

KENANGA KLCI DAILY (-1X) INVERSE ETF

SEMI-ANNUAL REPORT

For the Financial Period from 1 January 2022 to 30 June 2022

kenanga

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

KENANGA KLCI DAILY (-1X) INVERSE ETF

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CORPORATE DIRECTORY

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

Registered Office

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

Business Office

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

Board of Directors

Imran Devindran Abdullah (**Independent Director**)

Norazian Ahmad Tajuddin (**Independent Director**)

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

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

Investment Committee

Imran Devindran Abdullah (**Independent Member**)

Norazian Ahmad Tajuddin (**Independent Member**)

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

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

Company Secretary: Norliza Abd Samad (MAICSA 7011089)

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

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

Registered Office

Level 10, Tower 1
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur, Malaysia.
Tel: 03-9287 3888
Fax: 03-9281 9314

Business Office

Level 11, Tower 3
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur, Malaysia.
Tel: 03-9280 5933
Fax: 03-9280 5934
Email: rhbt.ut@rhbgroup.com
Website: www.rhbgroup.com

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

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

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

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

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

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

DIRECTORY OF MANAGER'S OFFICES

Regional Branch Offices:

Kuala Lumpur

Level 13, Kenanga Tower
237, Jalan Tun Razak
50400 Kuala Lumpur, Malaysia
Tel: 03-2172 3123
Fax: 03-2172 3133

Melaka

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

Klang

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

Penang

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

Miri

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

Seremban

2nd Floor, No. 1D-2
Jalan Tuanku Munawir
70000 Seremban
Negeri Sembilan
Tel: 06-761 5678
Fax: 06-761 2242

Johor Bahru

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

Kuching

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

Kuantan

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

Ipoh

Suite 1, 2nd Floor
No. 63, Persiaran Greenhill
30450 Ipoh, Perak
Tel: 05-254 7573 / 7570 / 7575
Fax: 05-254 7606

Kota Kinabalu

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

Damansara Uptown

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

Kota Damansara

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

Kluang

No. 1, Aras 1, Jalan Haji Manan
Pusat Perniagaan Komersial Haji Manan
88000 Kluang, Johor
47510 Petaling Jaya, Selangor
Tel: 07-710 2700
Fax: 07-710 2150

1. FUND INFORMATION

1.1 Fund Name

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

1.2 Fund Category / Type

Exchange-traded fund / Inverse exchange-traded fund

1.3 Investment Objective

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

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

1.4 Investment Strategy

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

1.5 Benchmark

FTSE Bursa Malaysia KLCI Daily Short (Price) Index.

1.6 Distribution Policy

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

1.7 Breakdown of unit holdings of the Fund as at 30 June 2022

Size of holdings	No. of unit holders	No. of units held
Less than 100	-	-
100 - 1,000	1	700
1,001 - 10,000	1	3,500
10,001 - 100,000	3	135,000
100,001 and above	1	860,800
Total	6	1,000,000

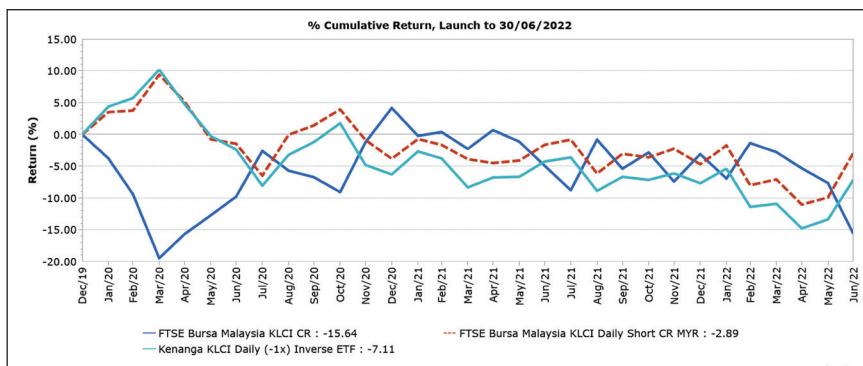
2. MANAGER'S REPORT

2.1 Explanation on whether the Fund has achieved its investment objective

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

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

Performance Chart Since Launch (20/12/2019 – 30/6/2022)
Kenanga KLCI Daily (-1x) Inverse ETF



Source: Lipper

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

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

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

2.4 The Fund's asset allocation as at 30 June 2022 and comparison with the previous financial period

Asset	30 Jun 22	30 Jun 21
Listed future contracts	-0.1%	0.6%
Cash in margin account	32.4%	26.2%
Short term deposits and cash	67.7%	73.2%

Reason for the differences in asset allocation

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

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

	Period under review
KKL1X	6.42%
FTSE Bursa Malaysia KLCI Daily Short (Price) Index	7.77%

Source: Lipper

For the financial period under review, the Fund underperformed its benchmark returns by 1.35% during the same period. The underperformance was a result of the daily compounding effect resulted from the futures-based replication investment strategy that involved rebalancing and rolling of underlying futures to obtain the required exposure to the Benchmark.

2.6 Review of the market

Market review

Global economy and stock market struggled in the first half of 2022. The Russia-Ukraine war triggered global political instability, supply chain disruptions, and increased commodity prices. Countries around the world were being hit by decades-high inflations which caused hawkish interventions from central banks. The US Federal Reserve (Fed) raised interest rate by 50 basis point in May, followed by another aggressive 75 basis point hike in June, marks the largest upward step since 1994. Central bankers worldwide followed in the Fed's footsteps in lifting interest rates. The soaring inflation, tightening monetary policy and the war in Ukraine were arguably creating a perfect storm for recession which led to investors pulling trillions of dollars out from the equity markets. The S&P 500 was 20.9% down, registered its worst first half since 1970 while Nasdaq slumped 29.2%. Euro Stoxx 50 and MSCI AC Asia x Japan plunged 19.6% and 17.3% respectively. Back in Malaysia, the FBM KLCI declined 7.9% while FBM Emas Shariah Index dropped 14.3% in the first half of the year.

Despite ending 2021 on a high note, global equities started the new year with sell-offs in most major markets in January as concerns mount over persistently-high inflation and the ensuing monetary policy normalisation by central banks worldwide. In the first Federal Open Market Committee (FOMC) meeting in 2022, the Fed is clearly hawkish and is guiding that it will look to reduce its inflated balance sheet and hike interest rate. Investor sentiment turned cautious during the month, and aggressive profit taking was seen in selective sectors such as Technology. The tech-heavy Nasdaq lost 8.5% in January, to mark one of its worst months in more than a decade, whereas the S&P 500 was 6% lower from its record-high seen on the first trading day of the year. Locally, technology sector (KL Tech Index) recorded a huge decline of 15.3%, in tandem with the steep sell-off on Wall Street. FBMKLCI ended the month down 3.5%.

2.6 Review of the market (contd.)

Market review (contd.)

February saw global markets fell on geopolitical conflict between Russia and Ukraine escalating throughout the month which ended in a full-scale invasion. Most major markets continued to see sell down for the month as a risk-off sentiment prevailed. The Russian-Ukraine war has a far-reaching impact across global commodity market with Russia a key exporter of oil & gas, aluminum, palladium and fertilizer, while Ukraine ranks among the top exporters of wheat, barley, corn and sunflower oil. The US administration reacted to Russia's invasion of Ukraine with a measured package of sanctions on Russia. Europe was badly affected as Russia contributes to about 35-40% of Europe's gas supply. Wall Street's tech-heavy Nasdaq saw further correction in the month bringing the index performance lower by 12.1% YTD, whereas the S&P 500 is now 8.2% lower YTD. Locally, the spread of the more infectious Omicron variant led to a rise in Covid-19 cases with cases climbing quickly to 32,000, its highest ever on record towards the end of the month. Risk off prevailed, and profit taking continued in the Technology sectors, whilst commodities-related sectors, namely Metals, Oil & Gas and Plantation outperformed on the back of higher commodity prices. FBMKLCI ended the month up 6.35%..

Despite an initial sell-off on the Russia-Ukraine war, US equities recovered strongly towards the end of March. The S&P 500 and tech-heavy Nasdaq rose 3.6% and 3.4% respectively in the month. The Fed raised interest rates by 25bps for the first time since 2018. Meanwhile, Russia's invasion of Ukraine continued despite intermittent peace talks, threatening the European economy as well impacting global commodity prices. Meanwhile, China rolled out its biggest Covid-19 lockdown to control the growing Omicron outbreak despite questions being raised about the economic toll of the nation's "zero-COVID" strategy. Locally, to ease the challenging economic environment, the government announced reopening of borders on 1 April and a special EPF withdrawal of RM10,000 per member. During the month, the government also announced the decision to raise the minimum wage to RM1,500/mth from 1 May from RM1,200/mth, which could lead to cost pressures for corporates.. FBMKLCI fell 1.3% for the month.

Global equities retraced in April in anticipation of aggressive Fed's tightening with a series of 50bps hikes for the next few months. US inflation surged to 8.5% YoY in March due to supply constraints and high commodity prices, pushing 10-year Treasury yield to 2.9%. The S&P 500 and Nasdaq was down 8.7% and 13.3%, while Dow dropped 4.9%. US GDP declined an annualized 1.4% QoQ in Q1, after growing 6.9% in the prior period. A ballooning trade deficit was partially responsible for the disappointment and consumer spending was not as robust as anticipated. Labor market however is still strong, as jobless claims dipped to 180,000 from 185,000 in the week ended 23 April. Locally, equity markets were supported by positive news flows. Government announced disbursement of RM151mil Wage Subsidy Programme 5.0 to sustain employment of workers. Inflation rate was maintained at 6-month low of 2.2% YoY while external trade hit new monthly high of RM236.6b, up 27.3% YoY driven by strong exports backed by demand for E&E, L&G, crude & refined petroleum and palm oil products. The FBMKLCI ended up 0.8% for the month.

2.6 Review of the market (contd.)

Market review (contd.)

In May, US equities ended flattish post rallying back from reaching new 52-weeks lows during the month as prolonged Chinese lockdown, ongoing war between Russia and Ukraine and inflation concerns continued to weigh on investor sentiment. The Fed also announced its second rate-hike for the year with an aggressive 50bps increase. US inflation jumped to 8.3% YoY in April which further fueled speculations that the economy is overheating. The Fed also announced it will begin shrinking its \$8.9 trillion balance sheet in June. Chinese equities rallied after Beijing unveiled a raft of support measures to cushion an economic slowdown triggered by the country's Covid-19 zero-tolerance approach. Locally, Malaysia announced a stronger-than-expected 1Q22 GDP growth of 5% YoY, compared to -0.5% in 1Q21 mainly supported by improving domestic demand as economic activity continued to normalise with the easing of Covid-19-driven containment measures. The markets were also negatively surprised by the Overnight Policy Rate (OPR) rate hike of 25bp to 2.00%, as well as the delay in plans to bring in foreign workers. FBMKLCI fell by 1.9% to close at 1,570 points.

In June, US released the annual inflation rate of May 2022 which was accelerated to 8.6%, the highest since 1981 due to soaring energy costs from the prolong Russia-Ukraine war crisis which added more cost pressure along with labour shortages, and supply disruptions. The Fed hiked interest rate by 75bps, the biggest increase since 1994 to a range of 1.5% to 1.75% in June. The FOMC members indicated a much stronger path of rate hike ahead to tame the inflationary pressure. US equities slides to close its worst first half in 52 years with S&P 500 down by 20.6% YTD and 8.4% in June. The Dow Jones fell by 15.3% YTD, its worst first half performance since 1962 while Nasdaq fell 29.5% YTD, its worst first half record. Locally, inflation remains suppressed by the government's decision to keep electricity and water tariff rates unchanged for the time being. Malaysia equities were not spared from the global sell-down as FBMKLCI fell by 8.02% in June to 1,444 points, the sharpest monthly decline since the start of the Covid-19 pandemic in 2020.

Market outlook

With US entering late cycle dynamics and decelerating growth, rising inflation and policy tightening would weigh on economic expansion. Key focus remains on the path of central bank monetary policy, easing of geopolitical tensions, China lockdowns, as well as corporate earnings.

Malaysia continues to benefit from economic reopening, with a post-lockdown cyclical rebound ongoing on the back of higher consumer spending. Meanwhile, China's policy stimulus to spur economic growth, maintaining stability of capital markets, could lend support to the regional economic recovery. However, Malaysia still remains geared to global growth and economic conditions given its high dependence on exports.

2.7 Distributions

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

2.8 Details of any unit split exercise

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

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

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

2.10 Circumstances that materially affect any interests of the unit holders

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

2.11 Rebates and soft commissions

It is the policy of the Manager to credit any rebates received into the account of the Fund. Any soft commissions received by investment manager on behalf of the Fund are in the form of research and advisory services that assist in the decision making process relating to the investment of the Fund which are of demonstrable benefit to unit holders of the Fund. Any dealing with the broker or dealer is executed on terms which are the most favourable for the Fund. As the Fund solely invested in listed derivatives, the Manager did not receive any rebates on soft commission from its stockbrokers during the financial period under review.

2.12 Cross-trade

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

2.13 Securities financing transactions

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

3. FUND PERFORMANCE

3.1 Details of portfolio composition of the Fund as at 30 June 2022 against the last two financial year/period as at 31 December are as follows:

a. Distribution among industry sectors and category of investments:

	As at 30.6.2022 %	As at 31.12.2021 %	As at 31.12.2020 %
Listed derivatives	(0.1)	(1.5)	0.9
Cash in margin account	32.4	25.7	22.0
Short term deposits and cash	67.7	75.8	77.1
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

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

b. Distribution among markets

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

c. Weightings of the top 10 constituents of the Underlying Index as at 30 June 2022

Rank	Constituent	Index Weight (%)
1	Public Bank Bhd	13.84
2	Malayan Banking Bhd	13.61
3	CIMB Group Holdings Bhd	7.34
4	Tenaga Nasional Bhd	5.73
5	Petronas Chemicals Group Bhd	5.67
6	IHH Healthcare Bhd	3.79
7	Press Metal Aluminium Holdings Bhd	3.73
8	Sime Darby Plantation Bhd	3.46
9	Hong Leong Bank Bhd	3.03
10	Axiata Group Bhd	2.93

Source: Bloomberg

3.2 Performance details of the Fund for the financial period ended 30 June 2022 against the two financial year/period ended 31 December are as follows:

	1.1.2022 to 30.6.2022	1.1.2021 to 31.12.2021	20.12.2019 (date of commencement) to 31.12.2020
Total asset value (RM Million)	2.01	1.91	1.85
Net asset value ("NAV") (RM Million) ¹	2.00	1.88	1.84
Units in circulation (Million)	1.00	1.00	1.00
NAV per unit (RM)	2.0017	1.8809	1.8434
Highest NAV per unit (RM)	2.0243	2.0029	2.6037
Lowest NAV per unit (RM)	1.8029	1.8298	1.7815
Listed price (RM) ¹	1.9900	1.9200	1.8450
Highest listed price (RM)	2.0100	2.0000	2.6700
Lowest listed price (RM)	1.8050	1.8200	1.8450
Total return (%)	6.42	2.03	-7.83
- Capital growth (%)	6.42	2.03	-7.83
- Income growth (%)	-	-	-
Gross distribution per unit (sen)	-	-	-
Net distribution per unit (sen)	-	-	-
Management expense ratio ("MER") (%) ²	0.87	0.92	0.87
Portfolio turnover ratio ("PTR") (times) ³	6.26	12.49	13.81
Tracking error	0.28	1.13	1.20

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

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

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

- ¹ *As at 30 June 2022, the Fund has a net asset value of RM2.0 million and 1 million units in circulation. KLCI was volatile and trended negatively during the financial period under review due to the global sell-down in equity markets as a result of Russia-Ukraine war, global supply chain disruptions and increased commodity prices. Countries around the world were hit by decades-high inflations which caused hawkish interventions from central banks. The Fund's net asset per unit hit its lowest level of RM1.8029 in April as local equity markets were supported by positive news flows on government's RM151mil Wage Subsidy Programme 5.0 as well as suppressed inflation rate. KLCI fell sharply in June as part of the global sell-down which led to a rise in the Fund's net asset per unit to the highest level of RM2.0243 before closed at RM2.0017. Similarly, the listed price achieved the lowest level of RM1.8050 and the highest level of RM2.01 in the interim.*
- ² *MER is lower against the previous financial year mainly due to lower recovered expenses incurred during the financial period under review.*
- ³ *PTR is lower due to lesser daily rebalancing frequency of futures contracts in the Fund during the financial period under review.*

3.3 Average total return of the Fund

	1 Year 30 Jun 21 - 30 Jun 22	Since Inception 20 Dec 19 - 30 Jun 22
KKL1X	2.98%	1.08%
FTSE Bursa Malaysia KLCI Daily Short (Price) Index	4.80%	2.83%

Source: Lipper

3.4 Annual total return of the Fund

	Period under review 31 Dec 21 - 30 Jun 22	31 Dec 20 - 31 Dec 21	Since Inception 20 Dec 19 - 31 Dec 20
KKL1X	6.42%	2.03%	-7.83%
FTSE Bursa Malaysia KLCI Daily Short (Price) Index	7.77%	2.64%	-5.40%

Source: Lipper

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

4. TRUSTEE'S REPORT TO THE UNIT HOLDERS OF KENANGA KLCI DAILY (-1X) INVERSE ETF

We have acted as Trustee of Kenanga KLCI Daily (-1X) Inverse ETF ("the Fund") for the financial period from 1 January 2022 to 30 June 2022. To the best of our knowledge Kenanga Investors Berhad ("the Manager"), has operated and managed the Fund in accordance with the following:-

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

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

MOHD SOFIAN BIN KAMARUDDIN
Vice President

KENNY TAI WAI KUEN
Head, Trustees Operations

Kuala Lumpur, Malaysia

30 August 2022

5. STATEMENT BY THE MANAGER

I, Ismitz Matthew De Alwis, being a director of Kenanga Investors Berhad, do hereby state that, in the opinion of the Manager, the accompanying statement of financial position as at 30 June 2022 and the related statement of comprehensive income, statement of changes in net asset value and statement of cash flows for the financial period from 1 January 2022 to 30 June 2022 together with notes thereto, are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of Kenanga KLCI Daily (-1x) Inverse ETF as at 30 June 2022 and of its financial performance and cash flows for the financial period from 1 January 2022 to 30 June 2022 and comply with the requirements of the Deed.

For and on behalf of the Manager
KENANGA INVESTORS BERHAD

ISMITZ MATTHEW DE ALWIS
Executive Director/Chief Executive Officer

Kuala Lumpur, Malaysia

30 August 2022

6. FINANCIAL STATEMENTS

6.1 STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022 (unaudited)

	Note	1.1.2022 to 30.6.2022 RM	1.1.2021 to 30.6.2021 RM
INVESTMENT INCOME			
Interest income		12,342	12,298
Net gain from investments:			
- Financial (liabilities)/assets at fair value through profit or loss ("FVTPL")	4	<u>121,525</u>	<u>98,975</u>
		<u>133,867</u>	<u>111,273</u>
EXPENSES			
Manager's fee	5	4,647	4,656
Trustee's fee	6	372	372
Index license fee	7	502	503
Administration expenses		5,298	3,171
Brokerage and other transaction costs		<u>2,194</u>	<u>2,100</u>
		<u>13,013</u>	<u>10,802</u>
NET INCOME BEFORE TAX		120,854	100,471
Income tax	9	<u>(75)</u>	<u>-</u>
NET INCOME AFTER TAX, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u>120,779</u>	<u>100,471</u>
Net income after tax is made up as follows:			
Realised gain		95,754	104,446
Unrealised gain/(loss)	4	<u>25,025</u>	<u>(3,975)</u>
		<u>120,779</u>	<u>100,471</u>

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

**6.2 STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022 (unaudited)**

	Note	30.6.2022 RM	30.6.2021 RM
ASSETS			
INVESTMENTS			
Financial assets at FVTPL	4	-	11,525
Short term deposits	10	<u>1,342,690</u>	<u>1,410,542</u>
		<u>1,342,690</u>	<u>1,422,067</u>
OTHER ASSETS			
Amount due from Manager		142	-
Other receivables	11	4,771	4,711
Tax recoverable		793	-
Cash in margin account	12	646,845	507,411
Cash at bank		<u>10,496</u>	<u>10,525</u>
		<u>663,047</u>	<u>522,647</u>
TOTAL ASSETS		<u>2,005,737</u>	<u>1,944,714</u>
LIABILITIES			
Financial liabilities at FVTPL	4	2,475	-
Amount due to Manager		-	367
Amount due to Trustee		65	63
Amount due to Index Provider		1,378	351
Other payables		<u>144</u>	<u>87</u>
TOTAL LIABILITIES		<u>4,062</u>	<u>868</u>
EQUITY			
Unit holders' contribution		2,000,000	2,000,000
Retained earning/(Accumulated loss)		<u>1,675</u>	<u>(56,154)</u>
NET ASSET VALUE ("NAV") ATTRIBUTABLE TO UNIT HOLDERS	13	<u>2,001,675</u>	<u>1,943,846</u>
TOTAL LIABILITIES AND EQUITY		<u>2,005,737</u>	<u>1,944,714</u>
NUMBER OF UNITS IN CIRCULATION	13(a)	<u>1,000,000</u>	<u>1,000,000</u>
NAV PER UNIT (RM)		<u>2.0017</u>	<u>1.9438</u>

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

**6.3 STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022 (unaudited)**

	Unit holders' contribution RM	Retained earning/ (Accumulated loss) RM	Total NAV RM
1.1.2022 to 30.6.2022			
At beginning of the financial period	2,000,000	(119,104)	1,880,896
Total comprehensive income	-	120,779	120,779
At end of the financial period	<u>2,000,000</u>	<u>1,675</u>	<u>2,001,675</u>
1.1.2021 to 30.6.2021			
At beginning of the financial period	2,000,000	(156,625)	1,843,375
Total comprehensive income	-	100,471	100,471
At end of the financial period	<u>2,000,000</u>	<u>(56,154)</u>	<u>1,943,846</u>

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

**6.4 STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022 (unaudited)**

	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021
	RM	RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Net gain from financial (liabilities)/assets at FVTPL	96,500	102,950
Interest received	12,353	12,328
Index license fee paid	-	(1,221)
Trustee's fee paid	(501)	(714)
Brokerage's fee paid to licensed financial institutions	(2,194)	(2,100)
Manager's fee paid	(4,672)	(4,644)
Payment for other fees and expenses	(5,803)	(4,043)
Deposit to margin account	<u>(165,332)</u>	<u>(101,709)</u>
Cash (used in)/generated from operating and investing activities	(69,649)	847
Income tax paid	<u>(480)</u>	<u>-</u>
Net cash (used in)/generated from operating and investing activities	<u>(70,129)</u>	<u>847</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(70,129)	847
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	<u>1,423,315</u>	<u>1,420,220</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>1,353,186</u>	<u>1,421,067</u>
Cash and cash equivalents comprise:		
Cash at bank	10,496	10,525
Short term deposits	<u>1,342,690</u>	<u>1,410,542</u>
	<u>1,353,186</u>	<u>1,421,067</u>

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

6.5 NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022 (unaudited)

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

Kenanga KLCI Daily (-1x) Inverse ETF (“the Fund”) was constituted pursuant to the executed Deed dated 4 September 2019 (“the Deed”) between Kenanga Investors Berhad (“the Manager”) and RHB Trustees Berhad (“the Trustee”). The Fund commenced operations on 20 December 2019 and listed on Bursa on 9 January 2020, and will continue to be in operation until terminated as provided under Clause 26 of the Deed.

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

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

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

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

a. Market risk

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

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

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

a. Market risk (contd.)

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

i. Interest rate risk

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

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

Interest rate risk exposure

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

	Up to 1 year RM	Non- exposure to interest rate movement RM	Total RM	Weighted average effective interest rate* %
30.6.2022				
Assets				
Short term deposits	1,342,690	-	1,342,690	1.9
Cash in margin account	646,845	-	646,845	0.5
Other assets	-	15,409	15,409	
	<u>1,989,535</u>	<u>15,409</u>	<u>2,004,944</u>	
Liabilities				
Financial liabilities at FVTPL	-	2,475	2,475	
Other liabilities	-	1,443	1,443	
	<u>-</u>	<u>3,918</u>	<u>3,918</u>	
Total interest rate sensitivity gap	<u>1,989,535</u>	<u>11,491</u>	<u>2,001,026</u>	

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

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

a. Market risk (contd.)

i. Interest rate risk (contd.)

Interest rate risk exposure (contd.)

	Up to 1 year RM	Non- exposure to interest rate movement RM	Total RM	Weighted average effective interest rate* %
30.6.2021				
Assets				
Financial assets at FVTPL	-	11,525	11,525	
Short term deposits	1,410,542	-	1,410,542	1.6
Cash in margin account	507,411	-	507,411	0.4
Other assets	-	15,236	15,236	
	<u>1,917,953</u>	<u>26,761</u>	<u>1,944,714</u>	
Liabilities				
Other liabilities	-	781	781	
Total interest rate sensitivity gap	<u>1,917,953</u>	<u>25,980</u>	<u>1,943,933</u>	

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

ii. Price risk

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

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

a. Market risk (contd.)

ii. Price risk (contd.)

Price risk sensitivity

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

	Changes in price Increase/(Decrease) Basis points	Effects on income for the financial period (Loss)/Gain RM
30.6.2022		
Financial liabilities at FVTPL	<u>5/(5)</u>	<u>(1,008)/1,008</u>
30.6.2021		
Financial assets at FVTPL	<u>5/(5)</u>	<u>(934)/934</u>

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

Price risk concentration

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

	Fair value		Percentage of NAV	
	30.6.2022 RM	30.6.2021 RM	30.6.2022 %	30.6.2021 %
Financial (liabilities)/ assets at FVTPL	<u>(2,475)</u>	<u>11,525</u>	<u>(0.1)</u>	<u>0.6</u>

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

b. Credit risk

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

i. Credit risk exposure

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

ii. Financial assets that are either past due or impaired

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

iii. Credit quality of financial assets

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

Short term deposits

	Percentage of total short term deposits		Percentage of NAV	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	%	%	%	%
Rating				
P1/MARC-1	<u>100.0</u>	<u>100.0</u>	<u>67.1</u>	<u>72.6</u>

Cash in margin account

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

	Percentage of total cash in margin account		Percentage of NAV	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	%	%	%	%
Rating				
Not rated	<u>100.0</u>	<u>100.0</u>	<u>32.3</u>	<u>26.1</u>

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

c. Liquidity risk

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

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

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

	Note	Up to 1 year	
		30.6.2022 RM	30.6.2021 RM
Assets			
Financial assets at FVTPL		-	11,525
Short term deposits		1,342,690	1,410,542
Cash in margin account		646,845	507,411
Other assets		15,409	15,236
	i.	<u>2,004,944</u>	<u>1,944,714</u>
Liabilities			
Financial liabilities at FVTPL		2,475	-
Other liabilities		1,443	781
	ii.	<u>3,918</u>	<u>781</u>
Equity	iii.	<u>2,001,675</u>	<u>1,943,846</u>
Liquidity gap		<u>(649)</u>	<u>87</u>

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

c. Liquidity risk (contd.)

i. Financial assets

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

ii. Financial liabilities

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

iii. Equity

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

d. Regulatory reportings

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of accounting

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

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

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

Description	Effective for financial periods beginning on or after
Amendments to MFRS 16: <i>Covid-19 – Related Rent Concessions beyond 30 June 2021</i>	1 April 2021
Amendments to MFRS contained in the document entitled " <i>Annual Improvements to MFRS Standards 2018 - 2020</i> "	1 January 2022
Amendments to MFRS 1: <i>Subsidiary as a First-time Adopter contained in the document entitled "Annual Improvements to MFRS Standards 2018 - 2020"</i>	1 January 2022
Amendments to MFRS 9: <i>Fees in the '10 per cent' Test for Derecognition of Financial Liabilities contained in the document entitled "Annual Improvements to MFRS Standards 2018 - 2020"</i>	1 January 2022
Amendments to Illustrative Examples accompanying MFRS 16: <i>Lease Incentives contained in the document entitled "Annual Improvements to MFRS Standards 2018 - 2020"</i>	1 January 2022
Amendment to MFRs 141: <i>Taxation in Fair Value Measurements contained in the document entitled "Annual improvements to MFRS Standards 2018 - 2020"</i>	1 January 2022
Amendments to MFRS 3: <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116: <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137: <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

b. Standards and amendments issued but not yet effective

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

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

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

c. Financial instruments

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

i. Initial recognition

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

c. Financial instruments (contd.)

ii. Measurement categories of financial assets and liabilities

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

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

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

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

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

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

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

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

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

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

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

The details of these conditions are outlined below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

c. Financial instruments (contd.)

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

Business model assessment

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

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

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

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

The SPPI test

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

c. Financial instruments (contd.)

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

The SPPI test (contd.)

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

iv. Financial investments

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

d. Derecognition of financial assets

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

d. Derecognition of financial assets (contd.)

A transfer only qualifies for derecognition if either:

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

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

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

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

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

e. Offsetting of financial assets and liabilities

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

f. Impairment of financial assets

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

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

ii. Write-offs

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

g. **Income**

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

Interest income is recognised using the effective interest method.

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

h. **Cash and cash equivalents**

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

i. **Income tax**

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

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

j. **Unrealised reserves**

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

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

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

l. **Functional and presentation currency**

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

m. **Distributions**

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

n. Significant accounting judgement and estimates

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

i. Critical judgments made in applying accounting policies

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

ii. Key sources of estimation uncertainty

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

4. FINANCIAL (LIABILITIES)/ASSETS AT FVTPL

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

	30.6.2022	30.6.2021
	RM	RM
Financial (liabilities)/assets held for trading, at FVTPL:		
Listed derivatives - KLCI futures contracts	<u>(2,475)</u>	<u>11,525</u>
	1.1.2022 to	1.1.2021 to
	30.6.2022	30.6.2021
	RM	RM
Net gain on financial (liabilities)/assets at FVTPL comprised:		
Realised gain on disposals	96,500	102,950
Unrealised changes in fair values	<u>25,025</u>	<u>(3,975)</u>
	<u>121,525</u>	<u>98,975</u>

There were 28 futures contracts with notional principal amount of RM2,026,500 that remain outstanding as at 30 June 2022 (30 June 2021: 25 futures contracts with notional principal amount of RM1,916,250).

5. MANAGER'S FEE

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

The Manager is currently calculated at 0.50% per annum of the NAV of the Fund (financial period from 1 January 2021 to 30 June 2021: 0.50% per annum).

6. TRUSTEE'S FEE

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

The Trustee's fee is currently calculated at 0.04% per annum of the NAV of the Fund (financial period from 1 January 2021 to 30 June 2021: 0.04% per annum).

7. INDEX LICENSE FEE

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

The index licence fee is currently calculated at 0.05% per annum of the NAV of the Fund (financial period from 1 January 2021 to 30 June 2021: 0.05% per annum).

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

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

9. INCOME TAX

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

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

9. INCOME TAX (CONTD.)

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

	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021
	RM	RM
Net income before tax	<u>120,854</u>	<u>100,471</u>
Tax at Malaysian statutory tax rate of 24% (financial period from 1 January 2021 to 30 June 2021: 24%)	29,005	24,113
Tax effect of:		
Income not subject to tax	(31,886)	(27,660)
Loss not deductible for tax purposes	-	954
Expenses not deductible for tax purposes	1,441	1,475
Restriction on tax deductible expenses for exchange traded fund	<u>1,515</u>	<u>1,118</u>
Income tax for the financial period	<u>75</u>	<u>-</u>

10. SHORT TERM DEPOSITS

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

11. OTHER RECEIVABLES

	30.6.2022	30.6.2021
	RM	RM
Interest receivable from short term deposits	69	63
Interest receivable from margin account	202	148
Registrar security deposits	<u>4,500</u>	<u>4,500</u>
	<u>4,771</u>	<u>4,711</u>

12. CASH IN MARGIN ACCOUNT

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

13. NET ASSET VALUE ATTRIBUTABLE TO UNIT HOLDERS

NAV attributable to unit holders is represented by:

	Note	30.6.2022 RM	30.6.2021 RM
Unit holders' contribution	(a)	<u>2,000,000</u>	<u>2,000,000</u>
<u>Retained earning/(Accumulated loss):</u>			
Realised reserves/(deficits)		4,150	(67,679)
Unrealised (deficits)/reserves		<u>(2,475)</u>	<u>11,525</u>
		<u>1,675</u>	<u>(56,154)</u>
		<u>2,001,675</u>	<u>1,943,846</u>

(a) Unit holders' contribution

	1.1.2022 to 30.6.2022		1.1.2021 to 30.6.2021	
	No. of units	RM	No. of units	RM
At beginning/end of the financial period	<u>1,000,000</u>	<u>2,000,000</u>	<u>1,000,000</u>	<u>2,000,000</u>

The Manager, Kenanga Investors Berhad, did not hold any units in the Fund, either legally or beneficially, as at 30 June 2022 (30 June 2021: nil). The number of units held by related party as at 30 June 2022 were 860,800 units valued at RM1,723,063 (30 June 2021: 890,200 units valued at RM1,820,993).

14. PORTFOLIO TURNOVER RATIO ("PTR")

PTR for the financial period from 1 January 2022 to 30 June 2022 is 6.26 times (financial period from 1 January 2021 to 30 June 2021: 6.23 times).

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

15. MANAGEMENT EXPENSE RATIO ("MER")

MER for the financial period from 1 January 2022 to 30 June 2022 is 0.87% per annum (financial period from 1 January 2021 to 30 June 2021: 0.76% per annum.)

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

16. TRANSACTIONS WITH LICENSED FINANCIAL INSTITUTIONS

	Transaction value RM	Percentage of total %	Brokerage, stamp duty and clearing fee RM	Percentage of total %
Kenanga Futures Sdn Bhd*	<u>23,464,805</u>	<u>100.0</u>	<u>2,195</u>	<u>100.0</u>

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

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

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

17. SEGMENTAL REPORTING

a. Business segments

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

	Listed derivatives RM	Other investments RM	Total RM
1.1.2022 to 30.6.2022			
Revenue			
Segment income	122,535	11,332	
Segment expenses	<u>(2,194)</u>	<u>-</u>	
Net segment income representing segment results	<u>120,341</u>	<u>11,332</u>	131,673
Unallocated expenditure			<u>(10,819)</u>
Income before tax			120,854
Income tax			<u>(75)</u>
Net income after tax			<u>120,779</u>

17. SEGMENTAL REPORTING (CONTD.)

a. Business segments (contd.)

	Listed derivatives RM	Other investments RM	Total RM
30.6.2022			
Assets			
Short term deposits	-	1,342,690	
Other segment assets	-	69	
Total segment assets	<u>-</u>	<u>1,342,759</u>	1,342,759
Unallocated assets			<u>662,978</u>
			<u>2,005,737</u>
Liabilities			
Financial liabilities at FVTPL	<u>2,475</u>	<u>-</u>	2,475
Unallocated liabilities			<u>1,587</u>
			<u>4,062</u>
1.1.2021 to 30.6.2021			
Revenue			
Segment income	99,806	11,467	
Segment expenses	<u>(2,100)</u>	<u>-</u>	
Net segment income representing segment results	<u>97,706</u>	<u>11,467</u>	109,173
Unallocated expenditure			<u>(8,702)</u>
Income before tax			100,471
Income tax			<u>-</u>
Net income after tax			<u>100,471</u>
30.6.2021			
Assets			
Financial assets at FVTPL	11,525	-	
Short term deposits	-	1,410,542	
Other segment assets	-	63	
Total segment assets	<u>11,525</u>	<u>1,410,605</u>	1,422,130
Unallocated assets			<u>523,584</u>
			<u>1,944,714</u>
Liabilities			
Unallocated liabilities			<u>868</u>

17. SEGMENTAL REPORTING (CONTD.)

b. Geographical segments

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

18. FINANCIAL INSTRUMENTS

a. Classification of financial instruments

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

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

	Financial (liabilities)/ assets at FVTPL RM	Financial assets at amortised cost RM	Other financial liabilities RM	Total RM
30.6.2022				
Assets				
Short term deposits	-	1,342,690	-	-
Amount due from Manager	-	142	-	142
Other receivables	-	4,771	-	4,771
Cash in margin account	-	646,845	-	646,845
Cash at bank	-	10,496	-	10,496
	<u>-</u>	<u>2,004,944</u>	<u>-</u>	<u>2,004,944</u>
Liabilities				
Listed derivatives	2,475	-	-	2,475
Amount due to Trustee	-	-	65	65
Amount due to Index Provider	-	-	1,378	1,378
	<u>2,475</u>	<u>-</u>	<u>1,443</u>	<u>3,918</u>

18. FINANCIAL INSTRUMENTS (CONTD.)

a. Classification of financial instruments (contd.)

	Financial (liabilities)/ assets at FVTPL RM	Financial assets at amortised cost RM	Other financial liabilities RM	Total RM
30.6.2021				
Assets				
Listed derivatives	11,525	-	-	11,525
Short term deposits	-	1,410,542	-	1,410,542
Other receivables	-	4,711	-	4,711
Cash in margin account	-	507,411	-	507,411
Cash at bank	-	10,525	-	10,525
	<u>11,525</u>	<u>1,933,189</u>	<u>-</u>	<u>1,944,714</u>
Liabilities				
Amount due to Manager	-	-	367	367
Amount due to Trustee	-	-	63	63
Amount due to Index Provider	-	-	351	351
	<u>-</u>	<u>-</u>	<u>781</u>	<u>781</u>

b. Financial instruments that are carried at fair value

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Investments:				
30.6.2022				
Listed derivatives	<u>(2,475)</u>	<u>-</u>	<u>-</u>	<u>(2,475)</u>
30.6.2021				
Listed derivatives	<u>11,525</u>	<u>-</u>	<u>-</u>	<u>11,525</u>

18. FINANCIAL INSTRUMENTS (CONTD.)

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

Level 1: Listed prices in active market

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

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

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

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

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

19. CAPITAL MANAGEMENT

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

The Fund's objectives for managing capital are:

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

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

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Investor Services Center

Toll Free Line: 1 800 88 3737

Fax: +603 2172 3133

Email: investorservices@kenanga.com.my

Head Office, Kuala Lumpur

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

Tel: 03-2172 3000 Fax: 03-2172 3080