



KAF FIRST FUND

INTERIM REPORT

30 JUNE 2017

MANAGER'S REPORT

We are pleased to present the Manager's Report for the interim period ended 30 June 2017 ("the period").

1. Launch Date

The KAF First Fund ("KFF") commenced operations on 16 January 1996 and will continue its operations until terminated according to the Deed dated 22 December 1995, 2nd Supplemental Deed of Trust dated 8 January 1999, 3rd Supplemental Deed dated 27 July 2001, 4th Supplemental Deed dated 9 January 2014 and 5th Supplemental Deed dated 12 March 2015.

2. Type of Fund

Income & Growth Fund.

3. Category of Fund

Balanced Fund.

4. Fund's Objective, Benchmark and Distribution Policy

KFF seeks to provide medium-to-long term investors with a reasonable level of income and capital growth by investing in both equities and fixed-income securities.

Diversification of investments across equities, fixed-income securities and money market instruments is a strategy used to reduce the investment risks. The equity portion is expected to contribute both capital and income returns. Investors will benefit from the stability arising from investments in fixed-income securities, which are expected to offer a steady flow of income and lower volatility.

KFF's asset allocation is subject to a maximum 60% exposure in equities and a minimum 40% in fixed-income securities and other liquid assets.

MANAGER'S REPORT

The benchmark used to measure KFF's performance is a weighted index derived by taking 60% from the returns of the FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM-KLCI) and 40% of Maybank's monthly average 12-month fixed deposit rate. The weighted benchmark index is designed to replicate KFF's investment policy of investing up to a maximum 60% of the net asset value (NAV) in equities.

Income distribution (if any) is incidental.

5. Review of Fund Operations and Performance

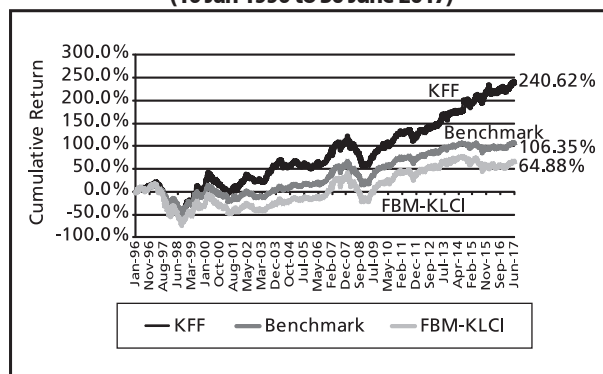
For the financial period under review, the Fund based on its net asset value (NAV) per unit, recorded a positive return of 6.62% compared with the benchmark of 5.05%. The Fund's outperformance was attributed positive stock performance during the period. Bonds returns were steady attributed to prudent allocation in credit and curve positioning.

The Fund maintained a high equity exposure for most of the period with stock selection made up of a combination mid to large cap stocks. KFF's objective remains in place which is to grow the value of investments and providing medium to long-term capital growth.

Since inception, based on its NAV, KFF recorded a return of 240.62% compared to its benchmark, composite FTSE Bursa Malaysia KLCI Index and the Maybank 1-month GIA rate (Balanced FBMS Index), which rose by 106.35%. **As such, the fund met its objective by providing reasonable level of income and capital growth.**

MANAGER'S REPORT

**Performance Chart since Inception
(16 Jan 1996 to 30 June 2017)**



Source: Novagni Analytics and Advisory Sdn Bhd, an independent source

Past performance is not necessary indication of future performance.

Fund Performance as ranked by Lipper Asia Limited

Period	KFF		Mean of Industry: Non-Islamic Mixed Asset Balanced
	% change	Rank	% change
6 months 30/12/2016 – 30/06/2017	6.64	20/25	9.16
1 year 30/06/2016 – 30/06/2017	7.22	16/25	8.89
3 years 30/06/2014 – 30/06/2017	23.87	2/23	10.77
5 years 29/06/2012 – 30/06/2017	45.13	3/17	34.63

Source: The Edge, July 10, 2017 issue, Edge-Lipper Fund Table, an independent source

For the interim period ended 30 June 2017, net realized gains amounted to RM1.18 million from the disposal of shares, income earned from dividends and interest.

MANAGER'S REPORT

As at end of the period, the unrealized gains for the Fund stood at RM1.38 million. The Fund's NAV grew to RM34.87 million as at 30 June 2017 from RM32.70 million as at 31 December 2016. The NAV per unit as at 30 June 2017 increased to RM0.5205 as compared to the NAV per unit of RM0.4881 as at 31 December 2016.

There is no distribution declared in the interim period.

Returns	RM'000
Realised gains	
Equities securities	566.68
Dividend earned	313.57
Interest income	296.57
Unrealised gains	
Equities securities	1,353.07
Fixed-income securities	24.73

6. Asset Allocation and Investment Strategies Employed

We maintained our equity exposure at close to the maximum allowed level for most periods of the year. Equity selections were focused mainly in large caps and a mixture of mid to small cap stocks whilst bond holdings were largely held in high grade papers with short to mid duration positioning.

The designated Fund Manager does not employ any other investment strategy apart from the investment strategy stated in the Master Prospectus dated 15 January 2017 and Supplementary Master Prospectus dated 31 March 2017.

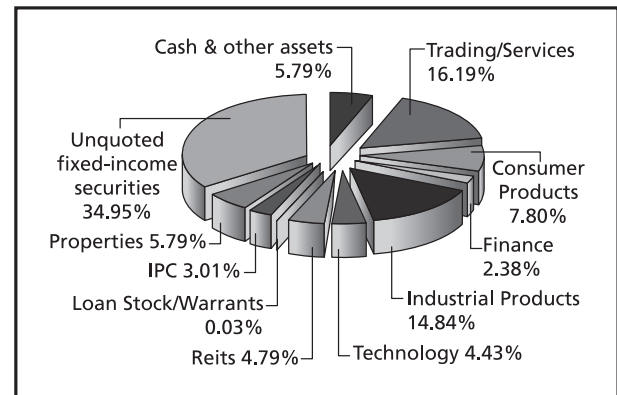
There were no significant changes in the Fund's state of affairs during the period. Also, there were no circumstances which could materially affect any interest of the unit holders.

MANAGER'S REPORT

Asset Allocation

Asset Class	Percentage of NAV as at		Change in Exposure over Period (%)
	31/12/2016	30/06/2017	
Equity & derivative securities	56.75%	59.26%	2.51%
Unquoted fixed-income securities	21.66%	34.95%	13.29%
Cash & other assets	21.59%	5.79%	-15.80%

Portfolio of Investments and Other Assets as at 30 June 2017



7 Review of the Market**a) Equity**

For 1st quarter 2017, Malaysia stock market rallied as market sentiment was buoyant following US markets especially the Dow Jones Index which rallied above the 20k resistance, hitting an all-time high since the global financial crisis. Regional markets rallied in optimism despite some uncertainties of Donald Trump's policy following his Presidential inauguration. Market sentiment remained positive due to improvement in economic data. Malaysia's industrial output rose 4.7% year over year (yoy) in Dec 2016 (6.2% in Nov), boosted by growth especially in manufacturing. The increase in Dec 2016 was driven by positive growth in all indices: manufacturing (4.3%), mining (5.8%) and electricity (6.1%). Exports increased by 10.7% yoy in Dec, lifted by the commodity segment as well as E&E and chemical products. Import growth was sustained at 11.5% yoy in Dec on the back of gains in capital, intermediate and consumer goods.

For 2nd quarter review, Malaysia stock market rallied amid a risk on global investment climate. Investor's rising appetite for Malaysia equities was also added by an improvement in corporate earnings and rosier domestic economic outlook. Malaysia's 1Q17 gross domestic product (GDP) grew at a faster than expected 5.6% vs consensus 4.8% driven by services, manufacturing and agriculture sector. Corporate earnings jumped 28.2% yoy and 7.5% qoq across all sectors. Even MSCI Malaysia 2017 EPS is finally turning positive after 17 months of negative revisions. We expect the positive earnings momentum to continue with robust economic growth. Despite a flattish oil price, the Malaysia Ringgit has also strengthened 4.6% YTD while the business confidence index has recovered strongly in 1Q17 indicating the corporate environment has brightened. There is a strong correlation between Malaysia's GDP growth and FBM-KLCI earnings growth, and so we expect the earnings momentum to continue its upward trajectory as we see 2017 GDP growth of 4.2% improving and could surprise on the upside. All in, the outlook for investment growth is expected to remain positive.

b) Fixed-income

The Malaysian fixed-income market had a weak start to 2017 following through from the post US elections sell-off, where foreign outflows in local bond holdings continued throughout Q1. The heavier supply of government bonds in 1H due to less maturity and more auctions in the 15Y to 30Y tenor for the year, MYR NDF restrictions, and uncertainties on FX hedging options saw a rebalance of support by local investors to net off the foreign outflows as global investors took a cautionary stance on MYR bonds. Bank Negara's announcement of the liberalization of FX hedging policy and the introduction of regulated short selling for local bonds to improve market liquidity at the start of Q2 helped boost the local bond market where the 10Y MGS rallied from a high of 4.27% in January to lows of 3.85% in May. Foreign holdings of MGS improved, although the holdings of 41.2% at end June is still lower than the 46% holdings in January. Despite the outflows, FX reserves continue to improve from USD94.3 billion in January to USD98.9 billion in June.

Globally, even as the Fed hiked rates by 25bps in March, US Treasury yields and the DXY index fell following North Korean geopolitical tensions and Trump's comments on the preference for a low interest rates policy. Moderate pace of economic growth, following mixed US economic data and political headwinds continue to contain the rise in US Treasury yields especially as the Federal Open Market Committee (FOMC) signaled a slower paced rate hikes and continue to maintain an accommodative monetary policy. Malaysia's improving economic data where GDP growth is on track, April unemployment rate stable at 3.4% and inflation stabilizing at 3.9% in May, saw the Overnight Policy Rate (OPR) rate unchanged at 3.00% throughout the 1H, even as the Fed hiked rates by another 25bps in June. As Malaysian govies tracked US Treasury movements, towards the end of Q2, Malaysian Government Securities (MGS) yields trended upwards reversing gains made throughout the 1H and credit spreads compressed.

MANAGER'S REPORT

8. Market Outlook and Strategy

We remain positive on the outlook for Malaysia equities on the back of the rosier outlook for global growth led by stronger growth in the US, helped by the pick-up in domestic growth and recovery in corporate earnings. Key investment themes include a preference for cyclical sectors, exporters, large-cap beneficiaries of rising foreign participation, high-growth small- and mid-cap stocks, election plays and high dividend yield stocks. No changes to our portfolio strategy as we envisage a barbell strategy for the portfolio where growth and dividend yield will remain the anchor for portfolio outperformance.

Given the light new issuance pipeline for MYR bonds, we expect the infrastructure, project financing, telecommunications, real estate and financial sector bonds to dominate trading in the secondary credit markets and will seek to improve portfolio yield while managing duration.

9. Analysis of Unit holders

Size of Holdings	No. of Unit holders	No. of Units held
5,000 and below	532	1,110,993
5,001 to 10,000	350	2,585,789
10,001 to 50,000	617	14,184,234
50,001 to 500,000	248	31,443,986
500,001 and above	6	17,642,019
	1,753	66,967,021

Note: The above is excluding Manager's stock.

MANAGER'S REPORT

10. Policy on Stockbroking Rebates and Soft Commission

The Securities Commission's (SC) guidelines states that a management company, a trustee or its delegate should not retain any rebate from or otherwise share in any commission with any broker/dealer in consideration for directing dealings in a fund's property. Any rebate or shared commission should be directed to the account of the fund concerned. Hence, the Manager will credit all stockbroking rebates to KFF's account.

The SC's guidelines further states that goods and services ("soft commissions") provided by any broker/dealer may be retained by a management company or its delegate, but only if the goods and services are of demonstrable benefit to unit holders.

During the financial period under review, the management company had received soft commissions in the form of financial wire services and a stock quotation system incidental to the investment management of the Fund.

KEY PERFORMANCE DATA

Portfolio Composition	As At 30 June		
	2017	2016	2015
	(Percentage of NAV)		
	%	%	%
Quoted Equities			
Industrial Products	14.84	3.46	0.46
Construction	-	4.44	2.93
Consumer Products	7.80	30.76	10.70
Finance	2.38	6.42	4.24
IPC	3.01	-	-
Oil & Gas	-	-	0.73
Loan Stock/Warrants	0.03	-	-
Properties	5.79	-	8.19
REITs	4.79	2.48	-
Technology	4.43	2.77	5.41
Telecommunication	-	-	0.03
Trading/Services	16.19	9.47	10.33
Total Quoted Equities	59.26	59.80	43.02
Fixed Income			
Securities			
Unquoted Bonds	34.95	33.69	46.36
	34.95	33.69	46.36
Liquid and other assets	5.79	6.51	10.62
Total	100.00	100.00	100.00
Total return for the year (RM'000)			
Capital growth	1,545,385	(633,443)	553,163
Income Distribution	711,699	(72,348)	1,157,155

Performance	Income Return	Capital Return	Annual Total Return	
			KFF	Benchmark
Financial year ended				
31.12.2016	9.22%	(9.59%)	(1.26%)	(0.48%)
31.12.2015	8.33%	3.35%	11.96%	(0.94%)
31.12.2014	8.61%	(3.35%)	4.98%	(2.13%)
31.12.2013	8.33%	3.23%	11.82%	7.62%
31.12.2012	8.59%	(0.08%)	8.51%	7.50%

	Average Annual Return	
	KFF	Benchmark
One (1) year	7.20%	5.25%
Three (3) years	7.95%	0.07%
Five (5) years	9.02%	2.69%

Note: Basis of calculation is in line with the compilation method used by Novagni Analytics and Advisory Sdn Bhd, an independent source

KEY PERFORMANCE DATA

NAV Units in Circulation	As at 30 June		
	2017	2016	2015
Total NAV (RM'000)	34,873	36,402	37,088
Units in Circulation (in '000)	66,999	68,662	67,777
NAV per unit (RM)	0.5205	0.5302	0.5472
Unit Prices for the year (RM per unit)			
NAV (year high)	0.5211	0.5579	0.5653
NAV (year low)	0.4893	0.5223	0.5224
NAV (year high, ex-distribution)	Nil	Nil	Nil
NAV (year low, ex-distribution)	Nil	Nil	Nil
NAV	0.5205	0.5302	0.5472
Distribution	Nil	Nil	Nil
Unit Split (unit)	Nil	Nil	Nil
Management Expense Ratio (MER)	1.83	1.81	1.77
Portfolio Turnover Ratio (PTR)	0.69	1.14	0.87

Note: Management Expense Ratio (MER) is calculated by taking the total fees and recovered expenses incurred by the Fund divided by the average Fund size. Portfolio Turnover Ratio (PTR) is calculated by taking the average of the acquisition and disposal of the Fund divided by the average Fund size.

The MER was higher than the previous year due to decrease in average NAV (refer to Note 14).

The PTR was lower than the previous year due to decrease in portfolio rebalancing activities undertaken by the Fund (refer to Note 15).

Past performance is not necessarily indicative of future performance. Unit prices and investment returns may go down, as well as up.

TRUSTEE'S REPORT

TO THE UNIT HOLDERS OF
KAF FIRST FUND

We, **Universal Trustee (Malaysia) Berhad** (the Trustee) being the Trustee of **KAF First Fund (KFF)** are of the opinion that **KAF Investment Funds Berhad** (the Manager), acting in the capacity of Manager of **KFF**, have fulfilled their duties in the following manner for the financial period ended 30 June 2017.

- (a) **KFF** is being managed in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Deed, other provisions of the Deed, the Securities Commission's Guidelines on the Unit Trust Funds, the Capital Markets and Services (Amendment) Act 2012 and other applicable laws;
- (b) Valuation/pricing is carried out in accordance with the Deed and any regulatory requirement; and
- (c) Creation and cancellation of units are carried out in accordance with the deed and any regulatory requirement.

For and on behalf of the Trustee
Universal Trustee (Malaysia) Berhad

Ong Tee Vann
Chief Executive Officer

Kuala Lumpur, Malaysia
21 August 2017

STATEMENT BY THE MANAGER

TO THE UNIT HOLDERS OF
KAF FIRST FUND

We, **Tan Sri Abu Talib Othman** and **Mohammed Reza Tan Sri Abu Talib**, two of the Directors of **KAF Investment Funds Berhad**, do hereby state that, in the opinion of the Manager, the unaudited financial statements set out on pages 14 to 66 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the Fund as at 30 June 2017 and of its financial performance, changes in equity and cash flows of the Fund for the financial period ended on that date in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the Manager
KAF Investment Funds Berhad

Tan Sri Abu Talib Othman **Mohammed Reza Tan Sri Abu Talib**
Director Executive Director

Kuala Lumpur, Malaysia
21 August 2017

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

	Note	2017 RM	2016 RM
INCOME			
Gross dividend income		313,565	456,532
Interest income		296,568	1,057,105
Net gain/(loss) on financial assets at fair value through profit or loss	6	2,112,064	(1,662,098)
		<u>2,722,197</u>	<u>(148,461)</u>
EXPENSES			
Manager's fee	3	(280,531)	(295,153)
Trustee's fee	4	(10,408)	(10,893)
Transaction costs		(139,357)	(221,173)
Audit fee		(3,829)	(3,675)
Custodian fee		(15,814)	(15,900)
Tax agent's fee		(3,785)	(4,800)
Other expenses		(8,189)	(6,304)
		<u>(461,913)</u>	<u>(557,898)</u>
NET PROFIT/(LOSS) BEFORE TAXATION		2,260,284	(706,359)
TAXATION	5	(3,200)	568
NET PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS)		<u>2,257,084</u>	<u>(705,791)</u>
Net profit/(loss) after taxation is made up of the following:			
Realised amount		711,699	(72,348)
Unrealised amount		1,545,385	(633,443)
		<u>2,257,084</u>	<u>(705,791)</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017 RM	2016 RM
ASSETS			
CURRENT ASSETS			
Financial assets at fair value through profit or loss	6	32,854,807	34,043,283
Deposits with licensed financial institutions	7	2,044,223	2,648,075
Other receivables	9	82,321	35,642
Cash at bank	7	16,768	336,993
TOTAL ASSETS		<u>34,998,119</u>	<u>37,063,993</u>
LIABILITIES			
CURRENT LIABILITIES			
Amount due to brokers	8	-	573,736
Amount due to Manager - Manager's fees		45,563	47,763
Amount due to Manager - cancellation of units		20,828	-
Amount due to Trustee		1,693	1,766
Tax payable		12,012	12,012
Other payables	10	44,687	26,345
TOTAL LIABILITIES		<u>124,783</u>	<u>661,622</u>
NAV OF THE FUND		<u>34,873,336</u>	<u>36,402,371</u>
EQUITY			
Unit holders' capital		25,595,193	26,582,721
Retained earnings		9,278,143	9,819,650
TOTAL NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>34,873,336</u>	<u>36,402,371</u>
NUMBER OF UNITS IN CIRCULATION	11	<u>66,998,907</u>	<u>68,662,000</u>
NAV PER UNIT		<u>0.5205</u>	<u>0.5302</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

UNAUDITED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

Note	Unit holders' capital RM	Retained earnings RM	Total RM
BALANCE AS AT 1 JANUARY 2017	25,681,997	7,021,059	32,703,056
Movement in unit holders' capital:			
Creation of units arising from application	170,248	-	170,248
Creation of units arising from distribution	2,398,249	-	2,398,249
Cancellation of units	(2,655,301)	-	(2,655,301)
	<u>(86,804)</u>	<u>-</u>	<u>(86,804)</u>
Total comprehensive income for the financial period		- 2,257,084	2,257,084
		<u>- 2,257,084</u>	<u>2,257,084</u>
BALANCE AS AT THE END OF THE FINANCIAL PERIOD	<u>25,595,193</u>	<u>9,278,143</u>	<u>34,873,336</u>
BALANCE AS AT 1 JANUARY 2016	25,673,766	10,525,441	36,199,207
Movement in unit holders' capital:			
Creation of units arising from application	181,850	-	181,850
Creation of units arising from distribution	2,389,792	-	2,389,792
Cancellation of units	(1,662,687)	-	(1,662,687)
	<u>908,955</u>	<u>-</u>	<u>908,955</u>
Total comprehensive loss for the financial period		- (705,791)	(705,791)
		<u>- (705,791)</u>	<u>(705,791)</u>
BALANCE AS AT THE END OF THE FINANCIAL PERIOD	<u>26,582,721</u>	<u>9,819,650</u>	<u>36,402,371</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

UNAUDITED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

Note	2017 RM	2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of investments	25,731,525	46,031,474
Purchase of investments	(28,826,855)	(46,411,748)
Dividends received	279,625	442,266
Interest received	293,274	1,141,238
Manager's fee paid	(281,644)	(299,600)
Tax refund	-	15,068
Trustee's fee paid	(10,445)	(11,047)
Payment from impending litigation-Pesaka Bond	-	(1,303,567)
Payment of other fees and expenses	(40,814)	(57,153)
Net cash used in operating activities	(2,855,334)	(453,069)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	2,568,498	2,571,642
Payments for cancellation of units	(2,634,473)	(1,692,002)
Distribution paid	(3,015,090)	(3,017,340)
Net cash used in financing activities	(3,081,065)	(2,137,700)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,936,399)	(2,590,769)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	7,997,390	5,575,837
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	7 2,060,991	2,985,068
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Deposits with licensed financial institutions	2,044,223	2,648,075
Cash at bank	16,768	336,993
	<u>7 2,060,991</u>	<u>2,985,068</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

The following accounting policies have been used in dealing with items which are considered material in relation to the financial statements.

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards (MFRS) and International Financial Reporting Standards (IFRS).

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires the Manager to exercise their judgment in the process of applying the Fund's accounting policies. Although these estimates and judgment are based on the Manager's best knowledge of current events and actions, actual results may differ.

Estimates and judgement are continually evaluated by the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

- (i) **The new standards, amendments and interpretations to published standards have been adopted by the Fund for the first time for the financial year beginning on or after 1 January 2017:**

Amendments to MFRS 101 'Presentation of Financial Statements – Disclosure Initiative'

The amendments to MFRS 101 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

- **Materiality** – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- **Disaggregation and subtotals**–line items specified in MFRS 101 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- **Notes** – confirmation that the notes do not need to be presented in a particular order.
- **OCI arising from investments accounted for under the equity method** – the share of OCI rising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

**A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS
(CONT'D)**

- (i) **The new standards, amendments and interpretations to published standards have been adopted by the Fund for the first time for the financial year beginning on or after 1 January 2017: (cont'd)**

Annual improvements 2012 - 2014

MFRS 7 'Financial instruments: Disclosures' introduces two amendments:

Servicing contracts: If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, MFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively. There is a consequential amendment to MFRS 1 to give the same relief to first time adopters.

Interim financial statements: The amendment clarifies that the additional disclosure required by the amendments to MFRS 7 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods unless required by MFRS 134. This amendment is retrospective.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

**A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS
(CONT'D)**

- (ii) **The new standards, amendments and interpretations to published standards which are relevant to the Fund but not yet effective and have not been early adopted are as follows:**

a) Financial year beginning on/after 1 January 2017

Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative' (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences.

b) Financial year beginning on/after 1 January 2018

MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

(ii) The new standards, amendments and interpretations to published standards which are relevant to the Fund but not yet effective and have not been early adopted are as follows: (cont'd)

b) Financial year beginning on/after 1 January 2018 (cont'd)

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

(ii) The new standards, amendments and interpretations to published standards which are relevant to the Fund but not yet effective and have not been early adopted are as follows: (cont'd)

b) Financial year beginning on/after 1 January 2018 (cont'd)

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

**A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS
(CONT'D)**

(ii) **The new standards, amendments and interpretations to published standards which are relevant to the Fund but not yet effective and have not been early adopted are as follows: (cont'd)**

**b) Financial year beginning on/after 1 January 2018
(cont'd)**

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

**A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS
(CONT'D)**

(ii) **The new standards, amendments and interpretations to published standards which are relevant to the Fund but not yet effective and have not been early adopted are as follows: (cont'd)**

**b) Financial year beginning on/after 1 January 2018
(cont'd)**

Unless otherwise disclosed, the above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Fund in the year of initial application.

B INCOME RECOGNITION

Dividend income is recognised on the ex-dividend date, when the right to receive the dividend has been established.

Interest income is recognised using effective interest method on an accrual basis.

Realised gains or losses on sale of investments are accounted for as the difference between the net disposal proceeds and the carrying amount of the investments, which is determined on a weighted average cost basis (for equity securities) or cost adjusted for accretion of discount or amortisation of premium (for fixed-income securities).

C DISTRIBUTION

A distribution to the Fund's unit holders is accounted for as a deduction from realised reserve. A proposed distribution is recognised as a liability in the financial year in which it is approved by the Trustee.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

D TAXATION

Current tax expense is determined according to the Malaysian tax laws at the current rate based upon the taxable profits earned during the financial year.

E FUNCTIONAL AND PRESENTATION CURRENCY

Items included in 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 the Fund's functional and presentation currency.

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

The Fund designates its investment in quoted securities and unquoted fixed-income securities as financial assets at fair value through profit or loss at inception.

Financial assets are designated at fair value through profit or loss when they are managed principally for the purpose of selling or repurchasing in the near term and their performance evaluated on a fair value basis.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been included in current assets. The Fund's receivables comprise cash and cash equivalents, amount due from brokers and dividend receivables which are all due within 12 months.

Financial liabilities are classified according to substance of the contractual arrangements entered into and the definitions of a financial liability.

The Fund classifies amount due to Manager, amount due to brokers, amount due to Trustee, other payables and distribution payable as other financial liabilities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D)

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value. Transaction costs are expensed in the statement of comprehensive income.

(ii) Recognition and measurement (cont'd)

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'net gain/(loss) on financial assets at fair value through profit or loss' in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of gross dividend income when the Fund's right to receive payments is established.

In accordance to the Deeds, quoted investments in Malaysia are valued at the last done market price quoted on the Bursa Malaysia Securities Berhad ("Bursa Securities") at the date of the statement of financial position. In circumstances where the last traded market price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D)

(ii) Recognition and measurement (cont'd)

Unquoted fixed-income securities are revalued to reflect its fair value on a daily basis based on fair value prices quoted by a bond pricing agency ("BPA") registered with the Securities Commission ("SC") as per the SC's Guidelines on Unit Trust Funds. Where such quotations are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed-income securities differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

- (i) records its basis for using a non-BPA price;
- (ii) obtains necessary internal approvals to use the non-BPA price; and
- (iii) keeps as audit trail of all decisions and basis for adopting the market yield.

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest method over the period from the date of placement to the date of maturity of the respective deposits.

Loans and receivables and other financial liabilities are subsequently carried at amortised cost using the effective interest method.

(iii) Impairment for assets carried at amortised cost

For assets carried at amortised cost, the Fund assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D)

(iii) Impairment for assets carried at amortised cost (cont'd)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

G CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents comprise cash and bank balances and deposits held in highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

H AMOUNT DUE FROM/(TO) BROKERS

Amounts due from/(to) brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from brokers. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker.

Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

I TRANSACTION COSTS

Transaction costs are costs incurred to acquire or dispose financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisors, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as expenses.

J CREATION AND CANCELLATION OF UNITS

The Fund issues cancellable units, which are cancelled at the unit holder's option and are classified as equity. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value ("NAV"). The outstanding units are carried at the redemption amount that is payable as at the date of the statement of financial position if the unit holder exercises the right to put the units back to the Fund.

Units are created and cancelled at the unit holder's option at prices based on the Fund's NAV per unit at the time of creation or cancellation. The Fund's NAV is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units.

K UNIT HOLDERS' CAPITAL

The unit holders' capital to the Fund meets the definition of puttable instruments classified as equity instruments under MFRS 132 "Financial Instruments: Presentation". Those criteria include:

- the units entitle the holder to a proportionate share of the Fund's NAV;
- the units are the most subordinated class and class features are identical;
- there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units in the Fund over its life are based substantially on the profit or loss of the Fund.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

K UNIT HOLDERS' CAPITAL (CONT'D)

The outstanding units are carried at the redemption amount that is payable at each financial year if unit holder exercises the right to put the unit back to the Fund.

L SEGMENTAL INFORMATION

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the investment team of the Manager that makes strategic decisions for the Fund.

M CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT IN APPLYING ACCOUNTING POLICIES

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information contents of the estimates, certain key variables that are anticipated to have material impact to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

Estimates and judgments are continually evaluated by the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There are no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

KAF First Fund (the "Fund") was constituted pursuant to a Deed dated 22 December 1995 between KAF Investment Funds Berhad (the "Manager") and Universal Trustee (Malaysia) Berhad (the "Trustee"). The name of the Fund has been changed via a Fourth Supplemental Trust Deed dated 9 January 2014 from Alliance First Fund to KAF First Fund.

The principal activity of the Fund is to invest in "Permitted Investments" as defined under Article 7 of the Deed, which includes stocks and shares of companies quoted on Bursa Securities, foreign investments, fixed-income securities and short term investments. The Fund commenced operations on 16 January 1996 and will continue its operations until terminated according to the conditions in the Deed.

The Manager, KAF Investment Funds Berhad, is incorporated in Malaysia. Its principal activities are the management of unit trust funds, provision of fund management and investment advisory services.

The principal place of business of the Manager is located at Level 11, Chulan Tower, No. 3 Jalan Conlay, 50450 Kuala Lumpur.

All investment will be subject to SC's Guidelines, the Deeds, except where exemptions and variations have been approved by the SC, internal policies and procedures and the Fund's objective.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

2. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund as at period end are as follows:

	Financial instruments at fair value through profit or loss RM	Other financial instruments carried at amortised cost RM	Total RM
2017			
Financial assets designated at fair value through profit or loss	32,854,807	-	32,854,807
Deposits with licensed financial institutions	-	2,044,223	2,044,223
Cash at bank	-	16,768	16,768
Other assets	-	82,321	82,321
	<u>32,854,807</u>	<u>2,143,312</u>	<u>34,998,119</u>
Amount due to Manager - Manager's fee	-	45,563	45,563
Amount due to Manager - cancellation of units	-	20,828	20,828
Amount due to Trustee	-	1,693	1,693
Other payables	-	44,687	44,687
	-	<u>112,771</u>	<u>112,771</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

2. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Financial instruments of the Fund as at period end are as follows: (cont'd)

	Financial instruments at fair value through profit or loss RM	Other financial instruments carried at amortised cost RM	Total RM
2016			
Financial assets designated at fair value through profit or loss	34,043,283	-	34,043,283
Deposits with licensed financial institutions	-	2,648,075	2,648,075
Cash at bank	-	336,993	336,993
Other assets	-	35,642	35,642
	<u>34,043,283</u>	<u>3,020,710</u>	<u>37,063,993</u>
Amount due to brokers	-	573,736	573,736
Amount due to Manager - Manager's fee	-	47,763	47,763
Amount due to Trustee	-	1,766	1,766
Other payables	-	26,345	26,345
	-	<u>649,610</u>	<u>649,610</u>

The Fund is exposed to a variety of risks which include market risk (including price risk and interest rate risk), liquidity risk, credit risk and capital risk.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated by the SC's Guidelines on Unit Trust Funds.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

2. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Market risk

(a) Price risk

The Fund is exposed to equity securities price risk because of investments held by the Fund and classified as fair value through profit or loss. Price risk is the risk that the fair value of an investment will fluctuate because of changes in market prices (other than those arising from interest rate risk). Such fluctuation may cause the Fund's NAV and price of units to fall as well as rise, and income produced by the Fund may also fluctuate. The price risk is managed through diversification and selection of securities and other financial instruments within specified limits according to the Deed.

The table below shows the assets of the Fund as at 30 June which are exposed to price risk.

	2017 RM	2016 RM
Quoted Investments		
Local equities designated at fair value	20,667,628	21,777,815

The following table summarises the sensitivity of the Fund's investments to price risk movements as at 30 June. The analysis is based on the assumptions that the market price increased and decreased by 5% (2016: 5%) with all other variables held constant and that fair value of the Fund's investments moved according to the historical correlation of the index. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

2. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Market risk (cont'd)

(a) Price risk (cont'd)

	Changes in price %	Impact on profit before taxation/ NAV RM
2017		
Local equities designated at fair value	5	1,033,381
2016		
Local equities designated at fair value	5	1,088,891

(b) Interest rate risk

Interest rate risk is the risk that the value of the Fund will fluctuate because of changes in market interest rates.

The Fund's exposure to the interest rate risk is mainly confined to unquoted fixed-income securities and deposits with financial institutions. Interest rate risk is actively managed by duration targeting based on the interest rate outlook. The Manager overcomes the exposure of short-term deposits by way of maintaining deposits on a short-term basis.

The table below summarises the sensitivity of the Fund's NAV to movements in prices of unquoted fixed-income securities held by the Fund as at 30 June as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate increased and decreased by 5% (2016: 5%) with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

2. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Market risk (cont'd)

(b) Interest rate risk (cont'd)

	2017		2016	
	(Decrease)/Increase in profit before taxation/NAV		(Decrease)/Increase in profit before taxation/NAV	
	+5% RM	-5% RM	+5% RM	-5% RM
Local unquoted fixed-income securities	(113,513)	114,806	(139,879)	142,122

The effective weighted average interest rate of return per annum and average remaining maturities of unquoted fixed-income securities and deposit placements with licensed financial institution as at the date of the statement of financial position is as follows:

	Weighted Average Interest Rates		Average Remaining Maturities	
	2017	2016	2017	2016
	%	%	Days	Days
Local unquoted fixed-income securities	4.28	4.33	1,700	1,976
Deposits with licensed financial institutions	3.18	3.24	4	3

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

2. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk

Liquidity risk is the risk that the Fund will encounter in meeting its financial obligations. The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payment and cancellations of unit by unit holders. Liquid assets comprise cash, deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 days.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table below are the contractual undiscounted cashflows.

	Within 1 month	More than 1 month	Total
	RM	RM	RM

As at 30 June 2017

Amount due to Manager - Manager's fees	45,563	-	45,563
Amount due to Manager - cancellation of units	20,828	-	20,828
Amount due to Trustee	1,693	-	1,693
Other payables	-	44,687	44,687
Contractual cash out flows	68,084	44,687	112,771

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

2. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk (cont'd)

	Within 1 month	More than 1 month	Total
	RM	RM	RM
As at 30 June 2016			
Amount due to brokers	573,736	-	573,736
Amount due to Manager - Manager's fees	47,763	-	47,763
Amount due to Trustee	1,766	-	1,766
Other payables	-	26,345	26,345
Contractual cash out flows	623,265	26,345	649,610

Credit risk

Credit risk refers to the inability of an issuer or counterparty to make timely payments of interest, principals and proceeds from realisation of investment. The Manager manages the credit risk by undertaking credit evaluation to minimise such risk.

Credit risk arising from unquoted fixed-income securities can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer. In addition, the Manager imposes a minimum rating requirement as rated by either local and/or foreign rating agencies and manages the duration of the investment in accordance with the objective of the Fund.

Credit risk arising from placements on deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions.

The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the Securities Commission's Guidelines on Unit Trust Funds.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

2. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Credit risk (cont'd)

The maximum exposure to credit risk before any credit enhancements is the carrying amount of the financial assets as set out below.

	2017	2016
	RM	RM
Financial assets at fair value through profit or loss	12,187,179	12,265,468
Cash and cash equivalents	2,060,991	2,985,068
Other assets	82,321	35,642
	14,330,491	15,286,178

The following table sets out the credit risk concentration of the Fund:

Unquoted fixed-income securities	Cash and cash equivalents	Other assets	Total
RM	RM	RM	RM

As at 30 June 2017
Finance

- AA-	- 1,884,210	-	1,884,210
- A1	- 176,781	-	176,781

Private debt securities

- AA1	5,088,173	-	5,088,173
- AAA	7,099,006	-	7,099,006

Others-not rated

	-	- 82,321	82,321
	12,187,179	2,060,991	82,321 14,330,491

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

2. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Credit risk (cont'd)

	Unquoted fixed- income securities	Cash and cash equivalents	Other assets	Total
	RM	RM	RM	RM
As at 30 June 2016				
Finance				
- AA-	-	1,628,990	-	1,628,990
- NR	-	1,356,078	-	1,356,078
Private debt securities				
- AA+	2,048,420	-	-	2,048,420
- AA1	9,210,752	-	-	9,210,752
- AAA	1,006,296	-	-	1,006,296
Others-not rated	-	-	35,642	35,642
	<u>12,265,468</u>	<u>2,985,068</u>	<u>35,642</u>	<u>15,286,178</u>

None of these financial assets are past due or impaired.

Capital risk

The capital of the Fund is represented by equity consisting of unit holders' capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

2. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Fair value estimation

Financial instruments comprise financial assets and financial liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. exit price).

The fair value of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the year end date.

The Fund utilises the last traded price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

An active market is a market in which transactions for the assets take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques.

The carrying values of cash and cash equivalents, other receivables, amount due from brokers and all current liabilities are a reasonable approximation of their fair values due to their short-term nature.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

2. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Fair value hierarchy

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active market for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

2. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Fair value hierarchy (cont'd)

The following table analyses within the fair value hierarchy the Fund's financial assets (by class) measured at fair value:

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM

At 30 June 2017

Financial assets at fair value through profit or loss

- Quoted equities	20,667,628	-	-	20,667,628
- Unquoted fixed-income securities	-	12,187,179	-	12,187,179
	<u>20,667,628</u>	<u>12,187,179</u>	<u>-</u>	<u>32,854,807</u>

At 30 June 2016

Financial assets at fair value through profit or loss

- Quoted equities	21,777,815	-	-	21,777,815
- Unquoted fixed-income securities	-	12,265,468	-	12,265,468
	<u>21,777,815</u>	<u>12,265,468</u>	<u>-</u>	<u>34,043,283</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

2. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Fair value hierarchy (cont'd)

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities.

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include investment-grade corporate bonds and commercial papers. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

The Fund's policies on valuation of these financial assets are stated in Note F.

3. MANAGER'S FEE

Clause 14.1.2 of the Deed provides that the Manager is entitled to an annual management fee at a rate not exceeding 1.5% per annum based on the Fund's NAV before deducting the Manager's and Trustee's fee for that particular day. The Manager's fee provided in the financial statements is computed on this basis at 1.5% per annum.

There will be no further liability to the Manager in respect of the Manager's fee other than the amounts recognised above.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

4. TRUSTEE'S FEE

Clause 14.2.2 of the Deed provides that the Trustee is entitled to a fee not exceeding the following sums:

Size of Fund	Fee
First RM20 million	RM12,000
Next RM20 million	RM10,000
Next RM20 million	RM 8,000
Next RM20 million	RM 6,000
Next RM20 million	RM 4,000
Any amount above RM100 million	RM15,000

There will be no further liability to the Trustee in respect of Trustee's fee other than the amounts recognised above.

5. TAXATION

	2017 RM	2016 RM
Current taxation		
- Malaysia taxation	3,200	(568)
	<u>3,200</u>	<u>(568)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

5. TAXATION (CONT'D)

The numerical reconciliation between net income/(loss) before taxation multiplied by the Malaysian statutory tax rate and tax expense of the Fund is as follows:

	2017 RM	2016 RM
Net income/(loss) before taxation	2,260,284	(706,359)
Taxation at Malaysian statutory rate of 24% (2016: 24%)	542,468	(169,526)
Tax effects of:		
Investment income not subject to tax/investment loss not deductible for tax purposes	(645,647)	35,631
Expenses not deductible for tax purposes	41,046	61,431
Restriction on tax deductible expenses for unit trust funds	69,813	72,464
Income subject to different tax value	(4,480)	-
Over provision in prior financial year	-	(568)
Tax expense	3,200	(568)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 RM	2016 RM
Net gain/(loss) on financial assets at fair value through profit or loss		
- realised gain/(loss) on sale of investments	566,679	(1,028,655)
- unrealised gain/(loss)	1,545,385	(633,443)
	<u>2,112,064</u>	<u>(1,662,098)</u>
Designated at fair value through profit or loss at inception:		
- Quoted investments	20,667,628	21,777,815
- Unquoted fixed-income securities *	12,187,179	12,265,468
	<u>32,854,807</u>	<u>34,043,283</u>

* includes interest receivable of RM102,818 (2016: RM203,228).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D)

Details of quoted investments as at 30 June 2017 are set out as follows:

Name of Counter	Quantity	Aggregate cost	Fair value as at 30/06/2017 expressed as	
			as at 30/06/2017	Fair value percentage of NAV of Fund
	Units	RM	RM	%
Trading/ Services				
Malaysia Airports Holdings	145,000	1,000,860	1,241,200	3.56
Bermaz Auto Bhd	530,000	1,073,250	1,065,300	3.05
Dayang Enterprise Holdings Bhd	600,000	684,780	618,000	1.77
TIME dotCom Bhd	165,000	1,339,542	1,600,500	4.59
Tiong Nam Logistics Holdings Bhd	406,000	676,982	722,680	2.07
Uzma Bhd	250,000	483,130	400,000	1.15
	<u>2,096,000</u>	<u>5,258,544</u>	<u>5,647,680</u>	<u>16.19</u>
Consumer Products				
Dutch Lady Milk Industries Bhd	25,000	1,449,120	1,459,500	4.19
Panasonic Manufacturing Malaysia Bhd	21,000	704,080	762,300	2.19
Salutica Bhd	322,500	561,021	499,875	1.43
	<u>368,500</u>	<u>2,714,221</u>	<u>2,721,675</u>	<u>7.80</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D)

Details of quoted investments as at 30 June 2017 are set out as follows: (cont'd)

Name of Counter	Quantity	Aggregate cost	Fair value as at 30/06/2017 expressed as	
			as at 30/06/2017	Fair value percentage of NAV of Fund
	Units	RM	RM	%
Finance				
Syarikat Takaful Malaysia Bhd	200,000	840,640	830,000	2.38
Loan Stock/ Warrants				
Eco World International Bhd-Warrant	37,120	-	11,322	0.03
Industrial Products				
Kossan Rubber Industries Bhd	168,600	1,063,022	1,073,982	3.08
OKA Corporation Bhd	500,000	537,110	915,000	2.62
Sasbadi Holdings Bhd	700,000	1,090,340	966,000	2.77
Yinson Holdings Bhd	352,000	1,094,244	1,288,320	3.69
United U-Li Corporation Bhd	17,500	83,846	72,450	0.21
Wellcall Holdings Bhd	400,000	836,720	860,000	2.47
	<u>2,138,100</u>	<u>4,705,282</u>	<u>5,175,752</u>	<u>14.84</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D)

Details of quoted investments as at 30 June 2017 are set out as follows: (cont'd)

Name of Counter	Quantity	Aggregate cost	Fair value as at 30/06/2017 expressed as	
			Fair value as at 30/06/2017	Fair value percentage of NAV of Fund
	Units	RM	RM	%
Properties				
LBS Bina Group Bhd	560,000	1,069,824	1,125,600	3.23
UOA Development Bhd	350,000	901,390	892,500	2.56
	<u>910,000</u>	<u>1,971,214</u>	<u>2,018,100</u>	<u>5.79</u>
REITs				
KIP Real Estate Investment Trust	500,000	479,850	460,000	1.32
Pavilion Real Estate Investment Trust	687,000	1,189,960	1,209,120	3.47
	<u>1,187,000.00</u>	<u>1,669,810.00</u>	<u>1,669,120.00</u>	<u>4.79</u>
IPC				
Digi.Com Bhd	210,000	1,069,719	1,050,000	3.01

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D)

Details of quoted investments as at 30 June 2017 are set out as follows: (cont'd)

Name of Counter	Quantity	Aggregate cost	Fair value as at 30/06/2017 expressed as	
			Fair value as at 30/06/2017	Fair value percentage of NAV of Fund
	Units	RM	RM	%
Technology				
KESM Industries Bhd	79,000	745,126	1,233,980	3.54
Solution Engineering Holdings Bhd	1,000,000	340,000	310,000	0.89
	<u>1,079,000.00</u>	<u>1,085,126.00</u>	<u>1,543,980.00</u>	<u>4.43</u>
TOTAL QUOTED INVESTMENTS				
	<u>8,225,720</u>	<u>19,314,556</u>	<u>20,667,629</u>	<u>59.26</u>
NET UNREALISED GAINS ON QUOTED INVESTMENTS				
		<u>1,353,073</u>		
FAIR VALUE OF TOTAL QUOTED INVESTMENTS				
			<u>20,667,629</u>	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D)

Details of quoted investments as at 30 June 2016 are set out as follows:

Name of Counter	Quantity	Aggregate cost	Fair value as at 30/06/2016 expressed as	
			as at 30/06/2016	percentage of NAV of Fund
	Units	RM	RM	%
Trading/ Services				
Bison Consolidated Bhd	817,000	1,084,995	1,151,970	3.16
Cycle & Carriage Bintang Bhd	150,000	541,620	468,000	1.29
Scicom (MSC) Bhd	350,000	808,411	794,500	2.18
Tiong Nam Logistics Holdings Bhd	690,000	974,085	1,035,000	2.84
	<u>2,007,000</u>	<u>3,409,111</u>	<u>3,449,470</u>	<u>9.47</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D)

Details of quoted investments as at 30 June 2016 are set out as follows: (cont'd)

Name of Counter	Quantity	Aggregate cost	Fair value as at 30/06/2016 expressed as	
			as at 30/06/2016	percentage of NAV of Fund
	Units	RM	RM	%
Consumer Products				
Cocoaland Holdings Bhd	876,666	1,836,056	1,770,865	4.86
Cypark Resources Bhd	719,800	1,309,208	1,403,610	3.86
Hong Leong Industries Bhd	334,000	2,047,582	2,782,220	7.64
Magni-Tech Industries Bhd	359,500	1,104,868	1,452,380	3.99
Oriental Food Industries Holdings Bhd	400,000	879,050	1,000,000	2.75
Oldtown Bhd	415,000	748,670	796,800	2.19
Prolexus Bhd	606,000	957,374	878,700	2.41
Prolexus Bhd-Warrant	202,000	-	93,930	0.26
Salutica Bhd	1,000,000	968,710	1,020,000	2.80
	<u>4,912,966</u>	<u>9,851,518</u>	<u>11,198,505</u>	<u>30.76</u>
Construction				
Ikhmas Jaya Group Bhd	700,000	483,840	497,000	1.36
OKA Corporation Bhd	1,000,000	1,074,220	1,120,000	3.08
	<u>1,700,000</u>	<u>1,558,060</u>	<u>1,617,000</u>	<u>4.44</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D)

Details of quoted investments as at 30 June 2016 are set out as follows: (cont'd)

Name of Counter	Quantity	Aggregate cost	Fair value as at 30/06/2016 expressed as	
			as at 30/06/2016	Fair value percentage as at of NAV of Fund
	Units	RM	RM	%
Industrial Products				
BP Plastics Holding Bhd	300,000	476,060	474,000	1.30
Sasbadi Holdings Bhd	282,000	393,136	349,680	0.96
Superlon Holdings Bhd	200,000	445,920	438,000	1.20
	<u>782,000</u>	<u>1,315,116</u>	<u>1,261,680</u>	<u>3.46</u>
Finance				
AEON Credit Service (M) Bhd	100,000	1,297,783	1,294,000	3.55
Syarikat Takaful Malaysia Bhd	258,000	997,730	1,044,900	2.87
	<u>358,000</u>	<u>2,295,513</u>	<u>2,338,900</u>	<u>6.42</u>
REITs				
Pavilion Real Estate Investment Trust	522,000	884,078	903,060	2.48

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D)

Details of quoted investments as at 30 June 2016 are set out as follows: (cont'd)

Name of Counter	Quantity	Aggregate cost	Fair value as at 30/06/2016 expressed as	
			as at 30/06/2016	Fair value percentage as at of NAV of Fund
	Units	RM	RM	%
Technology				
Key Asic Bhd	6,960,000	1,313,177	1,009,200	2.77
TOTAL QUOTED INVESTMENTS				
	<u>17,241,966</u>	<u>20,626,573</u>	<u>21,777,815</u>	<u>59.80</u>
NET UNREALISED GAINS ON QUOTED INVESTMENTS				
		<u>1,151,242</u>		
FAIR VALUE OF TOTAL QUOTED INVESTMENTS				
			<u>21,777,815</u>	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D)

Details of unquoted fixed-income securities as at 30 June 2017 are set out as follows:

Name of Counter	Quantity	Aggregate cost	Fair value as at 30/06/2017 expressed as percentage of NAV of Fund		
			Units	RM	RM
Unquoted Redeemable Non-Convertible Bonds & CP					
Malaysia					
Airports					
Capital Bhd	5,000,000	5,063,374	5,090,593		14.60
Manjung Island					
Energy Bhd	2,000,000	2,013,452	2,008,413		5.76
Public Bank Bhd	5,000,000	5,085,620	5,088,173		14.59
TOTAL UNQUOTED FIXED-INCOME SECURITIES	12,000,000	12,162,446	12,187,179		34.95
NET UNREALISED GAINS ON UNQUOTED FIXED-INCOME SECURITIES		<u>24,733</u>			
FAIR VALUE OF TOTAL UNQUOTED FIXED-INCOME SECURITIES			<u>12,187,179</u>		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D)

Details of unquoted fixed-income securities as at 30 June 2016 are set out as follows:

Name of Counter	Quantity	Aggregate cost	Fair value as at 30/06/2016 expressed as percentage of NAV of Fund		
			Units	RM	RM
Unquoted Redeemable Non-Convertible Bonds & CP					
Public Bank Bhd	5,000,000	5,085,980	5,096,559		14.00
Sarawak Energy Bhd	4,000,000	4,090,252	4,114,193		11.30
Kapar Energy Ventures Sdn Bhd	2,000,000	2,041,940	2,048,420		5.63
Manjung Island Energy Bhd	1,000,000	1,004,661	1,006,296		2.76
TOTAL UNQUOTED FIXED-INCOME SECURITIES	12,000,000	12,222,833	12,265,468		33.69
NET UNREALISED GAINS ON UNQUOTED FIXED-INCOME SECURITIES			<u>42,635</u>		
FAIR VALUE OF TOTAL UNQUOTED FIXED-INCOME SECURITIES			<u>12,265,468</u>		

The weighted average interest rates and the remaining maturities of unquoted fixed-income securities are shown in Note 2.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

7. CASH AND CASH EQUIVALENTS

	2017	2016
	RM	RM
Cash at bank	16,768	336,993
Deposits with licensed financial institutions*	2,044,223	2,648,075
	<u>2,060,991</u>	<u>2,985,068</u>

* A total of RM1,884,210 (2016: RM1,628,990) of short-term deposits are placed with KAF Investment Bank Bhd, a related company to the Manager.

The weighted average interest rates and the remaining maturities of deposits with licensed financial institutions are shown in Note 2.

8. AMOUNT DUE FROM/(TO) BROKERS

The amount due from/(to) brokers which relates to sale/ (purchase) of investment securities and instruments are unsecured, interest-free and receivable/(payable) according to the settlement rules of the applicable stock exchange.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

9. OTHER RECEIVABLES

	2017	2016
	RM	RM
Dividend receivables	82,321	35,642

10. OTHER PAYABLES

	2017	2016
	RM	RM
Sundry accruals	22,853	19,650
Audit and tax fees	21,834	6,695
	<u>44,687</u>	<u>26,345</u>

11. NUMBER OF UNITS IN CIRCULATION

	2017	2016
	Number of units	Number of units
At the beginning of the financial period	67,002,000	67,052,000
Creation of units arising from application	330,000	342,149
Creation of units arising from distribution	4,846,907	4,397,851
Cancellation of units	(5,180,000)	(3,130,000)
At the end of the financial period	<u>66,998,907</u>	<u>68,662,000</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

12. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the top 10 brokers/dealers for the financial period ended 30 June 2017 and 30 June 2016 are as follows:

Name of brokers/ dealers	Percentage		Percentage	
	Value of trades RM	of total trades %	Brokerage fees RM	of total brokerage %
2017				
KAF Seagroatt & Campbell Securities Sdn Bhd *	22,763,006	46.33	51,217	49.61
CIMB Investment Bank Bhd	8,330,652	16.95	21,297	20.63
RHB Investment Bank Bhd	6,887,291	14.02	15,496	15.01
Maybank Investment Bank Bhd	6,092,549	12.40	15,231	14.75
KAF Investment Bank Bhd *	5,058,500	10.30	-	-
	<u>49,131,998</u>	<u>100.00</u>	<u>103,241</u>	<u>100.00</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

12. TRANSACTIONS WITH BROKERS/DEALERS (CONT'D)

Name of brokers/ dealers	Percentage		Percentage	
	Value of trades RM	of total trades %	Brokerage fees RM	of total brokerage %
2016				
KAF Seagroatt & Campbell Securities Sdn Bhd *	35,615,707	42.80	80,135	50.24
KAF Investment Bank Bhd*	15,011,300	18.04	-	-
Maybank Investment Bank Bhd	14,117,953	16.96	35,295	22.13
CIMB Investment Bank Bhd	10,071,579	12.10	25,179	15.78
RHB Investment Bank Bhd	8,400,940	10.10	18,902	11.85
	<u>83,217,479</u>	<u>100.00</u>	<u>159,511</u>	<u>100.00</u>

* A related company to the Manager

The Manager is of the opinion that all the transactions with the related companies have been entered into in the normal course of business and have been established on terms and conditions that have been agreed upon by the parties involved.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

13. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

The related parties and their relationship with the Fund are as follows:

Related parties	Relationship
KAF Investment Funds Berhad	The Manager
KAF Seagroatt & Campbell Bhd	Immediate holding company of the Manager
AKKA Sdn Bhd	Ultimate holding company of the Manager
Subsidiaries and associates of the ultimate holding company of the Manager as disclosed in its financial statements	Subsidiaries and associated companies of the ultimate holding company of the Manager

Significant related party transactions and balances that are not already disclosed in other notes to the financial statements are set out below:

	2017		2016	
	No. of units	RM	No. of units	RM
KAF Investment Funds Berhad	31,886	16,597	29,047	15,401

The above units were transacted at the prevailing market price.

The units are held legally by the Manager for booking purposes. Other than the above, there were no units held by Directors or parties related to the Manager.

14. MANAGEMENT EXPENSE RATIO ("MER")

	2017	2016
MER (annualised)	1.83%	1.81%

MER is derived from the following calculation:

$$\text{MER} = \frac{(A+B+C+D+E) \times 100}{F}$$

- A = Manager's fee
- B = Trustee's and custodian fees
- C = Audit fee
- D = Tax agent's fee
- E = Other expenses
- F = Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial period calculated on a daily basis was RM35,383,905 (2016: RM37,328,513).

15. PORTFOLIO TURNOVER RATIO ("PTR")

	2017	2016
PTR	0.69 times	1.14 times

PTR is derived from the following calculation:

$$\frac{(\text{Total acquisition for the financial period} + \text{total disposal for the financial period}) \div 2}{\text{Average NAV of the Fund for the financial period calculated on a daily basis}}$$

- where: total acquisition for the financial period = RM27,138,122 (2016: RM42,409,823)
- total disposal for the financial period = RM21,475,916 (2016: RM42,834,074)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

16. SEGMENTAL REPORTING

The internal reporting provided to the Chief Executive Officer ("CEO") for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS. The CEO is responsible for the performance of the Fund and considers the business to have a single operating segment.

The reportable operating segment derives its income by seeking investments to achieve targeted returns commensurate with an acceptable level of risk within the portfolio. These returns consist of interest income, dividend and gains on the appreciation in the value of investments and are derived from quoted equities and unquoted fixed-income securities in Malaysia.

17. INTERIM ACCOUNTS

The interim accounts for the six months' period ended 30 June 2017 is unaudited.

CORPORATE INFORMATION

Manager

KAF Investment Funds Bhd (334195-K)

Registered Office

Level 14, Chulan Tower
No. 3 Jalan Conlay
50450 Kuala Lumpur

Business Office

Level 11, Chulan Tower
No. 3 Jalan Conlay
50450 Kuala Lumpur
Tel: 03-2171 0559 Fax: 03-2171 0583
Customer Service Hotline: 1-800-88-3065
Website: www.kaf.com.my

Board of Directors

Tan Sri Abu Talib Othman
Datuk Khatijah binti Ahmad
Chan Hwang Hsiung
Mohammed Reza bin Tan Sri Abu Talib
Yong Yit Hin

Secretary

Siti Nurmazita binti Mustapha (LS 0009160)

Trustee

Universal Trustee (Malaysia) Berhad

Auditor & Reporting Accountant

PricewaterhouseCoopers

Tax Adviser

PricewaterhouseCoopers Taxation Services Sdn Bhd

Banker

Alliance Bank Malaysia Berhad

KAF Investment Funds Berhad (334195-K)
Level 11, Chulan Tower
No. 3, Jalan Conlay, 50450 Kuala Lumpur
Tel: 03-2171 0559 Fax: 03-2171 0583

For more information,
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