

# KENANGA KLCI DAILY (-1X) INVERSE ETF

## SEMI-ANNUAL REPORT

For the Financial Period from 1 January 2023 to 30 June 2023

# kenanga

Kenanga Investors Berhad  
Company No. 199501024358



# 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

Choy Khai Choon (**Chairman, Non-Independent Non-Executive Director**)

Imran Devindran Abdullah (**Independent Non-Executive Director**)

Norazian Ahmad Tajuddin (**Independent Non-Executive Director**)

Luk Wai Hong, William (**Non-Independent Non-Executive Director**)

Datuk Wira Ismitz Matthew De Alwis  
(**Chief Executive Officer, Executive Director**)

### Investment Committee

Imran Devindran Abdullah (**Independent Member**)

Norazian Ahmad Tajuddin (**Independent Member**)

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

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

**Company Secretary:** Norliza Abd Samad (MAICSA 7011089)

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

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

### Registered Office

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

### Business Office

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

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

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

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

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

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

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

## DIRECTORY OF MANAGER'S OFFICES

### Regional Branch Offices:

#### **Kuala Lumpur**

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

#### **Melaka**

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

#### **Klang**

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

#### **Penang**

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

#### **Miri**

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

#### **Seremban**

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

#### **Johor Bahru**

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

#### **Kuching**

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

#### **Kuantan**

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

#### **Ipoh**

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

#### **Kota Kinabalu**

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

#### **Damansara Uptown**

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

#### **Kota Damansara**

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

#### **Kluang**

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

# 1. FUND INFORMATION

## 1.1 Fund Name

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

## 1.2 Fund Category / Type

Exchange-traded fund / Inverse exchange-traded fund

## 1.3 Investment Objective

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

The Fund does not seek to achieve its stated investment objective over a period of time greater than one (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 2023

Size of holdings	No. of unit holders	No. of units held
Less than 100	-	-
100 - 1,000	2	800
1,001 - 10,000	-	-
10,001 - 100,000	3	206,000
100,001 - <5%*	-	-
>=5%*	1	793,200
<b>Total</b>	<b>6</b>	<b>1,000,000</b>

5%\* - 5% of the units in circulation

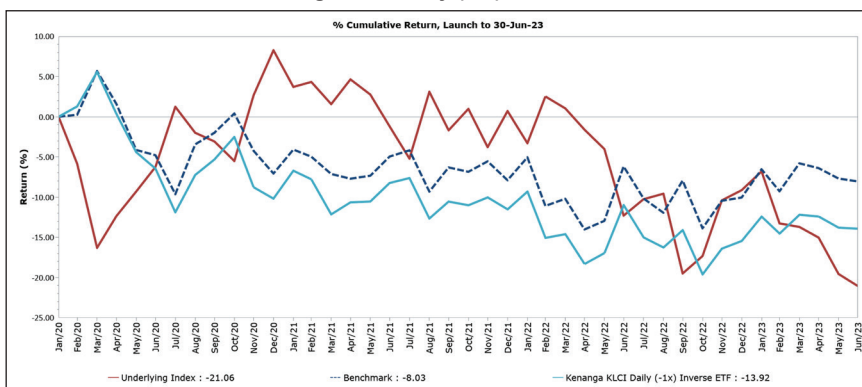
## 2. MANAGER'S REPORT

### 2.1 Explanation on whether the Fund has achieved its investment objective

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

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

**Performance Chart Since Launch (13/1/2020 – 30/6/2023)**  
**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 the Fund's daily exposure to the Benchmark is consistent with the Fund's investment objective, the Fund rebalanced its portfolio on a daily basis, decreasing exposure in response to the Benchmark's daily gains or increasing exposure in response to the Benchmark's daily losses.

The Fund adopted rolling strategy by closing out existing futures position in the spot month and entering into the forward month before the last trading day of the spot month to ensure the Fund continues to replicate the required exposure to the Benchmark.

## 2.4 The Fund's asset allocation as at 30 June 2023 and comparison with the previous financial period

Asset	30 Jun 2023	30 Jun 2022
Listed derivatives	0.6%	-0.1%
Cash in margin account	32.6%	32.4%
Short term deposits and cash	66.8%	67.7%

### Reason for the differences in asset allocation

The higher percentage of cash in margin account as well as the short term cash and deposit during the financial period under review was a result of the increase in value from the short positions of futures contracts in the Fund.

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

	Period under review
KKL1X	7.88%
FTSE Bursa Malaysia KLCI Daily Short (Price) Index	8.31%

Source: Lipper

For the financial period under review, the Fund underperformed its benchmark returns by 0.43%. 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 equity markets were stronger after the turn of the year, with NASDAQ surging by 10.7%, followed by S&P 500, which gained 6.2% in January. The gains were primarily driven by stronger than expected economic data and 4Q2022 earnings results that exceeded expectations, resulting in mostly positive price reactions. In the US, 4Q Gross Domestic Product (GDP) growth reported a +2.9% quarter-on-quarter (QoQ) increase or a +1% year-on-year (YoY) rise, surpassing expectations. Locally, Bank Negara Malaysia (BNM) unexpectedly maintained the overnight policy rate (OPR) at 2.75% during the January 2023 MPC meeting. Consensus expected zero or 25 basis points (bps) rate hike for OPR to reach 2.75%-3.00% by end 2023. Despite the strong performance of global equities, the FBM KLCI closed the period with a decrease of 0.7%.

In February, the US markets experienced significant declines, with the S&P 500 down by 2.61%, Nasdaq by 1.11%, and the Dow Jones Index by 4.19%. This sell-off was triggered by concerns over rising inflation, fueling expectations that the Federal Reserve (Fed) would maintain higher interest rates for an extended period. Stronger than expected economic data, including the addition of 517,000 jobs and an unemployment rate of 3.4%, heightened worries about inflationary pressures, with the US annual inflation rate reaching 6.4% YoY in January. Back in Malaysia, equity market was neutral to negative post-Budget 2023, with the biggest surprise was further taxes on high-income earners and high taxes on luxury goods along with discussions of a capital gains tax on disposal of non-listed shares. FBM KLCI and FBM EMAS Shariah ended the month -2.1% and -2.5% lower month-on-month (MoM), respectively.



## 2.6 Review of the market (contd.)

### Market review (contd.)

The US markets experienced a significant rebound in March, with the Nasdaq surging by 6.69%, the S&P 500 by 3.51%, and the Dow Jones Index by 1.89%. The market rebounded strongly amid the banking crisis caused by the collapse of Silicon Valley Bank. The Fed continued its trend of raising interest rates, announcing its ninth consecutive 25 bps hike on 23 March 2023, aimed at curbing inflation. This move signaled the Fed's commitment to maintaining price stability, even as inflation rates showed signs of moderation. Meanwhile, BNM held its OPR at 2.75% citing concerns over downside risks to the economy from 100 bps of interest rate hike last year to tame the inflation. FBM KLCI ended the month down 0.5%.

Global equities were mixed in April, headlined by rising US indices with the Dow Jones Industrial +2.5%, S&P 500 +1.5%, and the Nasdaq +0.04%. US market sentiment was soft for most of the month as several economic datapoints indicated less impetus for the Fed to pause its rate increases: flash composite Purchasing Managers Index (PMI) for April came in at 53.5, up from 52.6 in March and widely beating expectations of 51.2; and late April initial jobless claims of 230,000 also exceeded expectations of 248,000 after falling from the mid-month 245,000 read. However, stocks were lifted by a strong Q1 2023 results season, with 81% of S&P 500 companies beating expectations at end-April. Domestically, macroeconomic data was also less than favourable as March exports recorded its first YoY decline since late-2020 at -1.4%, albeit coming ahead of street expectations of -1.9%.

US equities mixed performance continues in May, with the Dow Jones falling 3.5% MoM while the S&P 500 slightly increased by 0.25% MoM. In stark contrast, the Nasdaq recorded a strong gain of 5.8% MoM as large tech companies outperformed the broader market, supported by better than expected earnings results and increasing investor attraction towards the future potential of Artificial Intelligence. The debt ceiling impasse between Republicans and Democrats was resolved with both the White House and Congress reaching an agreement to raise the federal debt limit and stave off a default on governmental obligations. The US services flash PMI survey for May rose to a 13-month high of 55.1 but the manufacturing PMI survey fell to 44.6 reaching its three-year low. The Fed also announced its tenth-straight rate hike of 25bps bringing rates to a target range of 5%-5.25%. Locally, BNM announced that 1Q2023 GDP grew 5.6% YoY outperforming economist' expectations of 5.1%. BNM also surprised with its announcement of a 25bps hike in the OPR, bringing rates to 3.0%. The FBM KLCI fell 2.0% at the end of May.

US equities turned strongly positive in June. The S&P 500 gained 6.5%, marking its best monthly performance since October, while Nasdaq advanced 6.6%. Both indexes notched a fourth consecutive positive month. The Dow Jones Index climbed 4.6%, its best month since November. This advance came amid moderating inflation and signs that the US economy remains resilient despite higher interest rates. May's inflation data came in at 4.05%, the lowest level in two years. Amid softening inflation, the Fed kept the Target Federal Funds Rate unchanged at 5.25%, the first meeting without an increase in the last 11 meetings. Domestically, Malaysian equities extended their negative trajectory with most indices recorded MoM declines, primarily attributed to foreign selling, driven by concerns over the global economy's slowdown, political uncertainties surrounding the six-state elections, and the weakness of the Ringgit. The government also announced the reduction of stamp duty rate from 0.15% to 0.10% in order to reduce the cost of securities transactions and make the Malaysian stock market more competitive. FBM KLCI ended 0.8% lower in June.

## **2.6 Review of the market (contd.)**

### **Market review (contd.)**

Overall, the Malaysian equity market encountered a tough stretch during the first half of 2023 as it faced headwinds from the broader global market, exacerbated by political uncertainties and a depreciating ringgit. Key indices such as the FBMKLCI, FBM 100, and FBM EMAS Shariah index posted declines of 7.94%, 5.53%, and 4.79%, respectively, during this period. Meanwhile, foreign investors recorded a net outflow of RM4.19 billion in Malaysian equities for the initial six months of the year. On the currency front, Ringgit depreciated by 6.14% against the USD to RM4.6860/USD during the period.

### **Market outlook**

Global markets could continue to remain volatile as growth data and economic outlook in key developed markets remain mixed. Despite the moderation in headline inflation, still high core inflation and a steady job market provides ample reason for central banks in developed markets to continue on their tightening stance. However, a turn towards looser monetary policy could be positive for sentiment towards equities.

On the home front, Malaysia is maintaining a stable level of economic activity, with a projected GDP growth of 4% for 2023 and controlled inflation aided by subsidies. Investors are treading cautiously as they approach the upcoming state elections scheduled for August. The uncertainty surrounding the state elections is expected to lead to a degree of apprehension in the market. However, there is potential for a shift in sentiment once the elections are concluded. If the political landscape becomes more stable following the election results, we may witness a more positive outlook in the market.

## **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 or 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 2023 against the last three financial years/period as at 31 December are as follows:

a. Distribution among industry sectors and category of investments:

	As at 30.6.2023 %	As at 31.12.2022 %	As at 31.12.2021 %	As at 31.12.2020 %
Listed derivatives	0.6	-1.2	-1.5	0.9
Cash in margin account	32.6	29.5	25.7	22.0
Short term deposits and cash	66.8	71.7	75.8	77.1
	<u>100.0</u>	<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 and short term deposits only.

c. Weightings of the top 10 constituents of the Underlying Index as at 30 June 2023

Rank	Constituent	Index Weight (%)
1	Malayan Banking Bhd	14.30
2	Public Bank Bhd	12.27
3	CIMB Group Holdings Bhd	9.00
4	Tenaga Nasional Bhd	6.57
5	IHH Healthcare Bhd	3.89
6	PETRONAS Chemicals Group Bhd	3.81
7	Press Metal Aluminium Holdings Bhd	3.71
8	CelcomDigi Bhd	3.63
9	Sime Darby Plantation Bhd	3.34
10	MISC Bhd	2.78

Source: Bloomberg

**3.2 Performance details of the Fund for the financial period ended 30 June 2023 against the last three financial years/period ended 31 December are as follows:**

	<b>1.1.2023 to 30.6.2023</b>	<b>1.1.2022 to 31.12.2022</b>	<b>1.1.2021 to 31.12.2021</b>	<b>20.12.2019 (date of commencement) to 31.12.2020</b>
Total asset value (RM Million)	2.05	1.92	1.91	1.85
Net asset value ("NAV") (RM Million) <sup>1</sup>	2.05	1.90	1.88	1.84
Units in circulation (Million)	1.00	1.00	1.00	1.00
NAV per unit (RM)	2.0501	1.9004	1.8809	1.8434
Highest NAV per unit (RM)	2.0554	2.0867	2.0029	2.6037
Lowest NAV per unit (RM)	1.8906	1.8029	1.8298	1.7815
Listed price (RM) <sup>1</sup>	2.0350	1.9150	1.9200	1.8450
Highest listed price (RM)	2.0450	2.0550	2.0000	2.6700
Lowest listed price (RM)	1.9650	1.8050	1.8200	1.8450
Total return (%)	7.88	1.04	2.03	-7.83
- Capital growth (%)	7.88	1.04	2.03	-7.83
- Income growth (%)	-	-	-	-
Gross distribution per unit (sen)	-	-	-	-
Net distribution per unit (sen)	-	-	-	-
Total expense ratio ("TER") (%) <sup>2</sup>	0.67	1.04	0.92	0.87
Portfolio turnover ratio ("PTR") (times) <sup>3</sup>	6.07	12.41	12.49	13.81
Tracking error	0.22	2.34	1.13	1.20

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

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

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

- As at 30 June 2023, the Fund had a net asset value of RM2.05 million and 1 million units in circulation. KLCI was volatile and trended downwards during the financial period under review in line with the decline in the regional markets, coupled with the weak market sentiment and local political uncertainties. The negative trend of KLCI continued and led to an increase in the Fund's net asset per unit during the financial period under review. The price of the Fund's units listed on Bursa Malaysia increased from RM1.9150 to RM2.0350 over the financial period under review, given the inverse effect to the weak equity market. Generally, the Fund's unit price traded at a discount to the Fund's NAV per unit throughout the period.*
- TER is lower against the previous financial year mainly due to lower expenses incurred during the financial period under review.*
- 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

	<b>1 Year 30 Jun 22 - 30 Jun 23</b>	<b>3 Years 30 Jun 20 - 30 Jun 23</b>	<b>Since Inception 20 Dec 19 - 30 Jun 23</b>
KKL1X	2.42%	0.86%	1.58%
FTSE Bursa Malaysia KLCI Daily Short (Price) Index	3.79%	2.52%	3.26%

Source: Lipper

### 3.4 Annual total return of the Fund

	<b>Period under review 31 Dec 22 - 30 Jun 23</b>	<b>31 Dec 21 - 31 Dec 22</b>	<b>31 Dec 20 - 31 Dec 21</b>	<b>Since Inception 20 Dec 19 - 31 Dec 20</b>
KKL1X	7.88%	1.04%	2.03%	-7.83%
FTSE Bursa Malaysia KLCI Daily Short (Price) Index	8.31%	3.27%	2.64%	-5.40%

Source: Lipper

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

**TRUSTEE'S REPORT  
TO THE UNIT HOLDERS OF KENANGA KLCI DAILY (-1X) INVERSE ETF (“Fund”)**

We have acted as Trustee of the Fund for the financial period from 1 January 2023 to 30 June 2023 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, Kenanga Investors Berhad has operated and managed the Fund during the period covered by these financial statements in accordance with the following:

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

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

MOHD SOFIAN BIN KAMARUDDIN  
Vice President

LIM BEE FANG  
Assistant Vice President

Kuala Lumpur, Malaysia

30 August 2023

## **STATEMENT BY THE MANAGER**

I, Datuk Wira Ismitz Matthew De Alwis, being a director of Kenanga Investors Berhad, do hereby state that, in the opinion of the Manager, the accompanying statement of financial position as at 30 June 2023 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 2023 to 30 June 2023 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 2023 and of its financial performance and cash flows for the financial period from 1 January 2023 to 30 June 2023 and comply with the requirements of the Deed.

For and on behalf of the Manager  
KENANGA INVESTORS BERHAD

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

Kuala Lumpur, Malaysia

30 August 2023



**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023** *(unaudited)*

	Note	1.1.2023 to 30.6.2023 RM	1.1.2022 to 30.6.2022 RM
<b>INVESTMENT INCOME</b>			
Interest income		23,397	12,342
Net gain from investments:			
- Financial assets at fair value through profit or loss ("FVTPL")	4	<u>136,798</u>	<u>121,525</u>
		<u>160,195</u>	<u>133,867</u>
<b>EXPENSES</b>			
Manager's fee	5	4,913	4,647
Trustee's fee	6	393	372
Index license fee	7	531	502
Administration expenses	8	1,665	5,298
Brokerage and other transaction costs		<u>2,466</u>	<u>2,194</u>
		<u>9,968</u>	<u>13,013</u>
<b>NET INCOME BEFORE TAX</b>		150,227	120,854
Income tax	9	<u>(603)</u>	<u>(75)</u>
<b>NET INCOME AFTER TAX, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>		<u>149,624</u>	<u>120,779</u>
Net income after tax is made up as follows:			
Realised gain		115,374	95,754
Unrealised gain	4	<u>34,250</u>	<u>25,025</u>
		<u>149,624</u>	<u>120,779</u>

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

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2023** *(unaudited)*

	<b>Note</b>	<b>30.6.2023</b> <b>RM</b>	<b>30.6.2022</b> <b>RM</b>
<b>ASSETS</b>			
<b>INVESTMENTS</b>			
Financial assets at FVTPL	4	12,150	-
Short term deposits	10	1,347,657	1,342,690
		<u>1,359,807</u>	<u>1,342,690</u>
<b>OTHER ASSETS</b>			
Amount due from Manager		12,639	142
Other receivables	11	5,210	4,771
Tax recoverable		695	793
Cash in margin account	12	663,759	646,845
Cash at bank		9,645	10,496
		<u>691,948</u>	<u>663,047</u>
<b>TOTAL ASSETS</b>		<u>2,051,755</u>	<u>2,005,737</u>
<b>LIABILITIES</b>			
Financial liabilities at FVTPL	4	-	2,475
Amount due to Trustee		722	65
Amount due to Index Provider		760	1,378
Other payables		203	144
<b>TOTAL LIABILITIES</b>		<u>1,685</u>	<u>4,062</u>
<b>EQUITY</b>			
Unit holders' contribution		2,000,000	2,000,000
Retained earnings		50,070	1,675
<b>NET ASSET VALUE ("NAV") ATTRIBUTABLE TO UNIT HOLDERS</b>	13	<u>2,050,070</u>	<u>2,001,675</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>2,051,755</u>	<u>2,005,737</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	13(a)	<u>1,000,000</u>	<u>1,000,000</u>
<b>NAV PER UNIT (RM)</b>		<u>2.0501</u>	<u>2.0017</u>

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

**STATEMENT OF CHANGES IN NET ASSET VALUE  
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023** *(unaudited)*

	Unit holders' contribution RM	(Accumulated losses)/ Retained earnings RM	Total NAV RM
<b>1.1.2023 to 30.6.2023</b>			
At beginning of the financial period	2,000,000	(99,554)	1,900,446
Total comprehensive income	-	149,624	149,624
At end of the financial period	<u>2,000,000</u>	<u>50,070</u>	<u>2,050,070</u>
<b>1.1.2022 to 30.6.2022</b>			
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>

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

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023** *(unaudited)*

	<b>1.1.2023 to 30.6.2023 RM</b>	<b>1.1.2022 to 30.6.2022 RM</b>
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>		
Net gain from financial assets/(liabilities) at FVTPL	102,548	96,500
Interest received	22,784	12,353
Trustee's fee paid	-	(501)
Index license fee paid	(728)	-
Brokerage's fee paid to licensed financial institutions	(2,465)	(2,194)
Manager's fee paid	(4,864)	(4,672)
Payment for other fees and expenses	(14,026)	(5,803)
Deposit to margin account	(104,907)	(165,332)
Cash used in operating and investing activities	<u>(1,658)</u>	<u>(69,649)</u>
Income tax paid	(264)	(480)
Net cash used in operating and investing activities	<u>(1,922)</u>	<u>(70,129)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,922)</b>	<b>(70,129)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	<b><u>1,359,224</u></b>	<b><u>1,423,315</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<b><u>1,357,302</u></b>	<b><u>1,353,186</u></b>
Cash and cash equivalents comprise:		
Cash at bank	9,645	10,496
Short term deposits	1,347,657	1,342,690
	<u>1,357,302</u>	<u>1,353,186</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023 (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.

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

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

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

**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 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* %
<b>30.6.2023</b>				
<b>Assets</b>				
Financial assets at FVTPL	-	12,150	12,150	
Short term deposits	1,347,657	-	1,347,657	2.8
Cash in margin account	663,759	-	663,759	1.5
Other financial assets	-	27,494	27,494	
	<u>2,011,416</u>	<u>39,644</u>	<u>2,051,060</u>	
<b>Liabilities</b>				
Other financial liabilities	-	1,482	1,482	
	<u>-</u>	<u>1,482</u>	<u>1,482</u>	
<b>Total interest rate sensitivity gap</b>	<u>2,011,416</u>	<u>50,312</u>	<u>2,061,728</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* %
<b>30.6.2022</b>				
<b>Assets</b>				
Short term deposits	1,342,690	-	1,342,690	1.9
Cash in margin account	646,845	-	646,845	0.5
Other financial assets	-	15,409	15,409	
	<u>1,989,535</u>	<u>15,409</u>	<u>2,004,944</u>	
<b>Liabilities</b>				
Financial liabilities at FVTPL	-	2,475	2,475	
Other financial liabilities	-	1,443	1,443	
	<u>-</u>	<u>3,918</u>	<u>3,918</u>	
<b>Total interest rate sensitivity gap</b>	<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.

#### 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 per unit 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 listed derivatives with all other variables held constant is indicated in the table below:

	<b>Changes in price Increase/(Decrease) Basis points</b>	<b>Effects on income for the financial period (Loss)/Gain RM</b>
<b>30.6.2023</b>		
Financial assets at FVTPL	5/(5)	(997)/997
<b>30.6.2022</b>		
Financial liabilities at FVTPL	5/(5)	(1,008)/1,008

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.

	<b>Fair value</b>		<b>Percentage of NAV</b>	
	<b>30.6.2023 RM</b>	<b>30.6.2022 RM</b>	<b>30.6.2023 %</b>	<b>30.6.2022 %</b>
Financial assets/ (liabilities) at FVTPL	12,150	(2,475)	0.6	(0.1)

### b. Credit risk

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

#### i. Credit risk exposure

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



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

### b. Credit risk (contd.)

#### ii. Financial assets that are either past due or impaired

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

#### iii. Credit quality of financial assets

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

##### Short term deposits

Rating	Percentage of total short term deposits		Percentage of NAV	
	30.6.2023	30.6.2022	30.6.2023	30.6.2022
	%	%	%	%
P1/MARC-1	100.0	100.0	65.7	67.1

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

##### Cash in margin account

Rating	Percentage of total cash in margin account		Percentage of NAV	
	30.6.2023	30.6.2022	30.6.2023	30.6.2022
	%	%	%	%
Not rated	100.0	100.0	32.4	32.3

### 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 banks, short term deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 days.

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

### c. Liquidity risk (contd.)

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

	Note	Up to 1 year	
		30.6.2023 RM	30.6.2022 RM
<b>Assets</b>			
Financial assets at FVTPL		12,150	-
Short term deposits		1,347,657	1,342,690
Cash in margin account		663,759	646,845
Other financial assets		27,494	15,409
	i.	<u>2,051,060</u>	<u>2,004,944</u>
<b>Liabilities</b>			
Financial liabilities at FVTPL		-	2,475
Other financial liabilities		1,482	1,443
	ii.	<u>1,482</u>	<u>3,918</u>
Equity	iii.	<u>2,050,070</u>	<u>2,001,675</u>
Liquidity gap		<u>(492)</u>	<u>(649)</u>

#### i. Financial assets

Analysis of financial assets at FVTPL into maturity groupings is based on the expected date on which these assets will be realised. 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 financial assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting year 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 financial liabilities, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the date on which liabilities will be settled. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Fund can be required to pay.

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

### c. Liquidity risk (contd.)

#### iii. Equity

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

### d. Regulatory reportings

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Basis of accounting

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

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

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the amended MFRS, which became effective for the Fund on 1 January 2023.

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>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 112: <i>International Tax Reform — Pillar Two Model Rules</i>	1 January 2023

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 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 amendments to standards when they become effective.

Description	Effective for financial periods beginning on or after
Amendments to MFRS 16: <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to MFRS 101: <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 107 and MFRS 7: <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be announced by MASB

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

#### c. Financial instruments

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

##### i. Initial recognition

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

##### ii. Measurement categories of financial assets and liabilities

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

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### c. Financial instruments (contd.)

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

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

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

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

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

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

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

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

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

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

The details of these conditions are outlined below.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### c. Financial instruments (contd.)

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

###### **Business model assessment**

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

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

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

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

###### **The SPPI test**

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

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

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

#### **c. Financial instruments (contd.)**

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

###### **The SPPI test (contd.)**

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

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

##### **iv. Financial investments**

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

#### **d. Derecognition of financial assets**

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

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

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### d. Derecognition of financial assets (contd.)

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

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

A transfer only qualifies for derecognition if either:

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

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

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

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

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



### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

#### **e. Offsetting of financial assets and liabilities**

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

#### **f. Impairment of financial assets**

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

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

##### **ii. Write-offs**

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

#### **g. Income**

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

Interest income is recognised using the effective interest method.

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

#### **h. Cash and cash equivalents**

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

#### **i. Income tax**

Income tax on the profit or loss for the financial 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.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

#### **j. Unrealised reserves**

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

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

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

#### **l. Functional and presentation currency**

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

#### **m. Distributions**

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

#### **n. Significant accounting 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 ASSETS/(LIABILITIES) AT FVTPL

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

	30.6.2023 RM	30.6.2022 RM
Financial assets/(liabilities) held for trading, at FVTPL:		
Listed derivatives – KLCI futures contracts	12,150	(2,475)
	<b>1.1.2023 to 30.6.2023 RM</b>	<b>1.1.2022 to 30.6.2022 RM</b>
Net gain on financial assets/(liabilities) at FVTPL comprised:		
Realised gain on disposals	102,548	96,500
Unrealised changes in fair values	34,250	25,025
	<u>136,798</u>	<u>121,525</u>

There were 29 futures contracts with notional principal amount of RM1,994,475 that remain outstanding as at 30 June 2023 (30 June 2022: 28 futures contract with notional principal amount of RM2,026,500).

#### 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 2022 to 30 June 2022: 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 2022 to 30 June 2022: 0.04% per annum).

#### 7. INDEX LICENSE FEE

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

The index license fee is currently calculated at 0.05% per annum of the NAV of the Fund (financial period from 1 January 2022 to 30 June 2022: 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

	30.6.2023 RM	30.6.2022 RM
Malaysian income tax:		
Current period charge	1,172	75
(Over)/Under provision in prior financial year	<u>(569)</u>	<u>-</u>
	<u>603</u>	<u>75</u>

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.

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:

	1.1.2023 to 30.6.2023 RM	1.1.2022 to 30.6.2022 RM
Net income before tax	<u>150,227</u>	<u>120,854</u>
Tax at Malaysian statutory tax rate of 24% (financial period from 1 January 2022 to 30 June 2022: 24%)	36,054	29,005
Tax effect of:		
Income not subject to tax	(37,156)	(31,886)
Losses not deductible for tax purposes		
Expenses not deductible for tax purposes	1,213	1,441
Restriction on tax deductible expenses for exchange-traded fund	1,061	1,515
Overprovision in prior financial period	<u>(569)</u>	<u>-</u>
Income tax for the financial period	<u>603</u>	<u>75</u>

## 10. SHORT TERM DEPOSITS

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

## 11. OTHER RECEIVABLES

	30.6.2023 RM	30.6.2022 RM
Interest receivable from short term deposits	105	69
Interest receivable from margin account	605	202
Registrar security deposits	4,500	4,500
	<u>5,210</u>	<u>4,771</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	30.6.2023 RM	30.6.2022 RM
Unit holders' contribution	(a)	<u>2,000,000</u>	<u>2,000,000</u>
<b>Retained earnings:</b>			
Realised reserves		37,920	4,150
Unrealised reserves/(deficits)		<u>12,150</u>	<u>(2,475)</u>
		<u>50,070</u>	<u>1,675</u>
		<u>2,050,070</u>	<u>2,001,675</u>

### (a) Unit holders' contribution

	1.1.2023 to 30.6.2023		1.1.2022 to 30.6.2022	
	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 2023 (30 June 2022: nil). The number of units legally or beneficially held by the other parties related to the Manager were 793,200 units valued at RM1,626,116 as at 30 June 2023 (30 June 2022: 860,800 units valued at RM1,723,063).

#### 14. PORTFOLIO TURNOVER RATIO (“PTR”)

PTR for the financial period from 1 January 2023 to 30 June 2023 is 6.07 times (financial period from 1 January 2022 to 30 June 2022: 6.26 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. TOTAL EXPENSE RATIO (“TER”)

TER for the financial period from 1 January 2023 to 30 June 2023 is 0.67% per annum (financial period from 1 January 2022 to 30 June 2022: 0.87% per annum).

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

#### 16. TRANSACTIONS WITH LICENSED FINANCIAL INSTITUTIONS

	Transaction value RM	Percentage of total %	Brokerage, stamp duty and clearing fee RM	Percentage of total %
Kenanga Futures Sdn Bhd*	<u>23,918,025</u>	<u>100.0</u>	<u>2,466</u>	<u>100.0</u>

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

The above transactions values are in respect of listed derivatives (future contracts).

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

## 17. SEGMENTAL REPORTING

### a. Business segments

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

	<b>Listed derivatives RM</b>	<b>Other investments RM</b>	<b>Total RM</b>
<b>1.1.2023 to 30.6.2023</b>			
<b>Revenue</b>			
Segment income	136,798	23,397	
Segment expenses	(2,466)	-	
Net segment income representing segment results	<u>134,332</u>	<u>23,397</u>	157,729
Unallocated expenditure			(7,502)
Income before tax			150,227
Income tax			(603)
Net income after tax			<u>149,624</u>
<b>30.6.2023</b>			
<b>Assets</b>			
Financial assets at FVTPL	12,150	-	
Short term deposits	-	1,347,657	
Cash in margin account	663,759	-	
Other segment assets	605	105	
Total segment assets	<u>676,514</u>	<u>1,347,762</u>	2,024,276
Unallocated assets			27,479
			<u>2,051,755</u>
<b>Liabilities</b>			
Unallocated liabilities			<u>1,685</u>
<b>1.1.2022 to 30.6.2022</b>			
<b>Revenue</b>			
Segment income	122,535	11,332	
Segment expenses	(2,194)	-	
Net segment income representing segment results	<u>120,341</u>	<u>11,332</u>	131,673
Unallocated expenditure			(10,819)
Income before tax			120,854
Income tax			(75)
Net income after tax			<u>120,779</u>

## 17. SEGMENTAL REPORTING (CONTD.)

### a. Business segments (contd.)

	Listed derivatives RM	Other investments RM	Total RM
<b>30.6.2022</b>			
<b>Assets</b>			
Short term deposits	-	1,342,690	
Cash in margin account	646,845	-	
Other segment assets	202	69	
Total segment assets	<u>647,047</u>	<u>1,342,759</u>	1,989,806
Unallocated assets			<u>15,931</u>
			<u>2,005,737</u>
<b>Liabilities</b>			
Financial liabilities at FVTPL	<u>2,475</u>	<u>-</u>	2,475
Unallocated liabilities			<u>1,587</u>
			<u>4,062</u>

### b. Geographical segments

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

## 18. FINANCIAL INSTRUMENTS

### a. Classification of financial instruments

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

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



## 18. FINANCIAL INSTRUMENTS (CONTD.)

### a. Classification of financial instruments (contd.)

	Financial assets/ (liabilities) at FVTPL RM	Financial assets at amortised cost RM	Other financial liabilities RM	Total RM
<b>30.6.2023</b>				
<b>Assets</b>				
Listed derivatives	12,150	-	-	12,150
Short term deposits	-	1,347,657	-	1,347,657
Amount due from				
Manager	-	12,639	-	12,639
Other receivables	-	5,210	-	5,210
Cash in margin account	-	663,759	-	663,759
Cash at bank	-	9,645	-	9,645
	<u>12,150</u>	<u>2,038,910</u>	<u>-</u>	<u>2,051,060</u>
<b>Liabilities</b>				
Amount due to				
Trustee	-	-	722	722
Amount due to Index Provider	-	-	760	760
	<u>-</u>	<u>-</u>	<u>1,482</u>	<u>1,482</u>
<b>30.6.2022</b>				
<b>Assets</b>				
Short term deposits	-	1,342,690	-	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>
<b>Liabilities</b>				
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.)

### b. Financial instruments that are carried at fair value

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

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>Investments:</b>				
<b>30.6.2023</b>				
Listed derivatives	12,150	-	-	12,150
<b>30.6.2022</b>				
Listed derivatives	(2,475)	-	-	(2,475)

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:

- To invest in investments meeting the description, risk exposure and expected return indicated in its prospectus;
- To maintain sufficient liquidity to meet the expenses of the Fund, and to meet cancellation requests as they arise; and
- 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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