounting firm before joining the Securities Commission in 2001. Whilst with the SC, he was attached to the Trust and Investment Management Department for about 2 years prior to joining the Investigation Department until his departure from the SC in October 2014. During his tenure with the Investigation Department, he was exposed to numerous high profile cases in various areas involving insider trading, market manipulation, illegal investment schemes, corporate fraud and forensic accounting as well as money laundering related offences.

Dr. Sahar, a Chartered Accountant (Malaysia), holds a Bachelor of Accountancy (Hons) from Universiti Putra Malaysia, MBA (Management and Finance) and Doctor of Business Administration (Accounting: Financial Disclosure, Corporate Governance and Performance Measurement); both from Universiti Utara Malaysia. Dr. Sahar is also a member of the Malaysian Institute of Accountants (MIA), Chartered Tax Institute of Malaysia (CTIM), Association of Certified Fraud Examiner (ACFE) as well as the Certified Financial Investigator Alumni (CFIA).

Dr. Sahar is the designated person responsible for compliance matters for the Funds.

##### **Lee Man Kok, Head, Chief Operating Officer**

**Lee Man Kok** is 62 years old and was formerly from ING Funds Berhad where he was one of the pioneers during the company's green field set-up in 2003. He joined KIB in June 2013. He has more than 25 years of experience in the financial services industry. He held several senior management roles and brings along with him extensive experience in operational and systems as well as client administration functions.

Man Kok holds an MBA, a Bachelor of Science (First Class Honours in Education) and Advanced Diploma in Computer Science (Distinction) - all from the University of Malaya.



## **Designated Fund Managers:-**

### **Lee Sook Yee, Chief Investment Officer**

*(Please refer to her profile in Section 7.3 above)*

### **Nixon Wong Gok Hey, Portfolio Manager**

Nixon Wong is a Portfolio Manager under the Investment team of KIB. He has with him seven (7) years of investment experience in the fund management industry. Prior to joining KIB, he was a discretionary portfolio manager with private banking division of AmInvestment Bank Berhad for 2 years, focused on Asia ex-Japan investment mandate. Nixon was also an equity analyst back in Public Mutual Berhad where he researched and recommended Hong Kong, China and Korea-listed equities. Earlier, Nixon was a corporate finance executive and a fund analyst with an investment bank in Malaysia. Nixon is a Finance and Accounting graduate, having obtained his Bachelor of Applied Finance and Commerce degree from University of South Australia in Adelaide.

## **7.4 Roles, Duties and Responsibilities of the Manager**

The Manager is responsible for managing the Funds' portfolio, issuing Units and preparing and issuing the Master Prospectus. The Manager is also responsible for setting the investment policies for the Funds and implementing strategies to meet these objectives. The Manager is subject to the provisions of the Deed and shall carry out all activities as may be deemed necessary for the management of the Funds and its business. The Manager shall, in managing the Funds, undertake primary management activities in relation to the Funds, including but not limited to overall strategy, new acquisition and disposal analysis, marketing and communications, individual asset performance and business planning, market performance analysis and other activities as provided under the Deeds.

In addition, the Manager has covenanted with the Trustee, among others, to do the following:

- (a) carry out and conduct its business activities in a proper and diligent manner and manage and administer the Funds in a proper, diligent and efficient manner in accordance with the Deed, CMSA, the securities laws, the ETF Guidelines and other applicable laws at all times and acceptable and efficacious business practice within the unit trust industry;
- (b) manage the Funds' assets and liabilities for the benefit of the Unit Holders;
- (c) set the investment policies of the Funds and submit proposals to the Trustee on the acquisition, divestment or enhancement of assets of the Funds;
- (d) issue an annual report and interim report of the Funds to the Unit Holders within two (2) months after the end of the financial year/period concerned;
- (e) have an oversight arrangement to ensure that the Funds are managed within the ambit of this Master Prospectus, the Deed, the CMSA, the securities laws, the ETF Guidelines and other applicable laws;
- (f) observe high standards of integrity and fair dealing in managing the Funds to the best and exclusive interest of the Unit Holders;
- (g) act with due care, skill and diligence in managing the Funds, and effectively employ the resources and procedures necessary for the proper performance of the Funds;
- (h) ensure that the Deed and the Master Prospectus are in compliance with the CMSA, the securities laws, the relevant guidelines and other applicable laws at all times;
- (i) take all necessary steps to ensure that the investments and other assets of the Funds are adequately protected and properly segregated; and
- (j) unless otherwise specified in writing by the SC, ensure that the Funds have, at all times, an appointed trustee.

## 7.5 Material Litigation and Arbitration

As at LPD, the Manager is not engaged in any material litigation and arbitration, including those pending or threatened, and the Manager is not aware of any facts likely to give rise to any proceedings which might materially affect the Manager's business/financial position and any of its delegates.

## 7.6 Material Contracts

Save for the contracts disclosed in Section 11.2 of this Master Prospectus, the Manager has not entered into any material contracts (not being contracts in the course of business) within two years preceding the date of the Master Prospectus.

## 7.7 Direct and Indirect Unit Holding in the Fund

As the Funds have only been established as at the date of this Master Prospectus, none of the substantial shareholders, directors or the key personnel of the Manager have any direct and indirect Unit holding in the Funds.

However, they may hold Units of the Funds after Listing.

## 7.8 Technical Advisor

The Manager has appointed Yuanta Securities Investment Trust Co., Ltd. ("Yuanta") as technical advisor for the Funds.

Yuanta provides its services to individuals and government institutions. It manages separate client focused portfolios. It launches and manages equity, fixed income, and balanced mutual funds for its clients. It invests in the public equity and fixed income markets across the globe.

Yuanta was founded in 1992 and is based in Taipei, Taiwan with additional office in Taichung. Yuanta operates as a subsidiary of Yuanta Financial Holding Co., Ltd. The Technical Advisor is permitted and licensed under Article 63 of the Securities Investment Trust and Consulting Act of Taiwan and is regulated by the Financial Supervisory Commission of Taiwan. It has managed leveraged and inverse products since 2014, and now manages 16 leveraged and inverse products listed in Taiwan, all of them are futures-based leveraged and inverse products offered to the public. The Technical Advisor has listed 47 exchange-traded funds in Taiwan and has over 7 years' experience trading in funds utilising futures contracts. The Technical Advisor has also acted as fund advisor for Thailand's Krung Thai Asset Management PCL and E Fund Management (Hong Kong) Co., Limited to list exchange-traded funds in Thailand and Hong Kong respectively.

The role and duties of the Technical Advisor are as follows:

- advise and assist the Manager on the structure of the Funds;
- provide training and education to the Manager to gain an understanding of the nature of the Funds and the operation and management of the Funds;
- identify the possible risks for transactions and recommend the Manager on suitable strategies to mitigate the risk;
- advise and assist the Manager in relation to the promotion and marketing of the Funds; and
- provide advice with respect of the management of the Funds which the Manager may reasonably require from time to time.

***Further information and any subsequent changes to such information on the Manager, Technical Advisor and the fund managers is provided in the Manager's and/or the Fund's website.***

## **8. ABOUT THE TRUSTEE**

### **8.1 Corporate Information and Experience as Trustee**

RHB Trustees Berhad was incorporated in Malaysia under the Companies Act, 1965 on 6 March 2002. It is registered as a trust company under the Trust Companies Act, 1949 and is also registered with the SC to conduct unit trust business. The principal activity of RHB Trustees Berhad is providing retail and corporate trustee services. RHB Trustees Berhad has been in the trustee business since 2002.

### **8.2 Duties and Responsibilities**

The Trustee's functions, duties and responsibilities are set out in the Deed. The general function, duties and responsibility of the Trustee include, but are not limited to, the following:

- (a) acting as trustee and safeguarding the rights and interests of the Unit Holders;
- (b) holding the assets of the Funds for the benefit of the Unit Holders; and
- (c) exercising all the powers of a trustee and the powers that are incidental to the ownership of the assets of the Funds.

RHB Trustees Berhad has covenanted in the Deed that it will exercise all due diligence and vigilance in carrying out its functions and duties, and in safeguarding the rights and interests of Unit Holders.

### **8.3 Material Litigation and Arbitration**

As at the LPD, the Trustee is not engaged in any material litigation and arbitration, including those pending or threatened, and there are no facts likely to give rise to any proceedings which might materially affect the business or financial position of the Trustee and any of its delegates.

### **8.4 Trustee's Responsibility Statement**

The Trustee has given its willingness to assume the position as trustee of the Fund and all the obligations in accordance with the Deed, all the laws, regulations, guidelines, rules and official requirements, guidance notes, practice notes (whether or not having the force of law) applicable to ETFs from time to time including the CMSA, the ETF Guidelines, the Listing Requirements, the rules of Bursa Depository and taxation laws and rulings.

## **9. RELATED PARTY TRANSACTIONS**

### **9.1 Existing and Potential Related Party Transactions**

#### **9.1.1 The Manager**

The Kenanga Group (i.e. Kenanga Investment Bank Berhad and its subsidiaries) and all of its staff are allowed to invest in any of the funds managed by the Manager.

All the transactions made by the related parties are processed as per any transactions made by normal investors.

#### **9.1.2 The Trustee**

As the trustee for the Fund, there may be related party transactions involving or in connection with the Funds, i.e. where the Funds invest in instrument(s) offered by RHB Investment Bank Berhad (e.g. placement of monies, etc).

### **9.2 Conflict of Interest**

As at LPD, save as disclosed in Sections 9.1 and 9.6, the Manager is not aware of any circumstance that exists or is likely to exist to give rise to a possible conflict of interest situation in its capacity as the manager to the Funds.

### **9.3 Policies on Dealing with Conflict of Interest Situation**

#### **9.3.1 Manager**

A situation of conflict of interest may erode the trust and confidence of the public in dealing with the Manager. Hence, the directors and investment committee members (if any) must be alert and avoid or declare any conflict of interest situations to the company secretary. Staff of the Manager will declare to the Compliance Officer in the event of all conflicts or any potential conflict of interest situations.

All conflict of interest situations, if any, will be forwarded to the audit committee for deliberation before a fair and equitable decision is reached.

#### **Members Dealing in Securities**

- (a) Trading in securities by a member for his/her personal account or for a connected person or under the name of a nominee is not encouraged and if done so, he/she should ensure that the dealing is not taking advantage or be viewed as taking advantage of information not generally known to the public.
- (b) Dealings by employees in their own name or on behalf, and for the benefit, of another person may only be carried out with the prior approval of the compliance officer.
- (c) A member when dealing in securities whether for the company, the client or personal account shall consistently adhere to ethical standards in such dealings. A member shall not engage in share dealing transactions of a nature that is questionable or illegal and therefore shall not engage in share dealing transactions, either by himself or with others which are, or which will give resemblance of false trading, market rigging or market manipulation.

#### **9.3.2 Trustee**

The Trustee has in place policies and procedures to deal with any conflict of interest situation. The Trustee will not make improper use of its position as the owner of the Funds' assets to gain, directly or indirectly, any advantage or cause detriment to the interests of Unit Holders. Any related party transaction is to be made on terms which are best available to the Funds and which are not less favourable to the Funds than an arms-length transaction between independent parties.

#### **9.4 Details of the Directors of the Manager's Direct and Indirect Interest in Other Corporations Carrying on a Similar Business**

As at the LPD, the Manager's directors do not have any direct and indirect interest in other corporations carrying on a similar business.

#### **9.5 Details of the Substantial Shareholders of the Manager's Direct and Indirect Interest in other Corporations Carrying on a Similar Business**

As at the LPD, Kenanga Investment Bank Berhad, sole shareholder of the Manager has an indirect interest in Kenanga Islamic Investors Berhad which is carrying on a similar business as the Manager:

Kenanga Islamic Investors Berhad and Libra Invest Berhad are fund management companies and are wholly-owned subsidiaries of the Manager.

#### **9.6 Declaration of Conflict of Interest as at LPD**

- (i) The Manager is wholly-owned by Kenanga Investment Bank Berhad ("KIBB") and KIBB has been appointed as the Placement Agent, Participating Dealer and Market Maker for the Funds by the Manager.

KIBB have considered the factors involved and believes its objectivity and independence as the Placement Agent, Participating Dealer and Market Maker for the Funds is maintained at all times and have confirmed that there is no conflict of interest that exists or is likely to exist in its role as the Placement Agent, Participating Dealer and Market Maker notwithstanding the aforementioned roles and services performed as these are mitigated by the following:-

- (a) KIBB and its related and associated companies ("**Kenanga Group**") are a financial group in Malaysia with extensive experience in equity broking, investment banking, listed derivatives, treasury, corporate advisory, Islamic banking, wealth management and investment management. The Kenanga Group has engaged and may in the future, engage in transactions with and perform services for the Manager and/or the Fund and/or the Manager's affiliates, in addition to the roles set out in this Master Prospectus. In addition, in the ordinary course of business, any member of the Kenanga Group may at any time offer or provide its services to or engage in any transaction with the Manager and/or the Fund, and/or the Manager's affiliates and/or any other entity or person, hold long or short positions in securities issued by the Manager and/or the Manager's affiliates, and may trade or otherwise effect transactions for its own account or the account of the Manager's other customers. This is a result of the businesses of Kenanga Group generally acting independently of each other, and accordingly, there may be situations where parts of Kenanga Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interest of the Kenanga Group. Nonetheless, the Kenanga Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and Chinese walls between different business divisions;
- (b) it is in the ordinary course of business of KIBB to provide advisory and other services in its role as the Participating Dealer and Market Maker to its clients
- (c) the directorship of Datuk Syed Ahmad Alwee Alsree in both KIBB and the Manager, is non-executive in nature; and
- (d) Datuk Syed Ahmad Alwee Alsree is not involved in the management and/or operational affairs in relation to corporate assignments undertaken by the Corporate Finance, Securities Borrowing and Lending and Stockbroking Operations departments of KIBB. The management and/or board of directors of KIBB are not

subjected to the direction of Datuk Syed Ahmad Alwee Alsree in undertaking any of its corporate assignments.

Save as disclosed above, KIBB has confirmed that as at the LPD, it is not aware of any other circumstance that exists or is likely to exist to give rise to a possible conflict of interest in its capacity to act as the Placement Agent, Participating Dealer and Market Maker in respect of the Funds.

- (ii) The Trustee has confirmed that as at the LPD, it is not aware of any circumstance that exists or is likely to exist to give rise to a possible conflict of interest in its capacity to act as trustee in respect of the Funds.
- (iii) Ernst & Young Tax Consultants Sdn Bhd has confirmed that as at the LPD, it is not aware of any circumstance that exists or is likely to exist to give rise to a possible conflict of interest in its capacity to act as tax adviser in respect of the Funds.
- (iv) Ernst & Young has confirmed that as at the LPD, it is not aware of any circumstance that exists or is likely to exist to give rise to a possible conflict of interest in its capacity to act as the auditor in respect of the Funds.
- (v) Yuanta Securities Investment Trust Co., Ltd. has confirmed that as at the LPD, it is not aware of any circumstance that exists or is likely to exist to give rise to a possible conflict of interest in its capacity to act as technical advisor in respect of the Funds.
- (vi) Messrs. Wei Chien & Partners has confirmed that as at the LPD, it is not aware of any circumstance that exists or is likely to exist to give rise to a possible conflict of interest in its capacity to act as solicitors in respect of the Funds.

## 10. TAXATION



Ernst & Young Tax Consultants Sdn. Bhd.  
1197993-K  
SST ID: W10-1808-31044478  
Level 23A Menara Milenium  
Jalan Damanlela, Pusat Bandar Damansara  
50490 Kuala Lumpur Malaysia

Tel: +603 7495 8000  
Fax: +603 2095 5332 (General line)  
+603 2095 7043  
ey.com

### Taxation adviser's letter in respect of the taxation of the exchange traded funds and the unit holders (prepared for inclusion in this Master Prospectus)

Ernst & Young Tax Consultants Sdn Bhd  
Level 23A Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur

15 October 2019

The Board of Directors  
Kenanga Investors Berhad  
Level 14, Kenanga Tower  
237, Jalan Tun Razak  
50400 Kuala Lumpur

Dear Sirs

#### Taxation of the exchange traded funds and unit holders

This letter has been prepared for inclusion in this Master Prospectus in connection with the offer of units in the exchange traded funds, unit trust known as Kenanga KLCI Daily 2X Leveraged ETF and Kenanga KLCI Daily (-1X) Inverse ETF (hereinafter referred to as "the Funds").

The purpose of this letter is to provide prospective unit holders with an overview of the impact of taxation on the Funds and the unit holders.

#### Taxation of the Funds

The taxation of the Funds is subject to the provisions of the Malaysian Income Tax Act 1967 (MITA), particularly Sections 61 and 63B.

Subject to certain exemptions, the income of the Funds derived from or accruing in Malaysia after the deduction of tax allowable expenses, is subject to Malaysian income tax at the rate of 24% with effect from the year of assessment 2016.

Tax allowable expenses would comprise expenses falling under Section 33(1) and Section 63B of the MITA. Section 33(1) permits a deduction for expenses that are wholly and exclusively incurred in the production of gross income. In addition, Section 63B allows the Funds a deduction for a portion of other expenses (referred to as 'permitted expenses') not directly related to the production of income, as explained below.

A member firm of Ernst & Young Global Limited

"Permitted expenses" refer to the following expenses incurred by the Funds which are not deductible under Section 33(1) of the MITA:

- the manager's remuneration,
- maintenance of the register of unit holders,
- share registration expenses,
- secretarial, audit and accounting fees, telephone charges, printing and stationery costs and postage.

These expenses are given a partial deduction under Section 63B of the MITA, based on the following formula:

$$A \times \frac{B}{4C}$$

- where
- A is the total of the permitted expenses incurred for that basis period;
  - B is gross income consisting of dividend<sup>1</sup>, interest and rent chargeable to tax for that basis period; and
  - C is the aggregate of the gross income consisting of dividend<sup>1</sup> and interest (whether such dividend or interest is exempt or not) and rent, and gains made from the realisation of investments (whether chargeable to tax or not) for that basis period,

provided that the amount of deduction to be made shall not be less than 10% of the total permitted expenses incurred for that basis period.

---

<sup>1</sup> Pursuant to Section 15 of the Finance Act 2011, with effect from the year of assessment 2011, dividend income is deemed to include income distributed by a unit trust which includes distributions from Real Estate Investment Trusts.



### Exempt income

The following income of the Funds is exempt from income tax:

- **Malaysian sourced dividends**

All Malaysian-sourced dividends should be exempt from income tax.

- **Malaysian sourced interest**

- (i) interest from securities or bonds issued or guaranteed by the Government of Malaysia;
- (ii) interest from debentures or *sukuk*, other than convertible loan stock, approved or authorized by, or lodged with, the Securities Commission;
- (iii) interest from Bon Simpanan Malaysia issued by Bank Negara Malaysia;
- (iv) interest derived from Malaysia and paid or credited by banks licensed under the Financial Services Act 2013 or the Islamic Financial Services Act 2013<sup>2</sup>;
- (v) interest derived from Malaysia and paid or credited by any development financial institution prescribed under the Development Financial Institutions Act 2002<sup>2</sup>;
- (vi) interest from *sukuk* originating from Malaysia, other than convertible loan stock, issued in any currency other than Ringgit and approved or authorized by, or lodged with, the Securities Commission or approved by the Labuan Financial Services Authority (LFSA)<sup>3</sup>; and
- (vii) interest which is specifically exempted by way of statutory orders or any other specific exemption provided by the Minister.

<sup>2</sup> Effective from 1 January 2019, the income tax exemption for a unit trust fund, pursuant to Paragraph 35A, Schedule 6 of the Income Tax Act shall not apply to a wholesale fund which is a money market fund.

<sup>3</sup> Effective from the year of assessment 2017, the exemption shall not apply to interest paid or credited to a company in the same group or interest paid or credited to a bank licensed under the Financial Services Act 2013 or the Islamic Financial Services Act 2013; or a development financial institution prescribed under the Development Financial Institutions Act 2002.

- **Discount**

Tax exemption is given on discount paid or credited to any unit trust in respect of investments as specified in items (i), (ii) and (iii) above.

#### **Foreign sourced income**

Dividends, interest and other income derived from sources outside Malaysia and received in Malaysia by a resident unit trust is exempt from Malaysian income tax. However, such income may be subject to tax in the country from which it is derived.

#### **Gains from the realisation of investments**

Pursuant to Section 61(1) (b) of the MITA, gains from the realisation of investments will not be treated as income of the Funds and hence, are not subject to income tax. Such gains may be subject to real property gains tax (RPGT) under the Real Property Gains Tax Act 1976 (RPGT Act), if the gains are derived from the disposal of chargeable assets, as defined in the RPGT Act.

#### **Securities Borrowing and Lending Transaction ("SBL")**

Pursuant to the Income Tax (Exemption) (No. 30) Order 1995 - Revised 2008, the authorised borrower or lender in a SBL transaction approved by SC will be exempt from Malaysian tax on any income (other than dividends, manufactured payments, lending fees and interest earned on collateral) arising from the loan of securities listed under Bursa Malaysia Berhad ("Bursa"). The exemption also applies on the return of the same or equivalent securities and the corresponding exchange of collateral.

Lending fees are taxable when received by the lender. Withholding tax of 10% may apply if the borrower pays lending fees to a non-resident lender.

Interest or profit paid by Bursa Malaysia Securities Clearing Sdn Bhd on cash collateral will be exempted from tax when received by non-resident Borrowers and individual Borrowers who are residents<sup>4</sup>. In other cases, such interest would not be exempt from tax.

---

<sup>4</sup> Provided the interest is paid or credited by any person carrying on the business of banking or finance in Malaysia and licensed under the Financial Services Act 2013 or the Islamic Financial Services Act 2013 and other financial institutions approved by the Minister of Finance.

Pursuant to the Stamp Duty (Exemption) (No. 28) Order 1995 and Stamp Duty (Exemption) (No. 12) Order 2000, the instrument of transfer of securities listed on Bursa and Malaysian Exchange of Securities Dealing and Automated Quotation (MESDAQ) executed in favour of a borrower or lender and an instrument of transfer of collateral are exempted from stamp duty.

#### **Implementation of Sales and Service Tax (“SST”)**

The new Sales and Service Tax (“SST”) was implemented effective 1 September 2018. Sales Tax of 10% (most common rate) or 5% is charged by Malaysian manufacturers of taxable goods or upon importation into Malaysia of such taxable goods, unless specifically exempted under the Sales Tax (Goods Exempted From Tax) Order 2018. Service Tax at the rate of 6% is charged on certain prescribed taxable services performed by taxable persons as stipulated under Service Tax Regulations 2018. The input tax recovery mechanism under the previous GST regime does not apply to SST. Therefore, any SST incurred is not recoverable and will form a cost element for businesses.

Based on the Service Tax Regulations 2018, a unit trust fund is neither regarded as a taxable person nor as providing taxable services and is therefore not liable for SST registration. Where the Funds incurs expenses such as management fees, the management services provided by asset and fund managers are specifically excluded from the scope of Service Tax. As for other fees, such as trustee fees and other administrative charges, these may be subject to 6% service tax provided they fall within the scope of service tax (i.e. are provided by a “taxable person”, who exceeds the required annual threshold (in most cases RM 500,000 per annum) and the services qualify as “taxable services”).

### **Taxation of unit holders**

For Malaysian income tax purposes, unit holders will be taxed on their share of the taxable distributions received from the Funds.

The income of unit holders from their investment in the Funds broadly falls under the following categories:

1. taxable distributions; and
2. non-taxable and exempt distributions.

In addition, unit holders may also realise a gain from the sale of units.

The tax implications of each of the above categories are explained below:

#### **1. Taxable distributions**

Distributions received from the Funds will have to be grossed up to take into account the underlying tax paid by the Funds and the unit holder will be taxed on the grossed up amount.

Such distributions carry a tax credit, which will be available for set-off against any Malaysian income tax payable by the unit holder. Should the tax deducted at source exceed the tax liability of the unit holder, the excess is refundable to the unit holder.

Please refer to the paragraph below for the income tax rates applicable to the grossed up distributions.

#### **2. Non-taxable and exempt distributions**

Tax exempt distributions made out of gains from the realisation of investments and exempt income earned by the Funds will not be subject to Malaysian income tax in the hands of the unit holders.

### Rates of tax

The Malaysian income tax chargeable on the unit holders would depend on their tax residence status and whether they are individuals, corporations or trust bodies. The relevant income tax rates are as follows:

Unit holders	Malaysian income tax rates
<p>Malaysian tax resident:</p> <ul style="list-style-type: none"> <li>• Individual and non-corporate unit holders (such as associations and societies)</li> <li>• Co-operatives<sup>5</sup></li> <li>• Trust bodies</li> </ul>	<ul style="list-style-type: none"> <li>• Progressive tax rates ranging from 0% to 28%</li> <li>• Progressive tax rates ranging from 0% to 24%</li> <li>• 24% (Note 1)</li> </ul>

<sup>5</sup> Pursuant to Paragraph 12(1), Schedule 6 of the MITA, the income of any co-operative society—

(a) in respect of a period of five years commencing from the date of registration of such co-operative society; and

(b) thereafter where the members' funds [as defined in Paragraph 12(2)] of such co-operative society as at the first day of the basis period for the year of assessment is less than seven hundred and fifty thousand ringgit

is exempt from tax.

Unit holders	Malaysian income tax rates
<ul style="list-style-type: none"> <li>• Corporate unit holders               <ul style="list-style-type: none"> <li>(i) A company with paid up capital in respect of ordinary shares of not more than RM2.5 million (at the beginning of the basis period for the year of assessment)<sup>6</sup></li> <li>(ii) Companies other than (i) above</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• First RM500,000 of chargeable income @ 18%</li> <li>• Chargeable income in excess of RM500,000 @ 24% (Note 1)</li> <li>• 24% (Note 1)</li> </ul>
<p>Non-Malaysian tax resident (Note 2):</p> <ul style="list-style-type: none"> <li>• Individual and non-corporate unit holders</li> <li>• Corporate unit holders and trust bodies</li> </ul>	<ul style="list-style-type: none"> <li>• 28%</li> <li>• 24% (Note 1)</li> </ul>

**Note 1:**

The Income Tax (Exemption) (No. 2) Order 2017 [P. U. (A) 117] was gazetted on 10 April 2017 to formalize the Budget 2017 proposal to reduce the corporate income tax rate on incremental chargeable income. The Exemption Order exempts a qualifying person from payment of income tax on an ascertained amount of chargeable income derived from a business source in the basis period for a year of assessment, for the years of assessment 2017 and 2018 only. A qualifying person includes a trust body that is resident in Malaysia but excludes a Real Estate Investment Trust or Property Trust Fund. The corporate income tax rate would be reduced by between one to four percentage points, depending on the increase in chargeable income derived from the business source (as compared to the immediate preceding year of assessment). Details of the further qualifications and conditions imposed are set out in the Exemption Order.

<sup>6</sup> A company would not be eligible for the 18% tax rate on the first RM500,000 of chargeable income if:-

- (a) more than 50% of the paid up capital in respect of the ordinary shares of the company is directly or indirectly owned by a related company which has paid up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment;
- (b) the company owns directly or indirectly more than 50% of the paid up capital in respect of the ordinary shares of a related company which has paid up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment;
- (c) more than 50% of the paid up capital in respect of the ordinary shares of the company and a related company which has a paid up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment is directly or indirectly owned by another company.



The Board of Directors  
Kenanga Investors Berhad  
15 October 2019

9

**Note 2:**

Non-resident unit holders may be subject to tax in their respective countries depending on the provisions of the tax legislation in the respective countries and any existing double taxation arrangements with Malaysia.

**Gains from sale of units**

Gains arising from the realisation of investments will generally not be subject to income tax in the hands of unit holders unless they are insurance companies, financial institutions or traders/ dealers in securities.

**Unit splits and reinvestment of distributions**

Unit holders may also receive new units as a result of unit splits or may choose to reinvest their distributions. The income tax implications of these are generally as follows:

- Unit splits - new units issued by the Funds pursuant to a unit split will not be subject to income tax in the hands of the unit holders.
- Reinvestment of distributions - unit holders may choose to reinvest their income distribution in new units by informing the Manager. In this event, the unit holder will be deemed to have received the distribution and reinvested it with the Funds.

\*\*\*\*\*

The Board of Directors  
Kenanga Investors Berhad  
15 October 2019

10

We hereby confirm that, as at the date of this letter, the statements made in this letter correctly reflect our understanding of the tax position under current Malaysian tax legislation and the related interpretation and practice thereof, all of which are subject to change, possibly on a retrospective basis. We have not been retained (unless specifically instructed hereafter), nor are we obligated to monitor or update the statements for future conditions that may affect these statements.

The statements made in this letter are not intended to be a complete analysis of the tax consequences relating to an investor in the Funds. As the particular circumstances of each investor may differ, we recommend that investors obtain independent advice on the tax issues associated with an investment in the Funds.

Yours faithfully  
Ernst & Young Tax Consultants Sdn Bhd



Bernard Yap  
Partner

Ernst & Young Tax Consultants Sdn Bhd has given its consent to the inclusion of the Taxation Adviser's Letter in the form and context in which it appears in this Master Prospectus and has not withdrawn such consent before the date of issue of this Master Prospectus.



## 11. RELEVANT INFORMATION

### 11.1 Keeping abreast with developments of the Fund

The Manager shall deliver a copy of the annual report of the Funds to Unit Holders without charge within two (2) months of the end of the financial year of the Funds. Unit Holders may request for additional copies of the said report during normal business hours subject to the payment of a reasonable sum as may be determined by the Manager and the Trustee.

Where applicable, the Manager will send to Unit Holders their tax vouchers which set out such information that is needed to complete a tax return.

The Manager will publish important news and information with respect to the Fund on the Funds' website at [www.oneetf.com.my](http://www.oneetf.com.my) and/or as announced/published on Bursa Securities website at [www.bursamalaysia.com](http://www.bursamalaysia.com) from time to time.

Some of the information which will be made available on the Funds' website and/or Bursa Securities' website includes:

- the annual and interim reports;
- NAV per Unit;
- IOPV per Unit;
- fees and charges in relation to the Funds;
- Master Prospectus; and
- Benchmark.

It is the investors' responsibility to consider such information. Please refer to the section headed "Avenue for Advice" in Section 11.3 of this Master Prospectus for the warning and the disclaimer regarding information contained in such website.

### 11.2 Material Agreements

Save as disclosed below, there are no other material agreements which have been entered into in relation to the Funds as at the date of this Master Prospectus:-

- The Deed in respect of the Funds both dated 4 September 2019 entered into between the Trustee and the Manager;
- The Licence Agreement dated 1 August 2018 entered into between the Manager and the Index Licensor; and
- The Participating Dealer Agreement dated 15 November 2019 entered into between the Participating Dealer, the Trustee and the Manager.

### 11.3 Avenue for Advice

All queries, notices and communications to the Manager should be made in writing and sent to the following addresses:

Kenanga Investors Berhad  
Level 14, Kenanga Tower,  
237, Jalan Tun Razak,  
50400 Kuala Lumpur, Malaysia.

Information of the Funds can be obtained at the Funds' website, [www.oneetf.com.my](http://www.oneetf.com.my).

The offer of the Units is made solely on the basis of information contained in this Master Prospectus. All references in this Master Prospectus to other websites and sources where further information may be obtained are merely intended to assist the investors to access further information relating to the subject matter indicated and such information does not form part of this Master Prospectus. Neither the Manager nor the Trustee accepts any responsibility for ensuring that the information contained in such other websites and sources as well as information provided by the Participating Dealer relating to the arrangements between the Participating Dealer and investors/Unit Holders, if available, is accurate, complete and/or up-to-date, and no liability is accepted by the Manager and the Trustee in relation to any person's use of or reliance on the information contained in these other websites and sources save, in respect of the Funds' website at [www.oneetf.com.my](http://www.oneetf.com.my).

Investors should exercise an appropriate degree of caution when assessing the value of such information.

#### **11.4 Documents for Inspection**

Copies of the following documents may be inspected at the principal office of the Manager during normal business hours or such other place as the SC may determine:-

- The latest annual report of the Fund;
- The material agreements referred to in Section 11.2 of this Master Prospectus;
- The Tax Adviser's Letter referred to in Section 10 of this Master Prospectus;
- This Master Prospectus;
- The audited financial statements of the Manager and the Funds for the three (3) most recent financial years or such shorter period that the Funds have been in existence, preceding the date of the Master Prospectus; and
- Each consent given by the parties as disclosed in the Master Prospectus.

#### **11.5 Consent**

The Trustee, Technical Advisor, solicitor, auditor, participating dealer, market maker, placement agent, registrar and index licensor have given their consent to the inclusion of their names and statements in the form and context in which they appear in this Master Prospectus and have not been subsequently withdrawn such consent before the issue of this Master Prospectus.

The tax adviser has given its consent to the inclusion of its name and tax adviser's letter in the form and context in which they appear in this Master Prospectus and have not been subsequently withdrawn such consent before the issue of this Master Prospectus.

**This page has been intentionally left blank.**

**This page has been intentionally left blank.**

**This page has been intentionally left blank.**



## **Kenanga Investors Berhad**

Company No. 199501024358 (353563-P)

### **Head Office**

Level 14, Kenanga Tower,  
237, Jalan Tun Razak,  
50400 Kuala Lumpur,  
Malaysia

### **Website**

[www.kenangainvestors.com.my](http://www.kenangainvestors.com.my)

### **Email**

[oneetf@kenanga.com.my](mailto:oneetf@kenanga.com.my)

### **Toll Free Line**

1-800-88-3737

