

KENANGA GROWTH FUND

ANNUAL REPORT

For the Financial Year Ended 31 May 2020

kenanga

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

KENANGA GROWTH FUND

Contents	Page
Corporate Directory	ii
Directory of Manager's Offices	iii
Fund Information	1
Manager's Report	2 - 10
Fund Performance	11 - 13
Trustee's Report	14
Independent Auditors' Report	15 - 17
Statement by the Manager	18
Financial Statements	19 - 51

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

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237, Jalan Tun Razak
50400 Kuala Lumpur, Malaysia
Tel: 03-2172 3000
Tel: 03-2172 3080
E-mail: InvestorServices@kenanga.com.my
Website: www.KenangalInvestors.com.my

Board of Directors

Datuk Syed Ahmad Alwee Alsree (**Chairman**)
Syed Zafilen Syed Alwee (**Independent Director**)
Peter John Rayner (**Independent Director**)
Imran Devindran Abdullah (**Independent Director**)
Ismitz Matthew De Alwis
Norazian Ahmad Tajuddin (**Independent Director**)

Investment Committee

Syed Zafilen Syed Alwee (**Independent Member**)
Peter John Rayner (**Independent Member**)
Imran Devindran Abdullah (**Independent Member**)
Ismitz Matthew De Alwis
Norazian Ahmad Tajuddin (**Independent Member**)

Company Secretary: Norliza Abd Samad (MAICSA 7011089)

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

Trustee: CIMB Commerce Trustee Berhad Company No. 199401027349 (313031-A)

Registered Office

Level 13, Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50490 Kuala Lumpur
Tel: 03-2261 8888
Fax: 03-2261 0099
Website: www.cimb.com

Business Office

Level 21, Menara CIMB
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Kuala Lumpur Sentral
50490 Kuala Lumpur
Tel: 03-2261 8888
Fax: 03-2261 9889

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

Membership: Federation of Investment Managers Malaysia (FIMM)

19-06-1, 6th Floor, Wisma Tune, 19, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur, Malaysia. Tel: 03-2093 2600 Fax: 03-2093 2700 Website: www.fimm.com.my

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. 25-1, Jalan Kota Laksamana 2/17
Taman Kota Laksamana, Seksyen 2
75200 Melaka
Tel : 06-281 8913 / 06-282 0518
Fax : 06-281 4286

Klang

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

Penang

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

Miri

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

Seremban

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

Johor Bahru

No. 63
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81100 Johor Bahru, Johor
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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, Malaysia
Tel : 05-254 7573 / 7570 / 7575
Fax : 05-254 7606

Kota Kinabalu

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

Petaling Jaya

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

1. FUND INFORMATION

1.1 Fund Name

Kenanga Growth Fund (KGF or the Fund)

1.2 Fund Category / Type

Equity / Growth

1.3 Investment Objective

The Fund aims to provide unit holders with long-term capital growth.

1.4 Investment Strategy

The Fund's assets are actively invested in a diversified portfolio of Malaysian equity and equity-related securities of companies with sustainable business model that is trading at discount to its intrinsic value.

1.5 Duration

The Fund was launched on 17 January 2000 and shall exist as long as it appears to the Manager and the Trustee that it is in the interest of the unit holders for it to continue.

1.6 Performance Benchmark

FTSE-Bursa Malaysia Kuala Lumpur Composite Index (FBM-KLCI).

1.7 Distribution Policy

Income distribution is incidental, if any.

1.8 Breakdown of unit holdings of KGF as at 31 May 2020

Size of holdings	No. of unit holders	No. of units held
5,000 and below	8,397	19,963,537
5,001 - 10,000	5,491	40,887,550
10,001 - 50,000	11,998	278,440,632
50,001 - 500,000	3,505	362,544,434
500,001 and above	73	430,101,552
Total	29,464	1,131,937,705

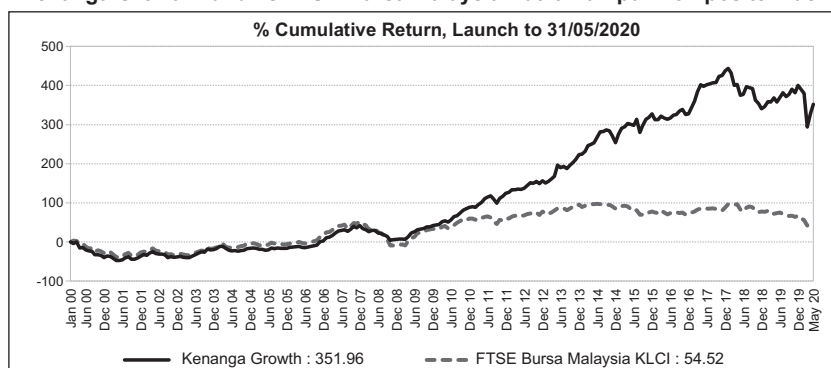
2. MANAGER'S REPORT

2.1 Explanation on whether the Fund has achieved its investment objective

Since inception, the Fund has appreciated by 351.96% in Net Asset Value terms (whilst its benchmark rose 54.52%), thus achieving the Fund's stated objective to provide long-term capital growth.

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

Performance Chart Since Launch (17/01/2000 - 31/05/2020)
Kenanga Growth Fund vs FTSE-Bursa Malaysia Kuala Lumpur Composite Index



Source: Novagmi Analytics and Advisory

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

For the financial year under review, the Fund continued with its strategy of investing in companies with sustainable business models and competent management, whilst trading at a discount to their intrinsic / fair value.

2.4 The Fund's asset allocation as at 31 May 2020 and comparison with the previous financial year

Asset	31 May 2020	31 May 2019
Listed investment securities	90.7%	79.9%
Unlisted investment securities	0.6%	2.2%
Short term deposits and cash	8.7%	17.9%

Reason for the differences in asset allocation

As at 31 May 2020, the asset allocation of the Fund stood at 91.3% in equities and the balance of 8.7% in liquidity. The increase in equities exposure during the period under review is mainly due to the fund manager taking advantage of the weakness in the market.

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

	Year under review
Kenanga Growth Fund	-1.25%
FTSE-Bursa Malaysia Kuala Lumpur Composite Index (FBM-KLCI)	-10.75%

Source: Novagmi Analytics and Advisory

For the financial year under review, the Fund outperformed the FBM-KLCI by 9.50%. The outperformance was mainly due to stock selection.

2.6 Review of the market

Market review

Asian equities rallied in June as markets priced in an aggressive Fed easing this year as weak US jobs data raised hopes for US interest rate cuts in addition to a tentative trade truce in the trade dispute between US and China ahead of the G20. Unsurprisingly, economic data dampened as the U.S-China trade war escalation continue to weigh on sentiment, with the US collecting 25% higher tariffs on many Chinese goods arriving in US seaports at the start of the month. China's exports returned to growth in May despite higher US tariffs, but imports fell the most in nearly three years in a further sign of weak domestic demand that could prompt Beijing to step up stimulus measures. Trump threatened to hit China with another US\$300bil of tariffs, to which China responded with tough stance by the commerce ministry. The Dow Jones Industrial Average index outperformed most indices with a 7.2% jump MoM as compared to the 6.9% and 6.1% increase in the MSCI Asia ex-Japan and MSCI ASEAN respectively. Locally, the KLCI rose 1.3% MoM (or 21.4 pts) to close at 1,672 pts at the end of June 2019.

Developed market equities continued their solid run in July with the S&P 500 reaching new all-time highs during July, closing 1.3% up over the month and up by 19% year to date. As expected, the Fed reduced US interest rate in July FOMC Meeting. The 25 bps cut and Powell's neutral tone that the rate cut is not the start of a "lengthy cutting cycle" however disappointed investors who expected more aggressive easing. The US economy has been showing tentative signs of improvement, with the job market bouncing back from an especially weak print in June and second quarter GDP growing at 2.1%, beating analyst expectations. Manufacturing however remains a weak spot, with July purchasing managers' index (PMI) data suggesting that the economy tend to move into contractionary territory. In the UK, Boris Johnson was appointed as the new prime minister after his victory in the Conservative party leadership contest with roughly two-thirds of the vote. The British pound came under pressure during July – reaching lows vs the US dollar last seen in 2017 – as markets became increasingly jittery about the potential for UK to exit European Union without a deal. Christine Lagarde was being nominated to take over from Mario Draghi as ECB leader at the start of November. The ECB is sending signals to the market of a potential stimulus package. The KLCI fell 37 points or 2.2% MoM in July 2019.

The equity markets experienced sharp sell-off in August following escalation of US-China trade war, recession fears sparked by US treasury yield curve inversion and social unrest in Hong Kong. Trump fired additional tariffs by imposing 10% tariff on US\$300bil Chinese goods

2.6 Review of the market (contd.)

Market review (contd.)

from Sept 1 but later decided to delay the 10% tariff on selected US\$156 billion Chinese goods till 15 Dec. The Chinese Renminbi (USDCNY) depreciated to above 7.0 after additional tariff news, prompting US treasury department to label China as a currency manipulator. Adding to the equity market woes was the treasury yield curve inversion where yield of 10 years treasury dropped below 2 years treasury. Markets corrected on the inversion as the yield curve inversion has always been viewed as an indicator for future recession. By end August, China retaliated with 5-10% tariffs on US\$75 billion US imports. This resulted in US raising tariffs on US\$250 billion China imports to 30% from 25% by October, and hiking the original 10% tariffs on \$300 billion Chinese good to 15%. Locally the KLCI Index outperformed the regional markets with 1.4% MoM decline. Malaysia's 2Q19 GDP came in at 4.9%, slightly higher than consensus forecast of 4.7%. The second quarter corporates' result reporting was disappointing and most banks saw deteriorating asset quality, underscoring challenging business environment.

Asian equities made a comeback in September alongside with major global equities amid renewed expectations of US-China trade talks and G-3 monetary policy easing. Asia Pacific ex-Japan equities were helped particularly by a rebound in the Technology sector, with markets anticipating stabilization in memory prices, stronger-than-expected iPhone demand resulting from competitive pricing and accelerated 5G-related demand, coupled with Huawei's drive to localize its supply chain. However, markets lost momentum later in the month following a drone attack on Saudi's oil facilities and political uncertainty stemming from an impeachment inquiry launched against US President Trump. Locally, there was profit taking on Digi and Axiata following the decision by both parties to terminate the Axiata-Telenor Asia merger talks. FTSE Russell also announced that it will keep Malaysia on watchlist for WGBI exclusion with next review due by March 2020. Malaysia exports expanded 1.7% YoY in July compared to contraction of 3.4% YoY in June. The trade balance printed a surplus of MYR14.3 billion in July, up from a surplus of MYR10.5 billion in June. Malaysia's industrial production expanded 1.2% YoY in July, down from 3.9% YoY in June. KLCI declined 1.8% MoM to end at 1,584 points.

October was a good month for equity markets amid optimism of a potential US-China partial trade deal, expectations of US interest rate cut and a 3-month Brexit extension. Investors' sentiment were lifted by signs of progress on the trade talks as Trump said phase one the trade deal were ahead of schedule and officials from both sides saying they were close to finalizing some parts of trade agreement. US agreed to suspend an increase in tariffs to 30% on USD250bil in Chinese goods scheduled to take effect on 15 October. In exchange, China agreed to boost purchases of US agricultural products, accelerate the opening up of its financial sector and be more transparency regarding the currency markets. As widely expected, US Federal Reserve cut its key interest rate by 25 basis points to between 1.50% and 1.75% during October FOMC meeting. This was the third rate cut by US central bank this year following concerns that the US economy continued to slow, plagued by the ongoing trade disputes and weak global growth. However the Federal Reserve signalled a pause in further rate cuts unless the economic outlook changes materially. Meanwhile in Europe, the European Union had agreed to extend the Brexit deadline to 31 January 2020. It is the third time the Brexit deadline has been extended since British voters decided in a 2016 referendum to leave the bloc. EU Council President Donald Tusk said what was being offered was a "flexextension", meaning the United Kingdom could leave before the deadline if

2.6 Review of the market (contd.)

Market review (contd.)

a deal was approved by Parliament. The UK general election will be held on 12 December, as the prime minister seeks a new parliamentary majority to pass his deal. Locally, there was no major surprise from the Budget 2020 announcement table on 11 October. KLCI rose 0.9% MoM to end at 1,598 points.

Developed markets were up in November, lifted by the improving economic data and supportive central bank policy. Markets were led by the US and Europe, while Asian equities lagged. The Dow Jones Industrial Average index outperformed all other indices with a 3.7% jump MoM as compared to the 2.8% increase in the Euro Stoxx 50 Index, followed by the 0.2% and 1.8% decline in the MSCI Asia ex-Japan and MSCI ASEAN respectively. MSCI Asia ex-Japan was flat MoM, led by performers such as India (+1.7%) and Taiwan (+1.1%) however offset by underperformers like Indonesia (-3.5%), Philippines (-3.0%), Malaysia (-2.3%) and Hong Kong (-2.1%). The TWSE index rose 1.1% in November, testing all-time highs yet again amid conflicting news flow on the U.S.-China trade deal. Earnings revisions remained positive in November after inflecting in October, fuelled by strong 3Q earnings, strong product placement related to 5G rollout and a stronger iPhone cycle. The Hang Seng Index fell 2.1% during the month of November after the 4.6% increase in September-October. HK domestic plays were under pressure amid the prolonged social unrest. The shares slipped further after President Trump signed the Hong Kong Human Rights and Democracy Act into law on 27 November, which added uncertainty to the HK political situation. Local properties dropped 4.5% MoM, with mixed performance across developers and landlords. Malaysia's 3Q19 GDP came in at 4.4%, the slowest since 3Q18, though still within consensus estimate. BNM announced a surprised Statutory Reserve Requirement (SRR) by 50 bps to 3.0%. This is to maintain sufficient liquidity in the domestic financial system. Sentiment was dragged by Tenaga which received an additional tax assessment of RM4bn for the period of 2015-2017. KLCI fell 2.3% MoM to end at 1,562 points.

Global equities rallied further in December lifted by the improvements on the trade fronts, decisive outcome in UK elections and finalization of the USMCA (United States–Mexico–Canada Agreement). Wall Street indices led the global bull charge, with the S&P 500 extending its climb to a new all-time high of 3,240 points on 27 December, closing the year up 28.9%. Similarly, the DJIA and Nasdaq also rose to their all-time highs during the last month of the year. Although developed markets broadly performed better than its emerging markets counterparts, Asian indices also recorded commendable gains, with the Taiwan and Shanghai emerging as top performers in the region. MSCI Asia ex-Japan posted solid returns (+6.4%) in December and outperformed MSCI AC World (+3.4%) by 3.0%. YTD, MSCI Asia ex-Japan is up 15.4% underperforming the MSCI AC World (+24.0%). With the exception of Malaysia's FBMKLCI, which lost 6.0% in 2019, all other ASEAN indices ended the year in the black. Vietnam Index outperformed its peers after delivering 7.7% gain throughout the eventful year. Most Asia ex-Japan currencies finished higher in December, while the dollar (DXY index) was down by 1.9%. US equities hit record highs in November on strong economic data and hopes that US-China will be able to close the Phase I deal. A slightly less dovish Fed also supported the currency. The Australian dollar (3.8%), the Korean Won (+2.2%) and Malaysian Ringgit (+2.2%) were the best performing currencies this month. Export focused KRW and TWD, often seen as precursors to trade in Asia, gained 2.2% and 1.9% in December as US-China trade risks subsided. Brent and WTI crude up by

2.6 Review of the market (contd.)

Market review (contd.)

10.7% and 8.3% respectively in December, as OPEC+ agreed on output cuts to help prop up prices amid fears of an economic slowdown and as Trump signed off on a partial trade deal with China, giving a boost to the fragile outlook for global oil demand.

The strong rally in 2019 continued into January 2020, on the back of news that China was removed from a list of currency manipulating countries, and was further supported by strong global economic data and a solid start to the earnings season. Markets took a breather when the U.S. confirmed that an airstrike killed Iran's top military commander, sending oil prices surging and escalating geopolitical concerns. Enthusiasm was capped towards the latter part of the month due to the 2019-nCoV viral outbreak in China. The coronavirus outbreak continued to dominate headlines, accelerating worries over its impact on the world economy resulting in the World Health Organization(WHO) declaring the outbreak a global health emergency. Coupled with swelling U.S. crude inventories, the outbreak concerns piled on the pressure for oil prices. Brent fell by 14.7% for the month to USD58pbl. The International Monetary Fund also lowered its global economic forecast. In light of the potential pandemic, markets experienced intense profit taking resulting in MSCI AC World posting losses (-1.2%) but outperforming both MSCI Asia ex-Japan (-4.5%) and MSCI ASEAN (-5.2%). The only exception for the month was Australia(+4.98%). Malaysia fared slightly better (-3.6%) with the exception of Malaysia's FBM Small Cap, which lost 6.3% in Jan 2020. The worst underperformers are Indonesia (-5.7%), Hong Kong (-6.7%) and Philippines (-7.9%). On the domestic front, BNM's Monetary Policy Committee unexpectedly decided to cut the Overnight Policy Rate by 25 bps to 2.75%, bringing it to the lowest level since 2011. Malaysia's CPI increased 1% YoY in Dec 2019 on costlier items including food and non-alcoholic drinks besides water, electricity and fuel. The Cabinet decided for PLUS to remain in the ownership of Khazanah Nasional and the Employees Provident Fund (EPF), with the condition that toll rates would be cut by 18%. In January, foreign fund flows into Malaysian equities was net neutral. Ringgit depreciated marginally against USD and the RMB.

Global equity markets experienced a sharp sell-off in February amid rising concerns over the impact of COVID-19 virus on economic activities and global growth. The virus started to spread in end-January in Hubei, China causing the delay of work resumption after CNY in many cities and affected the supply chain of automotive, technology and e-commerce. Thereafter, when number of daily new cases peaked and recovery rate improved in China, other countries including South Korea, Italy, Iran and Japan started to emerge as new centers of virus infection, curbed any optimism that the virus is under control although World Health Organisation (WHO) has yet to declare it a pandemic. As a result, China's official manufacturing PMI dropped to 35.7 in February, even lower than 38.8 reported in November 2008 and non-manufacturing PMI also dropped from 54.1 in January to 29.6 in February, the lowest since November 2011. In response to that, PBOC has lowered market interest rates and rolled out credit supports for corporates as well as fiscal stimulus in the form of targeted tax cuts, waiver of social security contributions by enterprises etc. Developed Markets (-8.6%) underperformed Emerging Markets (-5.3%) in February, led by US which saw DJIA fell 10.1% and Euro STOXX 50 went down 8.6%. In the region, MSCI Asia ex-Japan lost 2.9% led by Australia (-8.2%), India (-6.0%) and Korea (-6.2%). MSCI ASEAN plunged 9.3% in the month, dragged by Thailand (-11.5%), Indonesia (-8.2%) and Philippines (-5.7%). Crude oil prices extended losses from January with both WTI and Brent

2.6 Review of the market (contd.)

Market review (contd.)

fell 11%-13% in the month as oil majors projected significant drop in oil demand this year due to the virus and OPEC+ awaited Russia's response to its proposal to cut output further. In Asia, Malaysian Ringgit and Indonesian Rupiah were the weakest currencies, depreciated 2.86% and 4.86% respectively against US Dollar. On the local front, weak sentiment from lower-than-expected 4Q19 GDP growth (+3.6% YoY) and unexcited corporate earnings was exacerbated by political turmoil following Tun Mahathir's resignation as Prime Minister and the ruling government lost its Parliamentary majority. The King has later appointed Muhyiddin Yassin as the 8th Prime Minister of Malaysia but we still do not have cabinet in place. A stimulus package worth RM20b was unveiled but FBMKLCI still closed 3.2% lower in local currency terms.

March 2020 was a brutal month as equities fell across all major markets, with heightened volatility. Equity markets started the month with a mild rebound on the back of some improvement in the COVID-19 situation in China. However, sentiment quickly turned for the worse, as the virus spread exponentially in Europe and US, which prompted the World Health Organization to declare a global pandemic on 11th March. As more and more countries implemented lock down measures to contain the outbreak, concerns over the economic impact and liquidity tightness triggered a sharp correction across financial markets. Additionally, the breakdown of OPEC and Russia's talk to extend oil production cuts on the 6th March, and Saudi Arabia's subsequent decision to instead increase output led to a downward spiral in oil price to as low as USD22.7/bbl, the lowest level since 2003. To alleviate recession risk from the COVID-19 pandemic, central banks and government globally announced a slew of monetary and fiscal measures. Some of these include the USD1 trillion lending facility readied by the IMF, Fed rate cuts towards zero, open-ended asset purchase program by the Federal Reserve, EUR750 billion Pandemic Emergency Purchase program by the European Central Bank and many others. These measures, together with recovery in China March PMI data, led to a slight rebound in equity markets in the last week of the month. During the month, MSCI Asia ex-Japan lost 12.2% led by India (-23.2%), Australia (-21.2%), and Taiwan (-14.0%). MSCI ASEAN plunged 19.8%, dragged by Philippines (-21.6%), Singapore (-17.6%), Indonesia (-16.8%) and Thailand (-16.0%). Malaysia outperformed its Asean peers with the FBMKLCI declining 8.9% in March. Brent crude oil price crashed 55.0% to USD22.74/bbl. In Asia, Indonesian Rupiah and India Rupee were the weakest currencies, depreciating by 12.2% and 4.5% respectively against US Dollar. On the domestic front, Tan Sri Muhyiddin Yassin was sworn in as Malaysia's eighth PM on 1 March and the new cabinet was formed on the 9 March. In view of rising COVID-19 cases in the country, the government put the nation under Movement Control Order from 18 March to 31 March, which was further extended later to 14 April.

After a panic sell-off in March, equity markets rebounded in April following aggressive easing by global central banks and massive fiscal stimulus unleashed by governments. Moderation of new infection cases for COVID-19 and potential for lockdown easing in some European countries also added to the positive sentiment. On top of its unlimited QE, the Federal Reserve also announced new and expanded credit facilities of USD2.3 trillion to support small & medium sized business, state and local governments which also include investment into BB-/Ba3 grade papers and some high yield corporate bond ETFs. In the end April FOMC meeting, the Fed emphasized sizeable downside economic risks and signaled a willingness to provide substantial support as necessary. Similarly, the Bank of Japan also announced

2.6 Review of the market (contd.)

Market review (contd.)

further easing measures, increasing purchase limit of commercial paper and corporate bonds while removing the ¥80T annual quota for JGB purchases, i.e. unlimited bond buying. Oil price had been on a downward spiral since outbreak of Covid-19 as travel demand came to a halt. After more than a month's stalemate between Saudi and Russia over production issues, OPEC+ group finally agreed to reduce oil output by: (i) 9.7mil bpd for May - Jun 2020, (ii) 7.7mil bpd for Jul - Dec 2020, and (iii) 5.8mil bpd for 21Jan - 22 Apr with a compromise with Mexico. OPEC+ group also wanted non-OPEC countries to cut 5mil bpd. Despite the agreed production cuts, oil price continued to chart a roller-coaster path due to poor demand and rebalancing by ETF investors. The US WTI spot month futures dipped below zero for the first time to hit -\$37.63/barrel prior to settlement on April 21 due to concern on storage capacity and technicalities with futures contract settlement. Oil price gradually stabilised towards end April. The IMF projected 2020/2021 global economy growth at -3%/+5.8% respectively and expects the recession to be more severe than global financial crisis. IMF said risk to outlook is still on the downside. Poor economy outlook for global economy and weak economy data however did not deter rising markets in April as investors focused on the positive news of peaking new cases and potential lockdown easing in selected countries. During the month of April, MSCI Asia ex-Japan Index rose 8.9%, led by Thailand (+15.6%), India (+14.4%), Taiwan (+13.2%) and Korea (+11%). Most Asian currencies appreciated against US dollar in April: Indonesia Rupiah (+8.8%), Taiwan dollar (+1.7%), Korean Won (+1.2%) and Thailand Baht (+0.9%). In the commodities space, Brent oil price recovered 11% month-on-month to US\$25.3/barrel while CPO price dropped 13.1% to RM2088/tonne on weaker demand. Locally, Bank Negara released its economy outlook and projected 2020 GDP growth at a range of +0.5% to -2.0%. The Prihatin stimulus measures are estimated to add 2.8 percentage points to GDP growth. Other key assumptions are oil price at US\$25-35/barrel and CPO price at RM2000-2200/tonne. There is however downside risk to Bank Negara's growth forecast as it only assumed 1 month MCO period which has now been extended to 12 May. The government later decided to allow more sectors to open up by 4 May subjected to strict safety procedures.

Global markets rose in May, finding support from unprecedented fiscal and monetary stimulus and retracing most the losses from February/March. Major indices in the US were positive with the S&P500, Dow Jones and Nasdaq rising by 4.5%, 4.3% and 6.8% respectively. There was some positive developments on the vaccine front, which provided some positive sentiment for markets. Nevertheless, developments with regards to vaccine are far from being regarded as conclusive or comprehensive yet, but it is a big step in the right direction. Another major theme in May was the reopening of economies which raised hopes that economic activity will rebound quickly. Asian equities performance, in particular was impacted by re-escalation of US-China tensions and the negative earnings revisions. During the month of May, MSCI Asia ex-Japan Index dropped by 1.4%, led by Hong Kong (-6.8%), Singapore (-4.3%) and India (-3.8%) but bolstered by positive performances in Korea (+4.2%), Thailand (+3.2%) and Philippines (+2.4%). All Asian countries saw downward revisions in earnings. Philippines, Malaysia and Singapore saw the highest negative earnings revisions together with the others like Korea, China and Taiwan. With COVID-19 under control in China, relaxation in control measures led to normalization in economic activity. Normalization in production was ahead of normalization in consumption. Industry Production data showed a V-shaped recovery and has returned to pre-COVID-19 level. China's National People's Congress (NPC) convened on May 22, and declared

2.6 Review of the market (contd.)

Market review (contd.)

headline fiscal package is 8.4% of GDP. On the flip side, escalating US-China tensions triggered a fresh sell-off in late May. US-China confrontations expanded from trade to tech (export control and Huawei restrictions), financial (investment restrictions on federal pension fund and ADR Bill) and geopolitical conflicts (Hong Kong SAR, Cross-strait relationship; and South China Sea). MSCI ASEAN Index (+1.3%) outperformed broader MSCI Asia ex-Japan Index (-1.4%) with Malaysia (+4.7%), Thailand (+3.2%), Philippines (+2.4%) and Indonesia (+0.8%). FTSE Straits Times Index (FSSTI) bucked the trend, posting a 4.3% mom decline in May. On the commodity front, oil prices saw an extremely strong month with WTI and Brent prices were up by 88.4% and 39.8% respectively. WTI closed at USD35 per barrel and observed its best monthly gain after September 1990. Renewed demand as US and other major economies come out of lockdown, coupled with strict global supply cuts pushed prices higher. Saudi cuts oil output by another 1 million barrel a day over and above agreed earlier in the OPEC+ accord. Gold prices gained 2.6% to close at USD1730 per ounce amid gloomy US economic data and escalating US-China tensions. Locally, FBMKLCI gained 4.7% to 1,473 points, driven by liquidity in the market, outperforming the MSCI Asia Pacific ex-Japan Index (MXASJ), which fell by 1.4%. Among the ASEAN markets, the KLCI performed the best, thanks to the share price rallies in the glove players and pick-up in retail interests. The glove manufacturers' spectacular rise has single-handedly brought the FBMKLCI into a bull market territory. 1Q20 results season featured fewer results announcements as companies chose to defer announcements until June. Generally more earnings disappointments than positive surprises with weakness mostly linked to aviation, consumer, property, most of the oil and gas segments and banks. Bank Negara Malaysia cut its benchmark interest rate by 50 basis points to 2%, the most since early 2009, as it seeks to bolster its newly reopening economy amid the coronavirus pandemic. Malaysia's GDP grew at a slower pace of 0.7% in the first quarter from a year earlier, better than expected in spite of the impact of the coronavirus pandemic on exports and domestic demand. Foreign investors net sold RM3 billion worth of Malaysia equities in May 2020, which was the 2nd month of Malaysia's MCO (since 18 March 2022). This brings the cumulative net sell to RM13.4 billion for Jan-May 2020, which has exceeded 2019's RM11 billion. Ringgit depreciated by 1% against USD to 4.35 in May, in line with other Asian currencies.

Market outlook

Despite signs of improving economic data, equities are expected to remain volatile as the market grapples with the risk of surging COVID-19 infections which could force governments to re-impose limits on business activities. Nevertheless, asset prices could remain buoyed as policymakers remain supportive with aggressive fiscal support and liquidity programs. Moving forward, global markets would increasingly shift its attention towards the upcoming U.S. presidential election when assessing risks.

Strategy

We continue to remain selective and prefer sectors that see more resilient growth. As such, we maintain an overweight in tech and exporters due to decent earnings growth while looking to add cyclical and commodity stocks on weakness to position for a rebound. We maintain a trading bias to take advantage of market volatility in the near term.

2.7 Distributions

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

2.8 Details of any unit split exercise

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

2.9 Significant changes in the state of affair of the Fund during the financial year

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

However, a Supplemental Master Prospectus dated 15 April 2020 was issued to make the following changes:

- a. the investment policy and strategy of the Fund; and
- b. the investment restrictions and limits of the Fund.

Kindly refer to the Supplemental Master Prospectus for further details.

2.10 Circumstances that materially affect any interests of the unit holders

During the financial year under review, there were no circumstances that materially affected any interests of the unit holders.

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. For the financial year under review, the Manager has received soft commissions from the stockbrokers.

2.12 Cross trade

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

3. FUND PERFORMANCE

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

a. Distribution among industry sectors and category of investments:

	FY 2020 %	FY 2019 %	FY 2018 %
Technology	19.7	8.5	5.3
Financial Services	10.4	18.4	13.0
Energy	10.4	13.2	11.6
Consumer Products and Services	9.7	10.9	14.7
Industrial Products and Services	8.4	10.7	11.8
Health Care	8.4	-	0.9
Construction	6.1	6.6	7.6
Utilities	6.1	6.1	6.1
Telecommunications and Media	4.6	1.6	1.1
Transportation and Logistics	1.9	-	1.9
Property	1.3	2.1	4.1
Special Purpose Acquisition Company	-	-	1.0
Real Estate Investments Trusts	3.5	1.5	0.8
Listed Loan Stocks	0.2	0.3	0.2
Unlisted collective investment schemes	0.6	2.2	2.1
Short term deposits and cash	8.7	17.9	17.8
	<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 invests in local investment securities and cash instruments only.

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

	FY 2020	FY 2019	FY 2018
Net asset value ("NAV") (RM Million)	1,191.18*	1,386.65	1,368.34
Units in circulation (Million)	1,131.94	1,301.32	1,237.71
NAV per unit (RM)	1.0523*	1.0656	1.1055
Highest NAV per unit (RM)	1.1881	1.1644	1.2908
Lowest NAV per unit (RM)	0.7846	1.0014	1.1044
Total return (%)	-1.25	-3.61	-4.52
- Capital growth (%)	-1.25	-3.61	-4.52
- Income growth (%)	-	-	-
Gross distribution per unit (sen)	-	-	-
Net distribution per unit (sen)	-	-	-
Management expense ratio ("MER") (%) ¹	1.54	1.54	1.66
Portfolio turnover ratio ("PTR") (times) ²	0.40	0.46	0.78

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

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

¹ *MER for the financial year under review unchanged as compared to previous financial year.*

² *PTR is lower due to lower trading activities during the financial year under review.*

^{*} *Based on bid price fair valuation method on all investments held by the Fund as at 31 May 2020, the NAV and NAV per unit would be RM1,187.13 million and RM1.0488 respectively.
(As disclosed under Note 13 of the financial statements)*

3.3 Average total return of the Fund

	1 Year 31 May 19 - 31 May 20	3 Years 31 May 17 - 31 May 20	5 Years 31 May 15 - 31 May 20
Kenanga Growth Fund	-1.25%	-2.02%	2.94%
FTSE-Bursa Malaysia Kuala Lumpur Composite Index (FBM-KLCI)	-10.75%	-5.46%	3.35%

Source: Lipper

3.4 Annual total return of the Fund

	Year under review 31 May 19 - 31 May 20	1 Year 31 May 18 - 31 May 19	1 Year 31 May 17 - 31 May 18	1 Year 31 May 16 - 31 May 17	1 Year 31 May 15 - 31 May 16
Kenanga Growth Fund	-1.25%	-3.61%	-4.52%	20.20%	3.30%
FTSE-Bursa Malaysia Kuala Lumpur Composite Index (FBM-KLCI)	-10.75%	-5.16%	-1.43%	8.60%	-6.95%

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 GROWTH FUND

We, CIMB Commerce Trustee Berhad being the trustee for Kenanga Growth Fund ("the Fund"), are of the opinion that Kenanga Investors Berhad ("the Manager"), acting in the capacity as Manager of the Fund, has fulfilled its duties in the following manner for the financial year ended 31 May 2020.

- a) The Fund has been managed in accordance with the limitations imposed on the investment powers of the Manager under the Deed, the Securities Commission Malaysia's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 (as amended from time to time) and other applicable laws;
- b) Valuation and pricing for the Fund has been carried out in accordance with the Deed and relevant regulatory requirements; and
- c) Creation and cancellation of units have been carried out in accordance with the Deed and relevant regulatory requirements.

For and on behalf of
CIMB COMMERCE TRUSTEE BERHAD

Lee Kooi Yoke
Chief Executive Officer

Kuala Lumpur, Malaysia

29 July 2020

5 INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF KENANGA GROWTH FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Kenanga Growth Fund ("the Fund"), which comprise the statement of financial position as at 31 May 2020, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows of the Fund for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 19 to 51.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 May 2020 and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The Manager of the Fund ("the Manager") is responsible for the other information. The other information comprises the information included in the annual report of the Fund, but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

5 INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF KENANGA GROWTH FUND (CONTD.)

Responsibilities of the Manager and the Trustee for the financial statements

The Manager is responsible for the preparation of financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Trustee is responsible for overseeing the Fund's financial reporting process. The Trustee is also responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

5 INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF KENANGA GROWTH FUND (CONTD.)

Auditors' responsibilities for the audit of the financial statements (contd.)

- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matters

This report is made solely to the unit holders of the Fund, as a body, in accordance with the Guidelines on Unit Trust Funds issued by the Securities Commission Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Ng Sue Ean
No.03276/07/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia

29 July 2020

6. 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 31 May 2020 and the related statement of comprehensive income, statement of changes in net asset value and statement of cash flows for the financial year ended 31 May 2020 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 Growth Fund as at 31 May 2020 and of its financial performance and cash flows for the financial year then ended and comply with the requirements of the Deed.

For and on behalf of the Manager
KENANGA INVESTORS BERHAD

ISMITZ MATTHEW DE ALWIS
Executive Director/Chief Executive Officer

Kuala Lumpur, Malaysia

29 July 2020

7. FINANCIAL STATEMENTS

7.1 STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

	Note	2020 RM	2019 RM
INVESTMENT INCOME			
Dividend income		30,082,766	37,578,311
Interest income		5,873,778	10,208,182
Net loss from investments:			
- Financial assets at fair value through profit or loss ("FVTPL")	4	(21,429,184)	(74,704,934)
		<u>14,527,360</u>	<u>(26,918,441)</u>
EXPENSES			
Manager's fee	5	19,818,832	21,227,524
Trustee's fee	6	676,465	723,849
Auditors' remuneration		17,000	17,000
Tax agent's fee		4,000	4,000
Administration expenses		360,688	293,578
Brokerage and other transaction costs		5,685,457	5,745,808
		<u>26,542,442</u>	<u>28,011,759</u>
NET LOSS BEFORE TAX		(12,015,082)	(54,930,200)
Income tax	7	-	-
NET LOSS AFTER TAX, REPRESENTING TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		<u>(12,015,082)</u>	<u>(54,930,200)</u>
Net loss after tax is made up as follows:			
Realised loss		(60,425,509)	(62,195,775)
Unrealised gain	4	48,410,428	7,265,575
		<u>(12,015,082)</u>	<u>(54,930,200)</u>

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

**7.2 STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2020**

	Note	2020 RM	2019 RM
ASSETS			
INVESTMENTS			
Financial assets at FVTPL	4	1,085,737,135	1,133,182,920
Short term deposits	8	103,530,000	246,412,000
		<u>1,189,267,135</u>	<u>1,379,594,920</u>
OTHER ASSETS			
Amount due from licensed financial institutions	9	9,085,604	2,021,170
Other receivables	10	753,941	3,396,700
Tax recoverable		16,672	16,671
Cash at bank		14,765	12,485
		<u>9,870,982</u>	<u>5,447,026</u>
TOTAL ASSETS		<u>1,199,138,117</u>	<u>1,385,041,946</u>
LIABILITIES			
Amount due to licensed financial institutions	9	8,031,330	3,208,050
Amount due to Manager		3,649,603	177,030
Amount due to Trustee		137,862	59,020
Other payables	11	192,780	99,300
TOTAL LIABILITIES		<u>12,011,575</u>	<u>3,543,400</u>
EQUITY			
Unit holders' contribution		1,158,955,302	1,341,312,224
Retained earnings		<u>28,171,240</u>	<u>40,186,322</u>
NET ASSET VALUE ("NAV")			
ATTRIBUTABLE TO UNIT HOLDERS	12	<u>1,187,126,542</u>	<u>1,381,498,546</u>
TOTAL LIABILITIES AND EQUITY		<u>1,199,138,117</u>	<u>1,385,041,946</u>
NUMBER OF UNITS IN CIRCULATION	12(a)	<u>1,131,937,705</u>	<u>1,301,315,585</u>
NET ASSET VALUE PER UNIT (RM)	13	<u>1.0488</u>	<u>1.0616</u>

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

7.3 STATEMENT OF CHANGES IN NET ASSET VALUE FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

	Note	Unit holders' contribution RM	Retained earnings RM	Total NAV RM
2020				
At beginning of the financial year		1,341,312,224	40,186,322	1,381,498,546
Total comprehensive loss		-	(12,015,082)	(12,015,082)
Creation of units	12(a)	34,383,773	-	34,383,773
Cancellation of units	12(a)	(216,740,338)	-	(216,740,338)
Distribution equalisation	12(a)	(357)	-	(357)
At end of the financial year		<u>1,158,955,302</u>	<u>28,171,240</u>	<u>1,187,126,542</u>
2019				
At beginning of the financial year		1,266,512,664	95,116,522	1,361,629,186
Total comprehensive loss		-	(54,930,200)	(54,930,200)
Creation of units	12(a)	204,783,005	-	204,783,005
Cancellation of units	12(a)	(130,242,341)	-	(130,242,341)
Distribution equalisation	12(a)	258,896	-	258,896
At end of the financial year		<u>1,341,312,224</u>	<u>40,186,322</u>	<u>1,381,498,546</u>

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

**7.4 STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020**

	2020 RM	2019 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of financial assets at FVTPL	559,590,107	633,202,210
Dividends received	32,279,153	36,985,050
Interest from deposits received	6,320,150	9,972,743
Tax agent's fee paid	-	(3,500)
Auditors' remuneration paid	(17,000)	(16,000)
Payment for other fees and expenses	(133,785)	(316,431)
Trustee's fee paid	(597,623)	(724,901)
Manager's fee paid	(20,179,945)	(21,260,251)
Purchase of financial assets at FVTPL	<u>(541,617,541)</u>	<u>(729,348,773)</u>
Net cash generated from/(used in) operating and investing activities	<u>35,643,516</u>	<u>(71,509,853)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from units created	35,930,378	205,753,254
Cash paid on units cancelled	<u>(214,453,614)</u>	<u>(130,242,341)</u>
Net cash (used in)/generated from financing activities	<u>(178,523,236)</u>	<u>75,510,913</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(142,879,720)	4,001,060
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	<u>246,424,485</u>	<u>242,423,425</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	<u>103,544,765</u>	<u>246,424,485</u>
Cash and cash equivalents comprise:		
Cash at bank	14,765	12,485
Short term deposits	<u>103,530,000</u>	<u>246,412,000</u>
	<u>103,544,765</u>	<u>246,424,485</u>

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

7.5 NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

Kenanga Growth Fund ("the Fund") was constituted pursuant to the executed Deed dated 30 December 1999 (collectively, together with deeds supplemental thereto, referred to as "the Deed") between the Manager, Kenanga Investors Berhad, and HSBC (Malaysia) Trustee Berhad ("the Trustee" prior to 3 December 2013). The Fund has changed its trustee to CIMB Commerce Trustee Berhad ("the Trustee" with effect from 3 December 2013). The aforesaid change was effected on 3 December 2013 via a Second Master Supplemental Deed dated 19 November 2013. The Fund commenced operations on 17 January 2000 and will continue to be in operation until terminated by the Trustee, as provided under Clause 12 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 seeks to provide unit holders with long term capital growth.

The financial statements were authorised for issue by the Chief Executive Officer of the Manager on 29 July 2020.

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 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* %
2020				
Assets				
Financial assets at FVTPL	-	1,085,737,135	1,085,737,135	
Short term deposits	103,530,000	-	103,530,000	2.1
Other assets	-	9,854,310	9,854,310	
	<u>103,530,000</u>	<u>1,095,591,445</u>	<u>1,199,121,445</u>	
Liabilities				
Other liabilities	-	11,818,795	11,818,795	
Total interest rate sensitivity gap	<u>103,530,000</u>	<u>1,083,772,650</u>	<u>1,187,302,650</u>	

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* %
2019				
Assets				
Financial assets at				
FVTPL	-	1,133,182,920	1,133,182,920	
Short term deposits	246,412,000	-	246,412,000	3.5
Other assets	-	5,430,355	5,430,355	
	<u>246,412,000</u>	<u>1,138,617,275</u>	<u>1,385,025,275</u>	
Liabilities				
Other liabilities	-	3,444,100	3,444,100	
Total interest rate sensitivity gap	<u>246,412,000</u>	<u>1,135,169,175</u>	<u>1,381,581,175</u>	

* Computed 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 equity securities, listed collective investment schemes, listed warrants, listed loan stock and unlisted collective investment schemes. The Fund invests in listed equity securities, listed collective investment schemes, listed warrants, listed loan stock and unlisted collective investment schemes 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 loss for the financial year due to a reasonably possible change in investments in listed equity securities, listed collective investment schemes, listed warrants, listed loan stock and unlisted collective investment schemes with all other variables held constant is indicated in the table below:

	Changes in price Increase/(Decrease) Basis points	Effects on loss for the financial year Gain/(Loss) RM
2020		
Financial assets at FVTPL	<u>5/(5)</u>	<u>542,869/(542,869)</u>
2019		
Financial assets at FVTPL	<u>5/(5)</u>	<u>566,591/(566,591)</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	
	2020	2019	2020	2019
	RM	RM	%	%
Financial assets at FVTPL	<u>1,085,737,135</u>	<u>1,133,182,920</u>	<u>91.5</u>	<u>82.0</u>

The Fund's concentration of price risk from the Fund's listed equity securities, listed collective investment schemes, listed warrants, listed loan stock and unlisted collective investment schemes analysed by sector is as follows:

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

a. Market risk (contd.)

ii. Price risk (contd.)

Price risk concentration (contd.)

	Fair value*		Percentage of NAV	
	2019	2018	2019	2018
	RM	RM	%	%
Technology	234,924,967	117,142,519	19.8	8.5
Financial Services	123,843,412	255,402,246	10.4	18.5
Energy	123,228,240	181,945,402	10.4	13.1
Consumer Products and Services	115,121,816	149,696,019	9.7	10.8
Industrial Products and Services	100,021,339	147,522,979	8.4	10.7
Health Care	99,941,310	-	8.4	-
Construction	72,436,149	91,072,292	6.1	6.6
Utilities	72,192,364	84,174,824	6.1	6.1
Telecommunications and Media	54,523,511	21,695,956	4.6	1.6
Transportation and Logistic Properties	22,399,616	-	1.9	-
Real Estate Investments	15,625,779	29,196,116	1.3	2.1
Trusts	42,843,069	20,906,400	3.6	1.5
Warrants	-	399,907	-	-
Loan Stocks	2,074,224	3,754,608	0.2	0.3
Unlisted collective investment schemes	6,561,339	30,273,652	0.6	2.2
	<u>1,085,737,135</u>	<u>1,133,182,920</u>	<u>91.5</u>	<u>82.0</u>

* The industry classification for current and previous financial years was updated based on the latest classification as per Bursa Malaysia.

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.

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

b. Credit risk (contd.)

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	
	2020 %	2019 %	2020 %	2019 %
WR	54.4	19.4	4.7	3.5
P1	45.6	80.6	4.0	14.3
	<u>100.0</u>	<u>100.0</u>	<u>8.7</u>	<u>17.8</u>

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, 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 2020 RM	2019 RM
Assets			
Financial assets at FVTPL		1,085,737,135	1,133,182,920
Short term deposits		103,530,000	246,412,000
Other assets		9,854,310	5,430,355
	i.	<u>1,199,121,445</u>	<u>1,385,025,275</u>
Liabilities			
Other liabilities	ii.	<u>11,818,795</u>	<u>3,444,100</u>
Equity	iii.	<u>1,187,126,542</u>	<u>1,381,498,546</u>
Liquidity gap		<u>176,108</u>	<u>82,629</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 equity securities, listed collective investment schemes, listed warrants, listed loan stock and unlisted collective investment schemes 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

The 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 Unit Trust Funds issued by Securities Commission Malaysia. Any breach of any such requirement has been reported in the mandatory reporting to Securities Commission Malaysia on a monthly 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 new and amended MFRS and Interpretation Committee's ("IC") Interpretation, which became effective for the Fund on 1 June 2019.

Description	Effective for financial period beginning on or after
<i>Amendments to MFRS contained in the document entitled "Annual Improvements to MFRS Standards document 2015 - 2017 Cycle"</i>	1 January 2019
<i>Amendments to MFRS 3 and MFRS 11: Previously Held Interest in a Joint Operation contained in the document entitled "Annual Improvements to MFRS Standards 2015 - 2017 Cycle"</i>	1 January 2019
<i>Amendments to MFRS 112: Income Tax Consequences of Payments on Financial Instruments Classified as Equity contained in the document entitled "Annual Improvements to MFRS Standards 2015 - 2017 Cycle"</i>	1 January 2019
<i>Amendments to MFRS 123: Borrowing Costs Eligible for Capitalisation contained in the document entitled "Annual Improvements to MFRS Standards 2015 - 2017 Cycle"</i>	1 January 2019
MFRS 16: Leases	1 January 2019
<i>Amendments to MFRS 9: Prepayment Features with Negative Compensation</i>	1 January 2019
<i>Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement</i>	1 January 2019
<i>Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
IC Interpretation 23: <i>Uncertainty over Income Tax Treatments</i>	1 January 2019

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

b. Standards, amendments and interpretations issued but not yet effective

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

Description	Effective for financial period beginning on or after
Amendments to MFRS 2: <i>Share-Based Payment</i>	1 January 2020
Amendments to MFRS 3: <i>Business Combinations</i>	1 January 2020
Amendments to MFRS 3: <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 6: <i>Exploration for and Evaluation of Mineral Resources</i>	1 January 2020
Amendments to MFRS 14: <i>Regulatory Deferral Accounts</i>	1 January 2020
Amendments to MFRS 101: <i>Presentation of Financial Statements</i>	1 January 2020
Amendments to MFRS 108: <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2020
Amendments to MFRS 101 & MFRS 108: <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 134: <i>Interim Financial Reporting</i>	1 January 2020
Amendment to MFRS 137: <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2020
Amendment to MFRS 138: <i>Intangible Assets</i>	1 January 2020
Amendments to IC Interpretation 12: <i>Service Concession Arrangements</i>	1 January 2020
Amendments to IC Interpretation 19: <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 January 2020
Amendment to IC Interpretation 20: <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2020
Amendments to IC Interpretation 22: <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2020
Amendments to IC Interpretation 132: <i>Intangible Assets - Web Site Costs</i>	1 January 2020
Amendments to MFRS 9: <i>Financial Instruments</i> , MFRS 139 <i>Financial Instruments: Recognition and Measurement</i> and MFRS 7 <i>Financial Instruments: Disclosures: Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to MFRS 16: <i>Covid-19-Related Rent Concessions</i>	1 June 2020
MFRS 17: <i>Insurance Contracts</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

The Fund will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any significant impact to the financial statements of the Fund upon their initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

c. Financial instruments

Financial assets 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. 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.

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

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

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

Other financial liabilities are recognised initially at fair value plus 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.

ii. Initial recognition and subsequent measurement

The classification of financial assets at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Note 3(c)(iii). Financial assets are initially measured at their fair value, except in the case of financial assets recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Fund accounts for the Day 1 profit or loss, as described below.

After initial measurement, debt instruments are measured at amortised cost, using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. Expected credit losses ("ECLs") are recognised in the statement of comprehensive income when the investments are impaired.

Financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

c. Financial instruments (contd.)

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

The Fund only measures the cash at bank, 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

c. Financial instruments (contd.)

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

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.

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. Impairment of financial assets

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

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

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.

f. 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.

Dividend income is recognised on declared basis, when the right to receive the dividend is established.

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.

g. Cash and cash equivalents

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

h. Income tax

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

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

i. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

j. Unit holders' contribution - NAV attributable to unit holders

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

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

k. 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.

l. 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.

m. Significant accounting judgments and estimates

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

i. Critical judgments made in applying accounting policies

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

ii. Key sources of estimation uncertainty

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

4. FINANCIAL ASSETS AT FVTPL

	2020 RM	2019 RM
Financial assets held for trading, at FVTPL:		
Listed equity securities	1,034,258,502	1,077,848,353
Listed collective investment schemes	42,843,070	20,906,400
Listed warrants	-	399,907
Listed loan stock	2,074,224	3,754,608
Unlisted collective investment schemes	6,561,339	30,273,652
	<u>1,085,737,135</u>	<u>1,133,182,920</u>
Net loss on financial assets at FVTPL comprised:		
Realised loss on disposals	(69,839,611)	(81,970,509)
Unrealised changes in fair values	48,410,427	7,265,575
	<u>(21,429,184)</u>	<u>(74,704,934)</u>

Details of financial assets at FVTPL as at 31 May 2020:

	Quantity	Aggregate cost RM	Fair value RM	Percentage of NAV %
Listed equity securities				
Technology				
Datasonic Group Berhad	7,247,900	10,119,169	10,871,850	0.9
Frontken Corp Berhad	26,570,100	30,165,380	64,565,343	5.5
Globetronics Technology Berhad	12,408,533	30,775,192	24,196,639	2.0
Greotech Technology Berhad	13,970,900	21,992,991	45,405,425	3.8
Pentamaster Corporation Berhad	11,149,350	27,812,670	57,196,166	4.8
Revenue Group Berhad	28,928,800	25,054,865	32,689,544	2.8
		<u>145,920,267</u>	<u>234,924,967</u>	<u>19.8</u>
Financial Services				
AEON Credit Service (M) Berhad	1,229,900	16,048,963	10,946,110	0.9
Hong Leong Financial Group Berhad	2,698,600	47,457,448	35,945,352	3.0
Malayan Banking Berhad	4,188,802	40,934,876	31,332,239	2.6
Public Bank Berhad	1,193,600	27,547,125	17,498,176	1.5
RHB Bank Berhad	5,895,500	32,436,885	28,121,535	2.4
		<u>164,425,297</u>	<u>123,843,412</u>	<u>10.4</u>
Energy				
Dayang Enterprise Holdings Berhad	13,604,600	19,768,241	17,277,842	1.5
Dialog Group Berhad	14,765,400	36,730,538	58,618,638	4.9
Yinson Holdings Berhad	8,452,100	28,854,368	47,331,760	4.0
		<u>85,353,147</u>	<u>123,228,240</u>	<u>10.4</u>

4. FINANCIAL ASSETS AT FVTPL (CONTD.)

Details of financial assets at FVTPL as at 31 May 2020: (contd.)

	Quantity	Aggregate cost RM	Fair value RM	Percentage of NAV %
Listed equity securities (contd.)				
Consumer Products and Services				
AEON Co. (M) Berhad	9,458,600	14,397,273	9,553,186	0.8
Bermaz Auto Berhad	9,590,900	21,432,947	11,892,716	1.0
Carlsberg Brewery Malaysia Berhad	627,000	12,142,521	17,719,020	1.5
CCK Consolidated Holdings Berhad	14,054,900	8,439,950	7,519,372	0.6
DRB-HICOM Berhad	5,454,400	12,332,761	8,836,128	0.7
Fraser & Neave Holdings Berhad	184,000	6,386,892	5,980,000	0.5
Mynews Holdings Berhad	12,551,200	12,678,807	10,103,716	0.9
QL Resouces Berhad	4,317,230	18,789,986	43,517,678	3.7
		<u>106,601,137</u>	<u>115,121,816</u>	<u>9.7</u>
Industrial Products and Services				
Dufu Technology Corporation Berhad	4,020,100	15,612,524	19,698,490	1.7
Kelington Group Berhad	16,619,600	19,438,803	17,782,972	1.5
Pecca Group Berhad	5,508,500	7,996,585	5,122,905	0.4
PESTECH International Berhad	11,763,400	13,687,408	11,234,047	0.9
SKP Resources Berhad	9,620,200	12,279,447	10,293,614	0.9
Sunway Berhad	26,783,068	40,490,754	35,889,311	3.0
		<u>109,505,521</u>	<u>100,021,339</u>	<u>8.4</u>
Health Care				
Hartalega Holdings Berhad	673,000	6,711,681	8,439,420	0.7
Kossan Rubber Industries Berhad	5,968,400	32,551,715	51,925,080	4.4
Top Glove Corporation Berhad	2,975,700	36,078,295	39,576,810	3.3
		<u>75,341,691</u>	<u>99,941,310</u>	<u>8.4</u>
Constructions				
Gabungan AQRS Berhad	22,501,534	28,467,685	21,263,950	1.8
Kerjaya Prospek Group Berhad	20,274,800	24,194,113	20,477,548	1.7
MGB Berhad	11,083,000	10,321,697	5,375,255	0.5
OCR Group Berhad	21,451,900	10,599,727	6,006,532	0.5
Sunway Construction Group Berhad	10,272,800	19,747,182	19,312,864	1.6
		<u>93,330,404</u>	<u>72,436,149</u>	<u>6.1</u>

4. FINANCIAL ASSETS AT FVTPL (CONTD.)

Details of financial assets at FVTPL as at 31 May 2020: (contd.)

	Quantity	Aggregate cost RM	Fair value RM	Percentage of NAV %
Listed equity securities (contd.)				
Utilities				
Tenaga Nasional Berhad	6,411,400	94,351,313	72,192,364	6.1
Telecommunications and Media				
Axiata Group Berhad	3,532,736	16,111,238	13,424,397	1.1
DiGi.Com Berhad	1,976,300	9,111,615	8,853,824	0.8
Telekom Malaysia Berhad	7,623,000	32,550,210	32,245,290	2.7
		<u>57,773,063</u>	<u>54,523,511</u>	<u>4.6</u>
Transportation and Logistic				
MISC Berhad	2,718,400	21,549,719	22,399,616	1.9
Properties				
LBS Bina Group Berhad				
- ordinary shares	37,495,820	30,110,875	13,685,974	1.1
LBS Bina Group Berhad				
- preference shares	2,732,120	3,005,332	1,939,805	0.2
		<u>33,116,207</u>	<u>15,625,779</u>	<u>1.3</u>
Total listed equity securities		<u>987,267,766</u>	<u>1,034,258,503</u>	<u>87.1</u>
Listed collective investment schemes				
Real Estate Investments				
Trusts				
Axis Real Estate Investment Trust	9,300,135	16,335,202	19,251,279	1.6
IGB Real Estate Investment Trust	13,558,500	23,391,018	23,591,790	2.0
Total listed collective investment schemes		<u>39,726,220</u>	<u>42,843,069</u>	<u>3.6</u>
Listed loan stock				
AEON Credit Service (M) Berhad LA	2,625,600	2,625,600	2,074,224	0.2
Total listed loan stock		<u>2,625,600</u>	<u>2,074,224</u>	<u>0.2</u>

4. FINANCIAL ASSETS AT FVTPL (CONTD.)

Details of financial assets at FVTPL as at 31 May 2020: (contd.)

	Quantity	Aggregate cost RM	Fair value RM	Percentage of NAV %
Unlisted collective investment scheme				
Kenanga Asia Pacific Total Return Fund	4,607,035	<u>7,305,910</u>	<u>6,561,339</u>	<u>0.6</u>
Total unlisted collective investment scheme		<u>7,305,910</u>	<u>6,561,339</u>	<u>0.6</u>
Total financial assets at FVTPL		<u>1,036,925,496</u>	<u>1,085,737,135</u>	<u>91.5</u>
Unrealised gain on financial assets at FVTPL			<u>48,811,639</u>	

5. MANAGER'S FEE

The Manager's fee is calculated on a daily basis at a rate not exceeding 1.50% per annum of the NAV of the Fund as provided under Clause 13.1 of the Deed.

The Manager is currently charging Manager's fee of 1.50% per annum of the NAV of the Fund (2019: 1.50% per annum).

6. TRUSTEE'S FEE

Pursuant to the Third Master Supplemental Deed dated 25 July 2014, the Trustee's fee is calculated at a rate not exceeding 0.05% per annum of the NAV of the Fund effective from 1 August 2014.

The Trustee's fee is currently calculated at 0.05% per annum of the NAV of the Fund (2019: 0.05% per annum).

7. 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 years.

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

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

	2020 RM	2019 RM
Net loss before tax	(12,015,082)	(54,930,200)
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	(2,883,620)	(13,183,248)
Tax effect of:		
Income not subject to tax	(20,248,073)	(13,212,496)
Losses not deductible for tax purposes	16,761,507	19,672,922
Expenses not deductible for tax purposes	1,447,558	1,449,823
Restriction on tax deductible expenses for unit trust fund	4,922,628	5,272,999
Income tax for the financial year	-	-

8. SHORT TERM DEPOSITS

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

9. AMOUNT DUE FROM/TO LICENSED FINANCIAL INSTITUTIONS

Amount due from/to licensed financial institutions relates to the amount to be received from or to licensed financial institutions arising from the sales and purchase of investments.

10. OTHER RECEIVABLES

	2020 RM	2019 RM
Dividend receivable	699,314	2,895,701
Interest receivable from short term deposits	54,627	500,999
	<u>753,941</u>	<u>3,396,700</u>

11. OTHER PAYABLES

	2020 RM	2019 RM
Accrual for auditors' remuneration	17,000	17,000
Accrual for tax agent's fees	12,500	8,500
Provision for printing and other expenses	163,280	73,800
	<u>192,780</u>	<u>99,300</u>

12. NET ASSET VALUE ATTRIBUTABLE TO UNIT HOLDERS

NAV attributable to unit holders is represented by:

	Note	2020 RM	2019 RM
Unit holders' contribution	(a)	<u>1,158,955,302</u>	<u>1,341,312,224</u>
Retained earnings:			
Realised (deficits)/reserves		(20,640,399)	39,785,110
Unrealised reserves		48,811,639	401,212
		<u>28,171,240</u>	<u>40,186,322</u>
		<u>1,187,126,542</u>	<u>1,381,498,546</u>

(a) Unit holders' contribution

	2020		2019	
	No. of units	RM	No. of units	RM
At beginning of the financial year	1,301,315,585	1,341,312,224	1,237,707,962	1,266,512,664
Add: Creation of units	31,378,026	34,383,773	185,437,339	204,783,005
Less: Cancellation of units	(200,755,906)	(216,740,338)	(121,829,716)	(130,242,341)
Distribution equalisation	-	(357)	-	258,896
At end of the financial year	<u>1,131,937,705</u>	<u>1,158,955,302</u>	<u>1,301,315,585</u>	<u>1,341,312,224</u>

The Manager, Kenanga Investors Berhad, did not hold any units in the Fund, either legally or beneficially, as at 31 May 2020 (2019: nil). The number of units legally or beneficially held by the other parties related to the Manager were 116,988 units valued at RM122,697 as at 31 May 2020 (2019: 725,301 units valued at RM769,980).

13. NET ASSET VALUE PER UNIT

Financial assets at FVTPL have been valued at the bid prices at the close of business. In accordance with the Deed, the calculation of NAV attributable to unit holders per unit for the creation and cancellation of units is computed based on financial assets at FVTPL valued at the last done market price.

A reconciliation of NAV attributable to unit holders for creation/cancellation of units and the NAV attributable to unit holders per the financial statements is as follows:

	2020		2019	
	RM	RM/Unit	RM	RM/Unit
NAV attributable to unit holders for creation/cancellation of units	1,191,184,261	1.0523	1,386,650,099	1.0656
Effects of adopting bid prices as fair value	<u>(4,057,719)</u>	<u>(0.0035)</u>	<u>(5,151,553)</u>	<u>(0.0040)</u>
NAV attributable to unit holders per statement of financial position	<u>1,187,126,542</u>	<u>1.0488</u>	<u>1,381,498,546</u>	<u>1.0616</u>

14. PORTFOLIO TURNOVER RATIO ("PTR")

PTR for the financial year is 0.40 times (2019: 0.46 times).

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

15. MANAGEMENT EXPENSE RATIO ("MER")

MER for the financial year is 1.54% (2019: 1.54%).

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 %
Maybank Investment Bank Berhad	268,535,913	26.5	647,918	26.6
Kenanga Investment Bank Berhad*	220,027,201	21.7	483,749	19.9
CIMB Investment Bank Berhad	150,874,082	14.9	376,063	15.4
RHB Investment Bank Berhad	122,185,496	12.0	298,351	12.3
UOB Kay Hian Securities (M) Sdn Bhd	114,567,661	11.3	291,711	12.0
Public Investment Bank Berhad	64,696,912	6.4	161,596	6.6
Affin Hwang Investment Bank Berhad	35,456,038	3.5	87,384	3.6
Credit Suisse Securities (Malaysia) Sdn Bhd	18,152,500	1.8	44,193	1.8
Hong Leong Investment Bank Berhad	9,026,656	0.9	23,607	1.0
Alliance Investment Bank Berhad	6,432,665	0.6	8,027	0.3
Others	4,488,394	0.4	11,913	0.5
	<u>1,014,443,518</u>	<u>100.0</u>	<u>2,434,512</u>	<u>100.0</u>

* Kenanga Investment Bank Berhad is a related party of Kenanga Investors Berhad.

The above transactions values are in respect of listed equity securities, listed collective investment schemes and listed warrants.

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, the Fund can invest 75% to 95% in listed Malaysian investment securities. The following table provides an analysis of the Fund's revenue, results, assets and liabilities by business segments:

	Listed investment securities RM	Other investments RM	Total RM
2020			
Revenue			
Segment income	8,653,582	5,873,778	
Segment expenses	(5,685,457)	-	
Net segment income			
representing segment results	<u>2,968,125</u>	<u>5,873,778</u>	8,841,903
Unallocated expenditure			(20,856,985)
Loss before tax			(12,015,082)
Income tax			-
Net loss after tax			<u>(12,015,082)</u>
Assets			
Financial assets at FVTPL	1,085,737,135	-	
Short term deposits	-	103,530,000	
Other segment assets	9,784,918	54,627	
Total segment assets	<u>1,095,522,053</u>	<u>103,584,627</u>	1,199,106,680
Unallocated assets			31,437
			<u>1,199,138,117</u>
Liabilities			
Segment liabilities	<u>8,031,330</u>	-	8,031,330
Unallocated liabilities			3,980,245
			<u>12,011,575</u>

17. SEGMENTAL REPORTING (CONTD.)

a. Business segments (contd.)

	Listed investment securities RM	Other investments RM	Total RM
2019			
Revenue			
Segment (loss)/income	(37,126,623)	10,208,182	
Segment expenses	(5,745,808)	-	
Net segment (loss)/income			
representing segment results	<u>(42,872,431)</u>	<u>10,208,182</u>	(32,664,249)
Unallocated expenditure			(22,265,951)
Loss before tax			(54,930,200)
Income tax			-
Net loss after tax			<u>(54,930,200)</u>
Assets			
Financial assets at FVTPL	1,133,182,920	-	
Short term deposits	-	246,412,000	
Other segment assets	4,916,871	500,999	
Total segment assets	<u>1,138,099,791</u>	<u>246,912,999</u>	1,385,012,790
Unallocated assets			29,156
			<u>1,385,641,946</u>
Liabilities			
Segment liabilities	<u>3,208,050</u>	-	3,208,050
Unallocated liabilities			335,350
			<u>3,543,400</u>

b. Geographical segments

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

18. FINANCIAL INSTRUMENTS

a. Classification of financial instruments

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

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

	Financial assets at FVTPL RM	Financial assets at amortised cost RM	Other financial liabilities RM	Total RM
2020				
Assets				
Listed equity securities	1,034,258,502	-	-	1,034,258,502
Listed collective investment schemes	42,843,070	-	-	42,843,070
Listed loan stock	2,074,224	-	-	2,074,224
Unlisted collective investment scheme	6,561,339	-	-	6,561,339
Short term deposits	-	103,530,000	-	103,530,000
Amount due from licensed financial institutions	-	9,085,604	-	9,085,604
Other receivables	-	753,941	-	753,941
Cash at bank	-	14,765	-	14,765
	<u>1,085,737,135</u>	<u>113,384,310</u>	<u>-</u>	<u>1,199,121,445</u>
Liabilities				
Amount due to licensed financial institutions	-	-	8,031,330	8,031,330
Amount due to Manager	-	-	3,649,603	3,649,603
Amount due to Trustee	-	-	137,862	137,862
	<u>-</u>	<u>-</u>	<u>11,818,795</u>	<u>11,818,795</u>

18. FINANCIAL INSTRUMENTS (CONTD.)

a. Classification of financial instruments (contd.)

	Financial assets at FVTPL RM	Financial assets at amortised cost RM	Other financial liabilities RM	Total RM
2019				
Assets				
Listed equity securities	1,077,848,353	-	-	1,077,848,353
Listed collective investment scheme	20,906,400	-	-	20,906,400
Listed warrant	399,907	-	-	399,907
Listed loan stock	3,754,608	-	-	3,754,608
Unlisted collective investment schemes	30,273,652	-	-	30,273,652
Short term deposits	-	246,412,000	-	246,412,000
Amount due from licensed financial institutions	-	2,021,170	-	2,021,170
Other receivables	-	3,396,700	-	3,396,700
Cash at bank	-	12,485	-	12,485
	<u>1,133,182,920</u>	<u>251,842,355</u>	<u>-</u>	<u>1,385,025,275</u>
Liabilities				
Amount due to licensed financial institutions	-	-	3,208,050	3,208,050
Amount due to Manager	-	-	177,030	177,030
Amount due to Trustee	-	-	59,020	59,020
	<u>-</u>	<u>-</u>	<u>3,444,100</u>	<u>3,444,100</u>

18. FINANCIAL INSTRUMENTS (CONTD.)

b. Financial instruments that are carried at fair value

The Fund's financial assets at FVTPL are carried at fair value. The fair values of these financial assets 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
Investments:				
2020				
Listed equity securities	1,034,258,502	-	-	1,034,258,502
Listed collective investment schemes	42,843,070	-	-	42,843,070
Listed loan stock	2,074,224	-	-	2,074,224
Unlisted collective investment scheme	-	6,561,339	-	6,561,339
2019				
Listed equity securities	1,077,848,353	-	-	1,077,848,353
Listed collective investment scheme	20,906,400	-	-	20,906,400
Listed warrant	399,907	-	-	399,907
Listed loan stock	3,754,608	-	-	3,754,608
Unlisted collective investment schemes	-	30,273,652	-	30,273,652

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 equity securities, listed collective investment schemes, listed warrants and listed loan stock are determined by reference to Bursa Malaysia Securities Berhad's bid prices at reporting date. The fair values of unlisted collective investment schemes are stated based on the last published NAV per unit of those unlisted collective investment schemes at reporting date.

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

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

19. CAPITAL MANAGEMENT

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

The Fund's objectives for managing capital are:

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

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

20. SIGNIFICANT EVENT

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

Whilst the Fund is not able to fully conclude on the financial impact of the COVID-19 outbreak at the date of this report, it is anticipated based on initial assessments performed, that there have not been any circumstances which would require adjustments to be made to the carrying values of the assets and liabilities of the Fund as at 31 May 2020. The Fund holds sufficient capital and will continue to prudently manage risks while implementing cost reduction measures in order to ensure that it remains resilient through this period of uncertainty.

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