

KENANGA ONEPRS GROWTH FUND

ANNUAL REPORT

For the Financial Year Ended 31 July 2017

kenanga

Kenanga Investors Berhad
Company No. 353563-P

KENANGA ONEPRS GROWTH FUND

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CORPORATE DIRECTORY

PRS Provider: Kenanga Investors Berhad (Company No. 353563-P)

Registered Office

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

Business Office

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

Board Of Directors

Datuk Syed Ahmad Alwee Alsee (**Chairman**)
Syed Zafilen Syed Alwee (**Independent Director**)
Peter John Rayner (**Independent Director**)
Imran Devindran bin Abdullah (**Independent Director**)
Dato' Bruce Kho Yaw Huat
Ismitz Matthew De Alwis

Investment Committee

Dato' Bruce Kho Yaw Huat (**Chairman**)
Syed Zafilen Syed Alwee (**Independent Member**)
Peter John Rayner (**Independent Member**)
Imran Devindran bin Abdullah (**Independent Member**)
Ismitz Matthew De Alwis

Company Secretary: Norliza Abd Samad (MAICSA 7011089)

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

Scheme Trustee ("Trustee"): Maybank Trustees Berhad (5004-P)

Registered and Business Address

8th Floor, Menara Maybank, 100, Jalan Tun Perak, 50050 Kuala Lumpur.
Tel: 03-2078 8363 / 8833 Email: mtb@maybank.com.my

Auditor: Ernst & Young (AF: 0039)

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

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

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

Administrator: Private Pension Administrator Malaysia (PPA)

Level 6, Menara Mudajaya, Jalan PJU 7/3, Mutiara Damansara, 47180 Kuala Lumpur.
Tel: 03-6204 8990 Fax: 03-6204 8995 Website: www.ppa.my Email: askppa@ppa.my

Membership: Federation Of Investment Managers Malaysia (FIMM)

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

DIRECTORY OF PRS PROVIDER'S OFFICES

REGIONAL BRANCH OFFICES:

Kuala Lumpur

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

Melaka

No. 25-1, Jalan Kota Laksamana 2/17
Taman Kota Laksamana, Seksyen 2
75200 Melaka
Tel : 06-281 8913 / 06-282 0518
Fax : 06-281 4286

Klang

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

Penang

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

Miri

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

Seremban

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

Johor Bahru

Lot 11.03, 11th Floor, Menara MSC Cyberport
No. 5, Jalan Bukit Meldrum
80300 Johor Bahru, Johor
Tel : 07-223 7505 / 4798
Fax : 07-223 4802

Kuching

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

Kuantan

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

Ipoh

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

Kota Kinabalu

A-03-11, 3rd Floor
Block A, Warisan Square
Jalan Tun Fuad Stephens
88000 Kota Kinabalu, Sabah
Tel : 088-447 089 / 088-448 106
Fax : 088-447 039

Petaling Jaya

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

1. FUND INFORMATION

1.1 Fund Name

Kenanga OnePRS Growth Fund (PKOGF or the Fund)

1.2 Fund Category / Type

Core (Growth)

1.3 Investment Objective

The Fund seeks to provide capital growth.

1.4 Investment Strategy

The Fund seeks to achieve its objective by investing a maximum of 70% of the Fund's NAV in equities and at least 30% of the Fund's NAV in fixed income instruments and/or money market instruments.

However, at the launch of the Fund, the Fund aims to meet its objective and asset allocation by investing up to 70% of the Fund's NAV in any one collective investment scheme managed by the PRS Provider that is in line with the Fund's asset allocation. Such investment shall be for a period of five (5) years from the launch of the Fund or upon the Fund reaching RM200 million NAV (whichever is earlier).

1.5 Performance Benchmark

A composite of All MGS Index (30%) and FBM 100 (70%).

The risk profile of the Fund is not the same as the risk profile of the performance benchmark.

1.6 Distribution Policy

Distribution (if any) will be declared annually and reinvested into the Fund.

Members who have reached their retirement age can opt to have the distribution paid to them by cheque or to their bank account.

1.7 Breakdown of unit holdings of the Fund as at 31 July 2017

| Size of holdings | No. of members | No. of units held |
|-------------------|----------------|-------------------|
| 5,000 and below | 5,070 | 13,223,609 |
| 5,001 - 10,000 | 1,894 | 14,113,466 |
| 10,001-50,000 | 1,570 | 25,865,158 |
| 50,001-500,000 | 42 | 4,915,657 |
| 500,001 and above | 1 | 1,123,234 |
| Total | 8,577 | 59,241,124 |

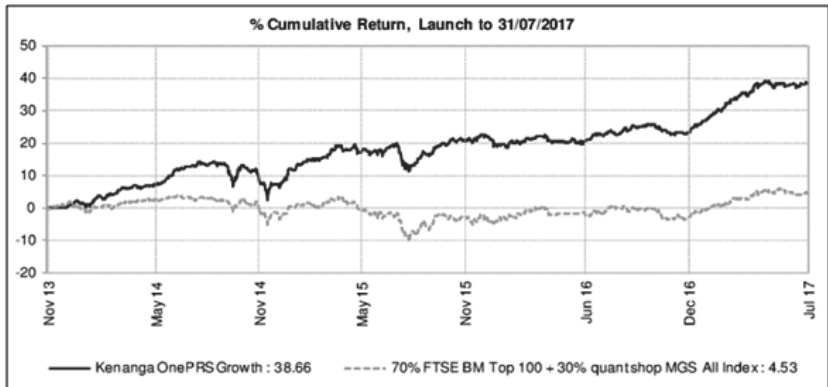
2. MANAGER’S REPORT

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

The Fund grew 13.23% in Net Asset Value terms for the period under review hence giving a rise of 38.66% since inception (20 November 2013) thus achieving the Fund’s stated objective to provide long-term capital growth.

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

Performance Chart Since Launch (20/11/2013 - 31/07/2017)
Kenanga OnePRS Growth Fund vs Benchmark*



Source: Novagni Analytics and Advisory Sdn Bhd

* A composite of All MGS Index (30%) and FBM 100 (70%)

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

Since the size of the fund is below RM200 mil, it is currently invested in a collective investment scheme managed by the PRS Provider which is in line with the Fund’s asset allocation. As at 31 July 2017, the Fund had invested about 69.00% of its NAV in Kenanga Growth Fund (“KGF”) and about 29.01% in the Kenanga Bond Fund (“KBNF”). Such a mix provides investors with a lower risk and a lower volatility profile as compared to a pure equity fund. It aims to provide unit holders with long term capital growth and income ranging from 3 to 5 years.

During the period under review, the target fund invested mainly in the Malaysian equities and continued with its strategy of investing in companies with sustainable business models and competent management, whilst trading at a discount to their intrinsic / fair value. The Fund focused on companies who would benefit from a recovery in developed markets or from increased capital spending at home. Sectors the fund favoured are construction and manufacturing.

2.4 The Fund's asset allocation as at 31 July 2017 and comparison with the previous financial year.

| Asset | 31 July 2017 | 31 July 2016 |
|--|--------------|--------------|
| Unlisted collective investment schemes | 97.9% | 97.8% |
| Cash | 2.1% | 2.2% |

Reason for the differences in asset allocation

The Fund increased its allocation into collective investment schemes marginally in order to improve asset utilisation.

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

| | Period under review |
|---|---------------------|
| Kenanga OnePRS Growth Fund | 13.23% |
| A composite of All MGS Index (30%) and FBM 100 (70%) | 6.17% |

Source: Lipper; Novagni Analytics and Advisory Sdn Bhd

For the financial period under review, the Fund grew 13.23% outperforming the 6.17% rise in the composite benchmark of 30% MGS and 70% FBM100. The outperformance was mainly due to stock selection in Kenanga Growth Fund (KGF).

2.6 Review of the market

Equity Market Review

The FBMKLCI increased 6.46% for the period under review (1st August 2016 – 31st July 2017). The KLCI corrected in November 2016 after Trump won US Presidential election but scaled up in 2017 with the return of foreign buying.

Bank of England (BOE) announced a 25bps cut in interest rates to 0.25% on 4 August 2016, and introduced several stimulus measures in the wake of the Brexit fallout. US Fed kept its policy rate unchanged on 21 September for the sixth consecutive meeting. The market was pretty flattish in October, as investors remained on the side-lines ahead of the US Presidential election. The US Fed, on 13 October, signalled for another rate hike before year-end with just two remaining Fed meetings. Weak Chinese export data also continued to drag down overall global markets as uncertainty loomed.

There were no major surprises from the 2017 Malaysian budget unveiled by the government in October 2016. The government projects higher GDP growth of 4%-5% in 2017 vs 4%-4.5% in 2016. Stronger growth will be supported by resilient domestic demand and exports recovery attributed to higher commodities price. Meanwhile, 2017 fiscal deficit is expected to narrow to 3.0% from 3.1% in 2016.

Prime Minister Najib visited China in November 2016 and signed 14 MOUs worth RM144 billion. The key Chinese FDI from the visit was the RM55 billion East Coast Railway Link. The project will be on a fast-track basis where ground breaking is expected in 2017.

2.6 Review of the market (Contd.)

Equity Market Review (Contd.)

Markets were caught off-guard by Trump's victory in the US Presidential election. Asian markets were the first to react with a sharp-sell down as investors flocked towards safe havens such as bonds, gold and Japanese Yen. The dollar surged against Asian currencies as interest rate hike expectations jumped and markets continue to focus on Trump's pro-growth and inflationary economic policies. Ringgit fell to the low MYR4.4183 on 18 November. To prevent further weakening of the MYR, Bank Negara curtailed activity on the non-deliverable forward (NDF) market for currency-hedging traders. Bank Negara later also introduced new forex rule where exporters are required to convert 75% of export proceeds into Ringgit.

As expected, the Federal Reserve hiked rate by 25bps in the December 2016 FOMC meeting. Given the stronger underlying growth of the US economy, the Fed also raised interest rate expectations by guiding hikes in 2017 (vs previous expectation of 2 hikes).

January and February 2017 were active months for the equity markets. The KLCI Index rose 3.2% to 1722.47 points in the first two months of 2017. 2017 year also started with more exciting corporate news, led by PNB related companies including demerger of UMW Holdings from its oil & gas business and the proposed splitting of Sime Darby into 3 separate entities for its plantations, property and industrial divisions.

The KLCI Index continued its surge in February and March courtesy to persistent foreign buying after being absent in the domestic market for more than 3 years. March 2017 also recorded the foreign inflow of RM4.4bil (Mar 16: RM6.1bil foreign net inflow) after three consecutive years (2014-2016) of foreigners' net selling totalling about RM30bil. Malaysia recorded 4Q2016 GDP growth of 4.5% yoy, above estimate of 4.4%, bringing 2016 growth to 4.2%. This was the lowest growth in the past 3 years (2015: +5%; 2014: +6%) but is poised to pick up in 2017 with the recovery of oil price and CPO price.

There was no surprised monetary actions from the central banks in 1Q2017, both ECB and BOJ stay put but Fed hiked 25bps as widely expected. The Bank Negara's annual report released by end March provided GDP growth forecast of 4.3%-4.8% and CPI projection of 3%-4%, which were well within market expectations.

The market charted another positive month in April but took a breather in May which is always a seasonally slow month. There were also rising geopolitical tension and surprised political happenings in April and May. The US launched a military strike on a Syrian government airbase in response to a chemical weapons attack killing civilians and later dropped the largest conventional bomb on an ISIS area in eastern Afghanistan. North Korea also unveiled its new missile technology where US President Donald Trump was hoping on China to rein in North Korea's military aggression. In EU, UK Prime Minister Theresa May called for snap UK general election to strengthen her political grips before Brexit negotiation. Meanwhile, Emmanuel Macron defeated Marine Le Pen in the French presidential election which removed the risk of France leaving EU. In a widely expected move, OPEC and non-members agreed to extend production cuts by another nine months to March 2018.

2.6 Review of the market (Contd.)

Equity Market Review (Contd.)

On the local front, Bank Negara announced liberalisation of MGS market where investors and issuers can short sell from May onwards. The market and corporates was however shocked by a surprised announcement from TRX City voiding the sales of 60%-stake in Bandar Malaysia to IWH-CREC consortium done in 2015. Mid-small caps started a price correction as investors took profit following a strong rally since beginning of the year. Malaysia also reported 1Q2017 GDP of 5.6% yoy which was above the 4.8% forecast, which is the strongest growth rate since 1Q2015. In the March 2017 corporate result reporting, results were generally within expectations. 48% companies' results were in line, 15% was above while 37% were below expectations. Result of big caps including banks, plantation and telcos were generally in line with expectations. Sectors with weaker earnings were automobile, gaming and logistics.

May and June 2017 were relatively flattish months for KLCI Index with marginal negative return in (-0.12% month-on-month in both months). As expected by the market, the Fed raised rate by another 25bps leaving guidance unchanged of another hike in 2017. The Fed also plans to start trimming its \$4.5trillion balance sheet later in 2017. Another geopolitical event was the alleged Qatar support of IS terrorism which resulted in Saudi, Bahrain, UAE and Egypt cutting diplomatic ties with Qatar. In UK, Prime Minister Theresa May lost her parliament majority in the early election but managed to form a government with the support of other smaller party. July was generally quiet for the local market. IMF upgraded Malaysia 2017 GDP forecast to 4.8% from its earlier projection of 4.5%.

Foreigners were net buyer of the equity markets for seven consecutive months from January to July in 2017 totaling RM11.2billion. Year-to-date up to end July 2017, the KLCI Index, FBM100 Index and FBM Small Cap Index rose 7.21%, 8.99% and 17.39% respectively. For the same period, CPO fell 13.9% to RM2675/ton while Brent crude oil dropped 7.3% to US\$52.65/barrel. The Ringgit strengthened against US dollar for 4.57% for first seventh months of 2017 to end at RM4.2813 as of end July 2017.

Fixed Income market review

The global economy is on the mend. Based on high frequency data year-to-date, global economic growth seems to be more evenly balanced. The Global Purchasing Managers' Index (PMI) continues to be on the uptrend, aided by a more robust global trade performance. Industrial production is picking up although inflation has not yet reached the targets in most of the advanced economies. The United States (US) economy is gaining strength, with a strong labour market and rising capacity utilization (CAPU) despite a mild pullback by consumers in 1Q2017. Industrial production rose at the fastest annual pace since January 2015 and robust job gains would be supportive of consumer spending going forward.

Other major economies are also supporting the global expansion. China's growth for instance, is rebounding after last year's deceleration. The economy expanded 6.9% in 1Q2017, faster than expected and well above the government's full year 6.5% target. Higher government infrastructure spending, as well as the boom in the property sector, both of which helped lift industrial output by the most in over the last two years, provided the boost.

2.6 Review of the market (Contd.)

Fixed Income market review (Contd.)

In Europe, the 19-nation euro-area's economic growth continues to accelerate, clocking its best run since the Global Financial Crisis (GFC) nearly a decade ago. Thus far, concerns over rising Euroscepticism have somewhat receded, following the defeat of populist candidates in French and Dutch elections in the early part of this year. In addition, sentiment among businesses and consumers has returned to pre-crisis level, suggesting that the current economic recovery is becoming more sustainable. The region's manufacturing and services gauges continued to show strong upward momentum in recent months, with the composite PMI holding at a six-year high in each of the three months ended June.

On the local front, Malaysia's real GDP which rebounded strongly in 1Q2017 to 5.6% year-on-year (y-o-y) is expected to continue chalking up decent numbers in 2H2017, supported by both external and internal factors. On the external front, global trade value which turned positive for the first time in the final quarter of 2016, is benefitting Malaysia's export sector. In USD terms, Malaysian exports had posted positive growth in 4Q2016 and 1Q2017 for the first time since 3Q2014. In Ringgit terms, real exports growth accelerated to 9.8% in 1Q2017, the strongest since mid-2010. Exports of manufactured products also benefitted from rising global semiconductor sales while major commodity exports surged by nearly 30% after contracting in the past two years.

Equity market outlook

We have a positive outlook on the domestic equity market in 2017 after 3 years of underperformance from 2014 to 2016. The re-rating catalysts include:

- a) Stronger 2017 GDP growth to be underpinned by better oil and CPO price, sustained infrastructure spending and rising China FDI;
- b) Corporate earnings growth in 2017/18 expected at 7.6%/5.9% respectively after 3 years of earnings contraction;
- c) GLC (Government Linked Companies) reforms for PNB related and other companies for better value creation.
- d) Low foreign ownership after 3 years of foreign selling amounted to about RM30bil.
- e) Expectation of general election in 2017/18. Historically markets rallied a few months before general election.

Fixed Income market outlook

Given such a backdrop, we are of the view that the Fed would continue to normalize its monetary policy despite not achieving its inflation target. The downside risk to the economy, however, remains the potential setback in delivering President Trump's promised fiscal stimulus, given increased political noises.

Notwithstanding China's improved short-term economic outlook, we would remain cautious on how its economic rebalancing efforts to put the economy on a more sustainable footing will pan out in the medium term. Financial sector risks due to build-up of debt remain a veritable concern. On the whole, however, while we acknowledge the problems faced by the authorities and that the economy will not be able to turbocharge itself as it did in the past, China will not likely see a hard landing in the near term.

2.6 Review of the market (Contd.)

Fixed Income market outlook (Contd.)

On the whole, we are of the view that the Euro-area recovery is set to continue, underpinned by fiscal support, accommodative monetary conditions and a weaker currency.

On the local front, we foresee real GDP growth to accelerate to 4.7% in 2017, up from 4.2% in 2016. We view the recent spike in inflation to 4.2% y-o-y in the first five months of 2017 as transitory and that the near term outlook for inflation is broadly unchanged. Current inflation momentum is expected to decelerate in the coming months as cost pressure moderates on the back of the stronger Ringgit and softening commodity prices. However, the inflation rate will likely remain higher than last year due to the lower base, especially in 2H2016 when the consumer price index (CPI) grew at an average pace of only 1.5%. As a result, we now foresee an average inflation rate of 3.8% for the whole of 2017, up from 2.1% in 2016.

On interest rates, we retain our view that the Overnight Policy Rate (OPR) will be maintained at the current level of 3.0% throughout the rest of 2017. With the global economic outlook expected to turn more positive on the back of stronger performances from the US and China, as well as a rebound in the domestic economy, we do not expect a further reduction in the OPR for the rest of 2017. The possibility of an upside movement of OPR is also rather limited. Although inflation figures will be closely watched in the next six months following the spike in the first five months of 2017, we think that cost-push factors will not induce Bank Negara Malaysia (BNM) to react as it could lead to a deterioration in consumers' financial position.

As for the government's financial position, we opine that the fiscal deficit target of 3.0% of GDP in 2017 is achievable. This is premised on the slightly average crude oil prices expected for this year, combined with a continued acceleration in economic growth. Over the medium term, however, we foresee the government's target of achieving an almost balanced budget of -0.6% of GDP by 2020 as challenging, unless crude oil prices rebound back to their pre-2014 level and economic growth picks up meaningfully.

On capital flows, the situation has improved recently with Malaysia recording bond inflows over two consecutive months in April and May 2017. Total foreign bond holdings as of end-May 2017 stood at RM195 billion, RM51.8 billion (21%) lower than its August 2016 peak. While the fall may seem large, it is still relatively small compared to the drop in the aftermath of the GFC in 2008-2009. Total foreign holdings had then fallen 67% by March 2009 from its peak at April 2008. Going forward, there are positives factors supporting the Malaysian bond market. These include: (1) brighter growth prospects of the Malaysian economy in 2017; (2) better-than-expected fiscal and external balances; and (3) a stable Ringgit against the USD. We expect these factors to induce stronger capital inflows in 2H2017.

Fund Strategy

With the global markets is expected to remain volatile in the near term, we continue to advocate a defensive portfolio strategy, buying on weakness into names driven by resilient earnings with exposure to selective themes, like USD beneficiaries (exporters), GLC reform/restructuring plays, domestic consumption and infrastructure including stocks that will benefit from the Malaysia-China partnership.

2.6 Review of the market (Contd.)

Fund Strategy (Contd.)

For fixed income, we maintain our strategy of neutral and tactically overweight duration and preference for good quality corporate bonds rated AA3 and above over government bonds for yield enhancement to the portfolio.

2.7 Income Distribution

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

2.8 Details of any unit split exercise

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

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

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

2.10 Circumstances that materially affect any interests of the members

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

2.11 Rebates & Soft commissions

Any rebates received are channeled back to the Fund. On the other hand, soft commissions received from the stockbrokers for goods and services such as technical analysis software, fundamental database, financial wire services, stock quotation system and portfolio management software incidental to investment management of the Fund shall be retained by the PRS Provider. For the financial year under review, the PRS Provider did not receive any rebates or soft commissions from stockbrokers.

3. FUND PERFORMANCE

3.1 Details of portfolio composition of Kenanga OnePRS Growth Fund (“the Fund”) for the last three financial years as at 31 July are as follow:

a. Distribution among industry sectors and category of investments:

| | FY 2017 % | FY 2016 % | FY 2015 % |
|--|-----------------|-----------------|-----------------|
| Unlisted collective investment schemes | 97.9 | 97.8 | 97.2 |
| Cash | 2.1 | 2.2 | 2.8 |
| | 100.0 | 100.0 | 100.0 |

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

b. Distribution among markets

The Fund invests in unlisted collective investment schemes and cash instruments only.

3.2 Performance details of the Fund for the last 3 financial years ended 31 July are as follows:

| | FY 2017 | FY 2016 | FY 2015 |
|---|--------------------|--------------------|--------------------|
| Net asset value ("NAV") (RM Million) | 41.07 | 23.75 | 11.41 |
| Units in circulation (Million) | 59.24 | 38.78 | 19.04 |
| NAV per unit (RM) | 0.6933 | 0.6123 | 0.5991 |
| Highest NAV per unit (RM) | 0.6960 | 0.6154 | 0.5991 |
| Lowest NAV per unit (RM) | 0.6113 | 0.5560 | 0.5136 |
| Total return (%) | 13.23 | 2.20 | 6.13 |
| - Capital growth (%) | 13.23 | 2.20 | 6.13 |
| - Income growth (%) | - | - | - |
| Gross distribution per unit (sen) | - | - | - |
| Net distribution per unit (sen) | - | - | - |
| Management expense ratio ("MER") (%) ¹ | 0.55 | 0.54 | 0.72 |
| Portfolio turnover ratio ("PTR") (times) ² | 0.27 | 0.48 | 0.68 |

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

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

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

¹ *No significant changes in MER for the current financial year under review.*

² *PTR for the financial year under review is lower mainly due to lesser trading activities.*

3.3 Average total return of the Fund

| | 1 year 31 Jul 16 - 31 Jul 17 | 3 years 31 Jul 14 - 31 Jul 17 |
|--|---|--|
| Kenanga OnePRS Growth Fund | 13.23% | 7.11% |
| A composite of All MGS Index (30%) and FBM 100 (70%). | 6.17% | 0.42% |

Source: Lipper; Novagni Analytics and Advisory Sdn Bhd

3.4 Annual total return of the Fund

| | Period under review 31 Jul 16 - 31 Jul 17 | 1 Year 31 Jul 15 - 31 Jul 16 | 1 Year 31 Jul 14 - 31 Jul 15 | Period 20 Nov 13 - 31 Jul 14 |
|--|--|---|---|---|
| Kenanga OnePRS Growth Fund | 13.23% | 2.20% | 6.13% | 12.90% |
| A composite of All MGS Index (30%) and FBM 100 (70%). | 6.17% | 0.30% | -4.90% | 3.22% |

Source: Lipper; Novagni Analytics and Advisory Sdn Bhd

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

4 TRUSTEE'S REPORT TO THE MEMBERS OF KENANGA ONEPRS GROWTH FUND

We have acted as Trustee of Kenanga OnePRS Growth Fund ("the Fund") for the financial year ended 31 July 2017. To the best of our knowledge, Kenanga Investors Berhad, ("the PRS Provider") has managed the Fund in the financial period under review in accordance with the following:

1. The limitations imposed on the investment powers of the PRS Provider and the Trustee under the Deed, the Securities Commission's Guidelines on Private Retirement Schemes, the Capital Markets and Services Act 2007 and other applicable laws;
2. The valuation or pricing of the Fund is carried out in accordance with the Deed and relevant regulatory requirement; and
3. The creation and cancellation of units of the Fund are carried out in accordance with the Deed and relevant regulatory requirement.

For Maybank Trustees Berhad
(Company No.: 5004-P)

Chong Kin Tuck
Chief Executive Officer

Kuala Lumpur, Malaysia

27 September 2017

5 INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KENANGA ONEPRS GROWTH FUND REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Kenanga OnePRS Growth Fund (“the Fund”), which comprise the statement of financial position as at 31 July 2017, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows of the Fund for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 17 to 34.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 July 2017 and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

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

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

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

5 INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KENANGA ONEPRS GROWTH FUND (CONTD.)

Responsibilities of the PRS Provider and Trustee for the financial statements

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

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

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

Auditors' responsibility for the audit of the financial statements

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

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

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

5 INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KENANGA ONEPRS GROWTH FUND (CONTD.)

Auditors' responsibility for the audit of the financial statements (Contd.)

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

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

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Chan Hooi Lam
No. 2844/02/18(J)
Chartered Accountant

Kuala Lumpur, Malaysia

27 September 2017

6. STATEMENT BY THE PRS PROVIDER

I, Ismitz Matthew De Alwis, being a director of Kenanga Investors Berhad, do hereby state that, in the opinion of the PRS Provider, the accompanying statement of financial position as at 31 July 2017 and the related statement of comprehensive income, statement of changes in net asset value and statement of cash flows for the financial year ended 31 July 2017 together with notes thereto, are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of Kenanga OnePRS Growth Fund as at 31 July 2017 and of its financial performance and cash flows for the financial year then ended and comply with the requirements of the Deed.

For and on behalf of the PRS Provider
Kenanga Investors Berhad

Ismitz Matthew De Alwis
Executive Director/Chief Executive Officer

Kuala Lumpur, Malaysia

27 September 2017

7. FINANCIAL STATEMENT

7.1 STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 JULY 2017

| | Note | 2017 RM | 2016 RM |
|---|------|------------------|--------------------|
| INVESTMENT INCOME | | | |
| Distribution income | | - | 1,687,819 |
| Net gain/(loss) from investments: | | | |
| - Financial assets at fair value through profit or loss ("FVTPL") | 4 | <u>4,487,862</u> | <u>(1,141,394)</u> |
| | | <u>4,487,862</u> | <u>546,425</u> |
| EXPENSES | | | |
| PRS Provider's remuneration | | 73,760 | 40,214 |
| Trustee's fee | | 4,906 | 2,678 |
| Private Pension Administrator ("PPA") administration fee | | 13,082 | 7,143 |
| Auditor's remuneration | | 6,500 | 6,000 |
| Tax agent's fee | | - | 4,000 |
| Administration expenses | | <u>80,979</u> | <u>37,074</u> |
| | | <u>179,227</u> | <u>97,109</u> |
| NET INCOME BEFORE TAX | | 4,308,635 | 449,316 |
| Income tax | 8 | <u>-</u> | <u>-</u> |
| NET INCOME AFTER TAX, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR | | <u>4,308,635</u> | <u>449,316</u> |
| Net income after tax is made up as follows: | | | |
| Realised (loss)/gain | | (85,256) | 1,600,467 |
| Unrealised gain/(loss) | 4 | <u>4,393,891</u> | <u>(1,151,151)</u> |
| | | <u>4,308,635</u> | <u>449,316</u> |

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

**7.2 STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2017**

| | Note | 2017 RM | 2016 RM |
|---------------------------------------|-------|-------------------|-------------------|
| ASSETS | | | |
| INVESTMENTS | | | |
| Financial assets at FVTPL | 4 | <u>40,250,888</u> | <u>23,272,142</u> |
| OTHER ASSET | | | |
| Cash at bank | | <u>867,405</u> | <u>516,175</u> |
| TOTAL ASSETS | | <u>41,118,293</u> | <u>23,788,317</u> |
| LIABILITIES | | | |
| Amount due to PRS Provider | | 12,377 | 15,497 |
| Amount due to Trustee | | 514 | 553 |
| Amount due to PPA | | 1,371 | 738 |
| Other payables | 9 | <u>34,878</u> | <u>24,173</u> |
| TOTAL LIABILITIES | | <u>49,140</u> | <u>40,961</u> |
| EQUITY | | | |
| Members' contribution | | 35,362,974 | 22,349,812 |
| Retained earnings | | <u>5,706,179</u> | <u>1,397,544</u> |
| NET ASSET VALUE ("NAV") | | | |
| ATTRIBUTABLE TO MEMBERS | 10 | <u>41,069,153</u> | <u>23,747,356</u> |
| TOTAL LIABILITIES AND EQUITY | | <u>41,118,293</u> | <u>23,788,317</u> |
| NUMBER OF UNITS IN CIRCULATION | 10(a) | <u>59,241,124</u> | <u>38,780,749</u> |
| NET ASSET VALUE PER UNIT (RM) | | <u>0.6933</u> | <u>0.6123</u> |

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

**7.3 STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017**

| | Note | Members' contribution RM | Retained earnings RM | Total NAV RM |
|------------------------------------|-------|--------------------------------|----------------------------|--------------------|
| 2017 | | | | |
| At beginning of the financial year | | 22,349,812 | 1,397,544 | 23,747,356 |
| Total comprehensive income | | - | 4,308,635 | 4,308,635 |
| Creation of units | 10(a) | 13,142,597 | - | 13,142,597 |
| Cancellation of units | 10(a) | (130,967) | - | (130,967) |
| Distribution equalisation | 10(a) | 1,532 | - | 1,532 |
| At end of the financial year | | <u>35,362,974</u> | <u>5,706,179</u> | <u>41,069,153</u> |
| 2016 | | | | |
| At beginning of the financial year | | 10,461,845 | 948,228 | 11,410,073 |
| Total comprehensive income | | - | 449,316 | 449,316 |
| Creation of units | 10(a) | 12,231,756 | - | 12,231,756 |
| Cancellation of units | 10(a) | (469,031) | - | (469,031) |
| Distribution equalisation | 10(a) | 125,242 | - | 125,242 |
| At end of the financial year | | <u>22,349,812</u> | <u>1,397,544</u> | <u>23,747,356</u> |

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

**7.4 STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017**

| | 2017 RM | 2016 RM |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES | | |
| Proceeds from sale of financial assets at FVTPL | 2,594,373 | 1,996,725 |
| Tax agent's fee paid | (4,800) | (3,400) |
| Trustee's fee paid | (4,945) | (3,387) |
| Auditor's remuneration paid | (6,000) | (6,000) |
| PPA administration fee paid | (12,449) | (6,784) |
| Payment for other fees and expenses | (65,974) | (40,683) |
| PRS Provider's remuneration paid | (70,104) | (38,258) |
| Purchase of financial assets at FVTPL | <u>(15,044,202)</u> | <u>(13,533,000)</u> |
| Net cash used in operating and investing activities | <u>(12,614,101)</u> | <u>(11,634,787)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash received from units created | 13,096,298 | 12,300,531 |
| Cash paid on units cancelled | <u>(130,967)</u> | <u>(471,433)</u> |
| Net cash generated from financing activities | <u>12,965,331</u> | <u>11,829,098</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | |
| | 351,230 | 194,311 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | | |
| | <u>516,175</u> | <u>321,864</u> |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR | | |
| | <u>867,405</u> | <u>516,175</u> |
| Cash and cash equivalents comprise: | | |
| Cash at bank | <u>867,405</u> | <u>516,175</u> |

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

7.5 NOTES TO THE FINANCIAL STATEMENTS FOR FOR THE FINANCIAL YEAR ENDED 31 JULY 2017

1. THE FUND, THE PRS PROVIDER AND THEIR PRINCIPAL ACTIVITIES

Kenanga OnePRS Growth Fund (“the Fund”) was constituted pursuant to the executed Deed dated 29 August 2013 (collectively, together with the deeds supplemental thereto, referred to as “the Deed”) between the Private Retirement Scheme Provider (“PRS Provider”), Kenanga Investors Berhad and Maybank Trustees Berhad (“the Trustee”). The Fund commenced operations on 20 November 2013 and will continue to be in operation until terminated as provided under Part 16 of the Deed.

Kenanga Investors Berhad is a wholly-owned subsidiary of Kenanga Investment Bank Berhad. Prior to 1 November 2016, Kenanga Investment Bank Berhad was a wholly-owned subsidiary of K & N Kenanga Holdings Berhad that was listed on the Main Market of Bursa Malaysia Securities Berhad. Pursuant to an internal reorganisation exercise completed on 1 November 2016, Kenanga Investment Bank Berhad has become the holding company of K & N Kenanga Holdings Berhad. On 2 November 2016, Kenanga Investment Bank Berhad has assumed the listing status of K & N Kenanga Holdings Berhad. All of these companies are incorporated in Malaysia.

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

The Fund seeks to provide its members capital growth. The Fund seeks to achieve its objective by investing a maximum of 70% of the Fund’s NAV in equities and at least 30% of the Fund’s NAV in fixed income instruments and/or money market instruments. However, at the launch of the Fund, the Fund aims to meet its objective and asset allocation by investing up to 70% of the Fund’s NAV in any one collective investment schemes managed by the PRS Provider that is in line with the Fund’s asset allocation. Such investment shall be for a period of five (5) years from the launch of the Fund or upon the Fund reaching RM200 million NAV (whichever is earlier).

The financial statements were authorised for issue by the Chief Executive Officer of the PRS Provider on 27 September 2017.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

a. Market Risk

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

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

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

i. Interest rate risk

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

The Fund is not exposed to interest rate risk as it does not hold any interest-bearing assets and liabilities. However, the Fund has indirect exposure to interest rate risk through its investments in the unlisted collective investment schemes.

ii. Price risk

Price risk is the risk of unfavorable changes in the fair values of unlisted collective investment schemes. The Fund invests in unlisted collective investment schemes which are exposed to price fluctuations. This may then affect the NAV per unit of the Fund.

Price risk sensitivity

The PRS Provider's best estimate of the effect on the profit for the financial year due to a reasonably possible change in investments in unlisted collective investment schemes with all other variables held constant is indicated in the table below:

| | Changes in price Increase/(Decrease) Basis points | Effects on profit for the financial year Increase/(Decrease) RM |
|---------------------------|---|--|
| 2017 | | |
| Financial assets at FVTPL | 5/(5) | 20,125/(20,125) |
| 2016 | | |
| Financial assets at FVTPL | 5/(5) | 11,636/(11,636) |

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

a. Market Risk (Contd.)

ii. Price risk (Contd.)

Price risk sensitivity (Contd.)

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

Price risk concentration

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

| | Fair Value | | Percentage of NAV | |
|---------------------------|-------------------|-------------------|-------------------|-------------|
| | 2017 RM | 2016 RM | 2017 % | 2016 % |
| Financial assets at FVTPL | <u>40,250,888</u> | <u>23,272,142</u> | <u>98.0</u> | <u>98.0</u> |

b. Credit Risk

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

i. Credit risk exposure

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

ii. Financial assets that are either past due or impaired

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

c. Liquidity Risk

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

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

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

c. Liquidity Risk (Contd.)

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

| | Note | Up to 1 year | |
|---------------------------|------|-------------------|-------------------|
| | | 2017 | 2016 |
| | | RM | RM |
| Assets | | | |
| Financial assets at FVTPL | | 40,250,888 | 23,272,142 |
| Other assets | | <u>867,405</u> | <u>516,175</u> |
| | i. | <u>41,118,293</u> | <u>23,788,317</u> |
| Liabilities | | | |
| Other liabilities | ii. | <u>14,262</u> | <u>16,788</u> |
| Equity | iii. | <u>41,069,153</u> | <u>23,747,356</u> |
| Liquidity gap | | <u>34,878</u> | <u>24,173</u> |

i. Financial assets

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

ii. Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the date on which liabilities will be settled. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Fund can be required to pay.

iii. Equity

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

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

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new and amended MFRS which became effective for the Fund on 1 August 2016. The adoption of the new and amended MFRS did not have any significant impact on the financial position or performance of the Fund.

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

b. Standards, Amendments and Interpretations Issued But Not Yet Effective

As at the reporting date, the following Standards, Amendments and Interpretation Committee’s (“IC”) Interpretation that have been issued by MASB will be effective for the Fund in future periods. The Fund intends to adopt the relevant standards when they become effective.

| Description | Effective for financial period beginning on or after |
|---|--|
| Amendments to MFRS contained in the documents entitled “Annual improvements to MFRS Standards 2014 - 2016 Cycle” | 1 January 2017 |
| Amendments to MFRS 107: Disclosure Initiative | 1 January 2017 |
| Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses | 1 January 2017 |
| Amendments to MFRS contained in the documents entitled “Annual improvements to MFRS Standards 2014 - 2016 Cycle” | 1 January 2018 |
| Amendments to MFRS 2: Classification and Measurement of Shared-based Payment Transactions | 1 January 2018 |
| Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts | 1 January 2018 |
| Amendments to MFRS 140: Transfers of Investment Property | 1 January 2018 |
| MFRS 9: Financial Instruments | 1 January 2018 |
| MFRS 15: Revenue from Contracts with Customers | 1 January 2018 |
| MFRS 15: Clarifications to MFRS 15 | 1 January 2018 |
| IC Interpretation 22: Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| MFRS 16: Leases | 1 January 2019 |
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be announced by MASB |

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

b. Standards, Amendments and Interpretations Issued But Not Yet Effective (Contd.)

The Fund will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any significant impact to the financial statements of the Fund upon their initial application, other than MFRS 9.

MFRS 9 replaces MFRS 139 on the following requirements: classification and measurement of financial assets and financial liabilities as defined in MFRS 139, impairment methodology and hedge accounting. The Fund is in the process of making an assessment of the impact of this Standard.

c. Financial Assets

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at FVTPL, directly attributable transaction costs.

The Fund determines the classification of its financial assets at initial recognition.

i. Financial assets at FVTPL

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition.

Financial assets held for trading include unlisted collective investment schemes acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Changes in the fair value of those financial instruments are recorded in profit or loss.

Distribution revenue element of such instruments is recorded in "distribution income".

ii. Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as receivables.

Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method. Gain or loss is recognised in profit or loss when the receivable is derecognised or impaired, and through the amortisation process.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

d. Impairment of Financial Assets

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred; the Fund considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable becomes uncollectible, it is written off against the allowance account.

If, in a subsequent financial year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the assets does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

e. Income

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

Distribution income is recognised on declared basis, when the right to receive the distribution is established.

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

f. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank and short term deposits with licensed financial institutions with insignificant risk of changes in value.

g. Income Tax

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

h. Unrealised Reserves

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

i. Financial Liabilities

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

Financial liabilities are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument. The Fund's financial liabilities are classified as other financial liabilities. The Fund's financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

j. Members' Contribution – NAV Attributable to Members

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

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

k. Functional and Presentation Currency

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

l. Distribution

Distributions are at the discretion of the PRS Provider. A distribution to the Fund's members is accounted for as a deduction from retained earnings.

m. Significant Accounting Judgments and Estimates

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

i. Critical judgments made in applying accounting policies

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

m. Significant Accounting Judgments and Estimates (Contd.)

ii. Key sources of estimation uncertainty

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

4. FINANCIAL ASSETS AT FVTPL

| | 2017 RM | 2016 RM |
|---|-------------------|--------------------|
| Financial assets held for trading, at FVTPL: | | |
| Unlisted collective investment schemes | <u>40,250,888</u> | <u>23,272,142</u> |
| Net gain/(loss) on financial assets at FVTPL comprised: | | |
| Realised gain on disposals | 93,971 | 9,757 |
| Unrealised changes in fair values | <u>4,393,891</u> | <u>(1,151,151)</u> |
| | <u>4,487,862</u> | <u>(1,141,394)</u> |

Details of financial assets at FVTPL as at 31 July 2017:

| | Quantity | Aggregate Cost RM | Fair value RM | Percentage of NAV % |
|---|------------|-------------------------|-------------------|---------------------------|
| Unlisted collective investment schemes | | | | |
| Kenanga Bond Fund | 16,757,443 | 11,721,045 | 11,912,866 | 29.0 |
| Kenanga Growth Fund | 24,125,678 | <u>24,958,571</u> | <u>28,338,022</u> | 69.0 |
| Total unlisted collective investment schemes, representing total financial assets at FVTPL | | <u>36,679,616</u> | <u>40,250,888</u> | <u>98.0</u> |
| Unrealised gain on financial assets at FVTPL | | <u>3,571,272</u> | | |

5. PRS PROVIDER'S REMUNERATION

PRS Provider's remuneration is calculated on a daily basis at a rate up to 5.00% per annum of the NAV of the Fund as provided under Division 17.1 of the Deed.

The PRS Provider is currently charging at 1.55% per annum of the NAV of the Fund (2016: 1.55% per annum).

5. PRS PROVIDER'S REMUNERATION (CONTD.)

As the Fund invests in units of the Kenanga Bond Fund and Kenanga Growth Fund, any management fee charged to the unlisted collective investment schemes are fully refunded to the Fund. Accordingly, there is no double charging of management fee.

6. TRUSTEE'S FEE

Pursuant to the supplemental deed dated 2 October 2014, the Trustee's fee is calculated on a daily basis at a rate not exceeding 0.015% per annum of the NAV of the Fund and subject to a minimum fee of RM6,000 per annum as provided under Division 17.2 of the Deed.

The Trustee's fee is currently calculated at 0.015% per annum of the NAV of the Fund (2016: 0.015% per annum). The deficit from the minimum fee due for the current and previous financial years was borne by the PRS provider.

7. PPA ADMINISTRATION FEE

PPA administration fee is calculated on a daily basis at a rate of 0.04% per annum of the NAV of the Fund (2016: 0.04% per annum).

8. INCOME TAX

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

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

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

| | 2017 | 2016 |
|--|------------------|----------------|
| | RM | RM |
| Net income before tax | <u>4,308,635</u> | <u>449,316</u> |
| Tax at Malaysian statutory tax rate of 24% (2016: 24%) | 1,034,072 | 107,836 |
| Tax effect of: | | |
| Income not subject to tax | (1,077,087) | (407,418) |
| Loss not deductible for tax purposes | - | 276,276 |
| Expenses not deductible for tax purposes | 6,237 | 4,592 |
| Restriction on tax deductible expenses for unit trust fund | <u>36,778</u> | <u>18,714</u> |
| Income tax for the financial year | <u>-</u> | <u>-</u> |

9. OTHER PAYABLES

| | 2017 RM | 2016 RM |
|---|---------------|---------------|
| Accrual for auditors' remuneration | 6,500 | 6,000 |
| Accrual for tax agent's fees | 4,800 | 9,600 |
| Provision for printing and other expenses | 23,578 | 8,573 |
| | <u>34,878</u> | <u>24,173</u> |

10. NET ASSET VALUE ATTRIBUTABLE TO MEMBERS

NAV attributed to members is represented by:

| | Note | 2017 RM | 2016 RM |
|---------------------------|------|-------------------|-------------------|
| Members' contribution | (a) | 35,362,974 | 22,349,812 |
| <u>Retained earnings:</u> | | | |
| Realised reserves | | 2,134,907 | 2,220,163 |
| Unrealised reserves | | 3,571,272 | (822,619) |
| | | <u>5,706,179</u> | <u>1,397,544</u> |
| | | <u>41,069,153</u> | <u>23,747,356</u> |

(a) Members' contribution

| | 2017 | | 2016 | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | No. of units | RM | No. of units | RM |
| At beginning of the financial year | 38,780,749 | 22,349,812 | 19,044,144 | 10,461,845 |
| Add: Creation of units | 20,660,522 | 13,142,597 | 20,512,589 | 12,231,756 |
| Less: Cancellation of units | (200,147) | (130,967) | (775,984) | (469,031) |
| Distribution equalisation | - | 1,532 | - | 125,242 |
| At end of the financial year | <u>59,241,124</u> | <u>35,362,974</u> | <u>38,780,749</u> | <u>22,349,812</u> |

The number of units legally or beneficially held by the PRS Provider, Kenanga Investors Berhad, and parties related to the PRS Provider as at 31 July 2017 were nil (2016: nil).

11. PORTFOLIO TURNOVER RATIO ("PTR")

PTR for the financial year is 0.27 times (2016: 0.48 times).

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

12. MANAGEMENT EXPENSE RATIO (“MER”)

MER for the financial year is 0.55% (2016: 0.54%).

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

13. TRANSACTIONS WITH UNIT TRUST FUND MANAGER

| | Transaction value RM | Percentage of total % |
|---------------------------|-------------------------|--------------------------|
| Kenanga Investors Berhad* | <u>17,677,134.27</u> | <u>100.0</u> |

* Kenanga Investors Berhad is the Manager of Kenanga Bond Fund and Kenanga Growth Fund, the unlisted collective investment schemes that the Fund invested in during the financial year.

The above transaction values were in respect of unlisted collective investment schemes. Transactions in unlisted collective investment schemes do not involve any commission or brokerage fees.

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

14. SEGMENTAL REPORTING

As the Fund invests primarily in the unlisted collective investment schemes, it is not possible or meaningful to classify its investments by separate business or geographical segments. A list of the unlisted collective investment schemes that the Fund has invested in is disclosed in Note 4.

15. FINANCIAL INSTRUMENTS

a. Classification of financial instruments

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

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

15. FINANCIAL INSTRUMENTS (CONTD.)

a. Classification of financial instruments (Contd.)

| | Financial assets at FVTPL RM | Receivables RM | Financial liabilities RM | Total RM |
|--|---------------------------------------|-------------------|--------------------------------|-------------------|
| 2017 | | | | |
| Assets | | | | |
| Unlisted collective investment schemes | 40,250,888 | - | - | 40,250,888 |
| Cash at bank | - | 867,405 | - | 867,405 |
| | <u>40,250,888</u> | <u>867,405</u> | <u>-</u> | <u>41,118,293</u> |
| Liabilities | | | | |
| Amount due to PRS Provider | - | - | 12,377 | 12,377 |
| Amount due to Trustee | - | - | 514 | 514 |
| Amount due to PPA | - | - | 1,371 | 1,371 |
| | <u>-</u> | <u>-</u> | <u>14,262</u> | <u>14,262</u> |
| 2016 | | | | |
| Assets | | | | |
| Unlisted collective investment schemes | 23,272,142 | - | - | 23,272,142 |
| Cash at bank | - | 516,175 | - | 516,175 |
| | <u>23,272,142</u> | <u>516,175</u> | <u>-</u> | <u>23,788,317</u> |
| Liabilities | | | | |
| Amount due to PRS Provider | - | - | 15,497 | 15,497 |
| Amount due to Trustee | - | - | 553 | 553 |
| Amount due to PPA | - | - | 738 | 738 |
| | <u>-</u> | <u>-</u> | <u>16,788</u> | <u>16,788</u> |

b. Financial instruments that are carried at fair value

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

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

| | Level 1 RM | Level 2 RM | Level 3 RM | Total RM |
|--|---------------|---------------|---------------|-------------|
| Investments: | | | | |
| 2017 | | | | |
| Unlisted collective investment schemes | - | 40,250,888 | - | 40,250,888 |
| 2016 | | | | |
| Unlisted collective investment schemes | - | 23,272,142 | - | 23,272,142 |

15. FINANCIAL INSTRUMENTS (CONTD.)

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

Level 1: Listed prices in active market

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

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

The fair values of unlisted collective investment schemes are stated based on the NAV per unit of those unlisted collective investment schemes at reporting date.

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

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

16. CAPITAL MANAGEMENT

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

The Fund's objectives for managing capital are:

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

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

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