

KAF FIRST FUND

RESPONSIBILITY STATEMENT

This Product Highlights Sheet has been reviewed and approved by the directors of KAF Investment Funds Berhad and they collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, they confirm to the best of their knowledge and belief, that there are no false or misleading statements, or omission of other facts which would make any statement in the Product Highlights Sheet false or misleading.

STATEMENT OF DISCLAIMER

The Securities Commission Malaysia has authorised the issuance of KAF First Fund and a copy of this Product Highlights Sheet has been lodged with the Securities Commission Malaysia.

The authorisation of the KAF First Fund and lodgement of this Product Highlights Sheet should not be taken to indicate that the Securities Commission Malaysia recommends the KAF First Fund or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Product Highlights Sheet.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of KAF Investment Funds Berhad responsible for the KAF First Fund and takes no responsibility for the contents of this Product Highlights Sheet. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this Product Highlights Sheet, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.

This Product Highlights Sheet only highlights the key features and risks of KAF First Fund. Investors are advised to request, read and understand the Master Prospectus before deciding to invest.

PRODUCT HIGHLIGHTS SHEET

KAF FIRST FUND

Name of Fund	KAF First Fund.
Fund Category	Balanced.
Fund Type	Income and growth.
Commencement Date	16 January 1996.
Capital Protected / Guaranteed	No.

PRODUCT SUITABILITY

WHO IS THE PRODUCT SUITABLE FOR?

This Fund is suitable for investors who:

- wants a professionally managed portfolio of equity and fixed-income securities;
- have a medium to long-term investment horizon of three (3) to five (5) years or more; and
- want to achieve an adequate level of regular income and capital gain at an acceptable level of risk.

KEY PRODUCT FEATURES

WHAT ARE YOU INVESTING IN?

The Fund's investment objective is to provide medium to long-term investors with a reasonable level of income and capital growth.

Investment Strategy

Investment policy and strategy

Asset allocation:

The strategic limit on asset allocation of the Fund is as follows:

Equities	Minimum 40% and maximum 60%
Fixed-income securities and liquid assets	Minimum 40% and maximum 60%

The process begins with a top-down view for asset allocation decisions and a bottom-up view for stock selection.

The asset allocation strategy is dependent on the state of the macro picture as perceived by the Manager after going through a strict investment process to review the outlook of the economy, stock and money markets over the medium to long-term horizon. This entails relevant analysis on economy and business statistics in order to produce forecasts for stock market and interest rates directions. The Manager adopts an active asset allocation policy and will time the investment strategies to suit market developments and global economic conditions. Where necessary, the Manager will switch the asset allocation appropriately between equities, bonds and money market instruments.

The above asset allocation policy of the Fund may be reviewed from time to time based on the general market and economic situations. Although the Fund is actively managed, the frequency of its trading is very much depend on the market opportunities.

The Manager may take temporary defensive positions that may be inconsistent with the Fund's principal strategy in attempting to respond to adverse market conditions, economic or political market conditions. This defensive position may take the form of holding significantly higher amount of liquid assets/cash and/or money market instruments. The Manager will then decide on the best appropriate asset allocation strategy and reallocate the Fund's equity investment into other more defensive investments. The weighting for equity investments then may be scaled down to not less than 20% of the Fund's NAV.

For **equity securities**, the Manager adopts a bottom-up approach in selecting equities after having ascertained the direction of the economy. Portfolio construction will focus on the category of stocks, which will benefit most from the Manager's view of the market. In order to enhance returns to the Fund, the Manager will conduct fundamental analysis on potential investable companies to determine the suitability of the investment. Information can be obtained from regular company visits and participation in various industry presentations and stockbrokers forums. Apart from stocks picks, the Manager will also actively monitor industry trends, earnings revision trends and financial performances of companies which the Fund has interest in, so that appropriate investment decisions can be made.

Accordingly, some of the important investment criteria for stocks selections are as follows:

- High earnings per share growth potential;
- Low price earnings to growth ratio;
- Strong balance sheets;
- Cash flows and gearing levels;
- Relatively high dividend yield;
- Focused management team and its track records; and
- Sustainable financial performance.

The Manager will only make an investment in collective investment schemes if those investment objectives complement the objective of the Fund and enhance the Fund's return.

To mitigate risks, the Manager may also invest (when necessary) in futures and options contracts to hedge against market volatility and protect the Fund's value. Futures contract will only be used to hedge against the Fund's equity exposure from any unexpected price movements in the underlying market.

For **fixed-income securities**, the Fund will at all times place/invest its non-equity investments in money market deposits, Malaysian Government Securities ("MGS") and a diversified portfolio of corporate bonds (listed or unlisted) rated at least "BBB" by RAM or other approved rating agencies. The fundamental investment process for the fixed-income investments is mainly driven by the interest rate outlook over the medium to long-term horizon. The Manager will from time to time, review the economic and interest rates outlook to determine the appropriate duration for the bond investments. Regular review on credit ratings of bond investments are conducted to seek for potential upgrades and avoid potential downgrades of bond investments to achieve better returns for the Fund.

Accordingly, some of the important investment criteria or principal valuations measures for selections of fixed-income securities are as follows:

- Issuer's financial position and gearing levels;
- Issuer's cash flow quality;
- Issue's expected future cash flow and repayment ability;
- Industry outlook;
- Duration and interest rates sensitivity analysis;
- Yield to maturity;
- Yield to first call;
- Ratings by RAM/MARC; and
- Other applicable measures as and when necessary.

The Manager may from time to time decide on hedging the bond investments against interest rate movements using interest rates swaps. Hedging with interest rates swap would be effective in an aggressive interest rate hikes environment.

Benchmark

The composite benchmark comprising:

60% of FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI);

40% of Malayan Banking Berhad ("Maybank") twelve (12) month fixed deposit rate.

Note: The risk profile of the Fund is different from the risk profile of the benchmark.

Distribution Policy

Income distribution (if any) is incidental*.

*Note: Distribution of income, if any is subject to the availability of income and/or realised gains and will be declared on yearly basis.

Parties Involved

WHO ARE YOU INVESTING WITH?

Manager	KAF Investment Funds Berhad.
External Investment Manager	Amundi Malaysia Sdn Bhd.
Trustee	Universal Trustee (Malaysia) Berhad.
Tax adviser	PricewaterhouseCoopers Taxation Services Sdn Bhd.
Auditors	PricewaterhouseCoopers.
Solicitors	Wei Chien & Partners.

KEY RISKS

WHAT ARE THE KEY RISKS OF THIS INVESTMENT?

Specific risk of the Fund

- **Specific stock risk**

Specific stock risk can be associated with the shift in consumer taste, advertising campaigns, lawsuits and competitive industry conditions. It can be mitigated by diversifying the Fund's investment over more companies in various segments of the economy, which operate independently from one another. Failing to achieve the expected earnings would result in the stock price declining, which in turn will affect the performance of the Fund. Specific stock risk is mitigated by exercising prudence in stock selection.

- **Interest rate risk**

Interest rate risk is crucial in a bond/sukuk portfolio management as it depends on forecasting interest rate movements. Prices of bond/valuation of sukuk move inversely with interest rates and the degree of sensitivity to interest rates is a function of bond/sukuk maturity and coupon/profit payment as well as the level of interest rates. In the event of rising interest rates, prices of bond/valuation of sukuk will decrease and vice versa. Corporate profits may be affected by high interest rates, hence affecting the NAV of the Fund. Therefore, interest rate risk should be low for short-term bonds/sukuk, moderate for intermediate term bonds/sukuk and high for long-term bonds/sukuk. Interest rate risk is mitigated by exercising prudence in the selection of investments, strict monitoring of those investments and ensuring sufficient diversification of the Fund's investments.

- **Credit/default risk**

Credit risk refers to the possibility that the issuer of a bond/sukuk will not be able to make timely payments of interest/profit on the coupon/profit payment date or principal repayment/payment on the maturity date. The risk is graded by credit rating agencies that rate the issuer's ability to meet these obligations in a timely manner. Failure to comply with conditions attached to the issue or to make a repayment or a payment on time will result in an event of default. A default by the issuer will result in a fall in the value of bonds/sukuk which ultimately reduced the NAV of the Fund. The lower the rating, the greater the risk that the bond/sukuk issuer will default. All things being equal, the lower a bond's/sukuk's credit rating, the higher its yield should be to compensate investors for assuming higher risk. Mitigating credit risk involves diversification of the Fund's investments.

Please be advised that if a Unit Holder invests in units through an IUTA which adopts the nominee system of ownership, the Unit Holder would not be considered to be a Unit Holder under the deed and the Unit Holder may consequently not have all the rights ordinarily exercisable by a Unit Holder (for example, the right to call for a Unit Holder's meeting and to vote thereat and the right to have the Unit Holder's particulars appearing in the register of Unit Holders of the Fund).

FEES & CHARGES

WHAT ARE THE FEES AND CHARGES OF THIS INVESTMENT?

This table describes the charges that you may **directly** incur when you buy or redeem units of the Fund:

Charges	
Sales charge by distribution channels:	
Direct investment with the Manager	Up to 6.50% of NAV per unit.
Authorised IUTAs	Up to 6.50% of NAV per unit.
Authorised tied agents	Up to 6.50% of NAV per unit.
EPF Members Savings Investment Withdrawal Scheme	Up to 3.00% of NAV per unit.
The sales charge is negotiable. The Manager may at his discretion impose a lower sales charge based on the size of investment and/or other criteria to be determined by the Manager.	
Repurchase charge	Nil.
Switching fee	Nil. However, the difference in sales charge is deductible from the repurchase proceeds of the units of the Fund to be switched, if applicable.
Transfer fee	Nil.
Other charges	Charges, for instance bank charges, telegraphic charges and courier charges, shall be borne by the Unit Holder in order to execute transactions on behalf of the Unit Holder.

This table describes the fees and expenses that you may **indirectly** incur when you invest in the Fund:

Fees and expenses	
Annual management fee	1.50% of NAV.

Annual trustee fee	The annual trustee fee is dependent on the size of the Fund as follows:	
	Size of the Fund (NAV)	Annual trustee fee
	First RM20 million	RM12,000
	Next RM20 million	RM10,000
	Next RM20 million	RM8,000
	Next RM20 million	RM6,000
	Next RM20 million	RM4,000
Any amount above RM100 million	RM15,000	
Expenses directly related to the Fund	<ul style="list-style-type: none"> • Commissions/fees paid to brokers in effecting dealings in the Fund's investments; • Tax and other duties charged by the government and other authorities and tax adviser's fees; • Fees and other expenses properly incurred by the auditors and tax advisers; • Cost of distribution of annual and interim reports of the Fund; • Independent investment committee member fee; and • Any other fees, costs and expenses related to the Fund as provided in the deed of the Fund. 	

Note: All fees, charges and expenses disclosed above are expressed on a GST-exclusive basis. Accordingly, to the extent that services provided are subject to GST, the amount of GST payable on any related fees, charges and / or expenses will be payable by the Unit Holder and / or the Fund (as the case may be) in addition to the fees, charges and expenses as disclosed above.

YOU SHOULD NOT MAKE PAYMENT IN CASH TO A UNIT TRUST CONSULTANT OR ISSUE A CHEQUE IN THE NAME OF A UNIT TRUST CONSULTANT.

FUND PERFORMANCE

Average total return:

	Average total returns (%) *			
	1 year	3 years	5 years	Since inception
	31/12/2015 - 31/12/2016	31/12/2013 - 31/12/2016	31/12/2011 - 31/12/2016	16/ 01/2006**- 31/12/2016
Fund	(1.26)	5.35	8.16	5.69
60% of FBM KLCI and 40% of Maybank twelve (12) month fixed deposit rate.	(0.48)	(1.17)	2.32	3.27

* The Fund's performances are calculated on NAV per unit to NAV per unit basis and are annualised.

** Being the last day of the Fund's initial offer period.

Annual total return:

	Annual total return* (%)									
	Financial year ended 31 December									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Fund	(1.26)	11.96	4.98	11.82	8.51	(0.44)	15.36	24.19	(25.85)	19.58
60% of FBM KLCI and 40% of Maybank twelve (12) month fixed deposit rate.	(0.48)	(0.94)	(2.13)	7.62	7.50	1.89	12.80	28.97	(24.34)	21.98

* The Fund's performances are calculated on NAV per unit to NAV per unit basis.

Performance review:

For the latest financial year, the Fund registered a negative return of 1.26% whilst the benchmark recorded a negative return of 0.48%. The Fund's outperformance was attributed to negative stock performance during the period. Returns from bond investment were steady from the prudent allocation in credit and curve positioning.

Since inception, the Fund recorded a total return of 219.48% compared to its benchmark, which recorded a return of 96.43%.

Distribution record:

	Financial year ended 31 December		
	2016	2015	2014
Gross distribution per unit (sen)	4.5000	4.5000	4.5000
Net distribution per unit (sen)	4.5000	4.5000	4.5000

Portfolio turnover ratio (PTR)

	Financial year ended 31 December		
	2016	2015	2014
PTR	1.88 times	0.36 times	3.13 times

The PTR for the latest financial year was higher than the previous financial year due to the increase in portfolio rebalancing activities.

PAST PERFORMANCE OF THE FUND IS NOT AN INDICATION OF ITS FUTURE PERFORMANCE

VALUATIONS AND EXITING FROM INVESTMENT

HOW OFTEN ARE VALUATIONS AVAILABLE?

The Fund will be valued at least once every Business Day. The valuation of the Fund will be conducted at the close of Bursa Malaysia for that Business Day.

From time to time, Unit Holders will be able to obtain the unit price of the Fund as published in the major newspaper and at our website, www.kaf.com.my to monitor their investments. Unit Holders may also obtain the latest NAV per unit by contacting the Manager directly.

HOW CAN YOU EXIT FROM THIS INVESTMENT AND WHAT ARE THE RISKS AND COSTS IN DOING SO?

Unit Holders may redeem their investments in the Fund by completing the prescribed repurchase request form and returning it to the Manager before the cut-off time of 4:00 pm on a Business Day. Any repurchase request received after 4:00 pm on a Business Day, will be considered to be received on the next Business Day.

There are no restrictions on the number of units a Unit Holders can redeem out of his investments and no restrictions on the repurchase frequency.

If the repurchase request leaves a Unit Holder with less than 500 units or such other lower quantity as the Manager may decide from time to time (minimum investment balance), the Manager has the option to liquidate the balance of the units held in the Unit Holder's account and forward the proceeds to the Unit Holder.

Repurchase proceeds will be paid within 10 days from the date on which the repurchase request is received by the Manager.

CONTACT INFORMATION

HOW CAN YOU CONTACT US?

To contact the Manager or to find out about the distribution channels of the Fund, you may call our customer service number: 03-2171 0559 at any time during our office hours: Mondays through Fridays from 9.00 a.m. – 5.30 p.m. or email your enquiries to investmentfund@kaf.com.my or visit our website, www.kaf.com.my.

HOW DO YOU LODGE A COMPLAINT?

1. For internal dispute resolution, you may contact:

- (a) via phone to : 03-2171 0559
- (b) via fax to : 03-2171 0583
- (c) via email to : investmentfund@kaf.com.my
- (d) via letter to : KAF Investment Funds Berhad
Level 11, Chulan Tower
No.3 Jalan Conlay
50450 Kuala Lumpur

2. If you are dissatisfied with the outcome of the internal dispute resolution process, please refer your dispute to the **Securities Industry Dispute Resolution Corporation (SIDREC):**

- (a) via phone to : 03-2282 2880
- (b) via fax to : 03-2282 3855
- (c) via email to : info@sidrec.com.my

(d) via letter to : Securities Industry Dispute Resolution Center (SIDREC)
Unit A-9-A, Level 9, Tower A
Menara UOA Bangsar
No. 5, Jalan Bangsar Utama 1
59000 Kuala Lumpur

3. You can also direct your complaint to the Securities Commission Malaysia (SC) even if you have initiated a dispute resolution process with SIDREC. To make a complaint, please contact the SC's Investor Affairs & Complaints Department:

(a) via phone to : 03-6204 8999
(b) via fax to : 03-6204 8991
(c) via email to : **aduan@seccom.com.my**
(d) via online complaint form available at **www.sc.com.my**
(e) via letter to : Investor Affairs & Complaints Department
Securities Commission Malaysia
No 3 Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur

4. Federation of Investment Managers Malaysia (FIMM)'s Complaints Bureau:

(a) via phone to : 03-2092 3800
(b) via fax to : 03-2093 2700
(c) via email to : **complaints@fimm.com.my**
(d) via online complaint form available at **www.fimm.com.my**
(e) via letter to : Legal, Secretarial & Regulatory Affairs
Federation of Investment Managers Malaysia
19-06-1, 6th Floor Wisma Tune
No. 19 Lorong Dungun
Damansara Heights
50490 Kuala Lumpur

GLOSSARY

Bursa Malaysia	The stock exchange managed and operated by Bursa Malaysia Securities Berhad.
Business Day	A day on which Bursa Malaysia is open for trading.
EPF	Employees Provident Fund.
Fund	KAF First Fund.
GST	The tax levied on goods and services pursuant to the Goods and Services Tax Act 2014.
IUTA	Institutional unit trust adviser registered with Federation of Investment Managers Malaysia.
MARC	Malaysian Rating Corporation Berhad.
Master Prospectus	Master prospectus dated 15 January 2017 and its supplementary master prospectus(es) (if any).
Net Asset Value or NAV	means the value of all the fund's assets less the value of all the fund's liability at the valuation point.
RAM	RAM Rating Services Berhad.
RM or Ringgit Malaysia	The lawful currency of Malaysia.
Unit Holders	The person registered for the time being as a holder of units of the Fund in accordance with the provisions of the deed.