

KENANGA ISLAMIC BALANCED FUND

ANNUAL REPORT

For the Financial Year Ended 28 February 2025

kenanga

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

KENANGA ISLAMIC BALANCED FUND

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CORPORATE DIRECTORY

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

Registered Office

Level 17, Kenanga Tower
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Business Office

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Website: www.kenangainvestors.com.my

Board of Directors

Choy Khai Choon, Steven (**Chairman, Non-Independent Non-Executive Director**)
Norazian Ahmad Tajuddin (**Independent Non-Executive Director**)
Luk Wai Hong, William (**Non-Independent Non-Executive Director**)
Norazilla Binti Md Tahir (**Independent Non-Executive Director**)
Datuk Wira Ismitz Matthew De Alwis (**Chief Executive Officer, Executive Director**)

Investment Committee

Norazian Ahmad Tajuddin (**Independent Member**)
Norazilla Binti Md Tahir (**Independent Member**)
Luk Wai Hong, William (**Non-Independent Member**)
Datuk Wira Ismitz Matthew De Alwis (**Non-Independent Member**)

Company Secretary: Norliza Abd Samad (MAICSA 7011089)

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

External Fund Manager: Kenanga Islamic Investors Berhad

Company No. 199701036457 (451957-D)

Registered Office

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50470 Kuala Lumpur
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Shariah Adviser: Kenanga Investment Bank Berhad Company No. 197301002193 (15678-H)

Registered Office

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Level 23A, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur.
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Tax Adviser: Ernst & Young Tax Consultants Sdn Bhd Company No. 198901002487 (179793-K)

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

Membership: Federation of Investment Managers Malaysia (FIMM)

19-06-1, 6th Floor, Wisma Capital A, 19 Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur.
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DIRECTORY OF MANAGER'S OFFICES

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Menara Boustead Penang
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Miri

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Jalan Permaisuri
98000 Miri, Sarawak
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Jalan Tuanku Munawir
70000 Seremban
Negeri Sembilan
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Kota Kinabalu

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Kluang

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Pusat Perniagaan Komersial Haji Manan
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1. FUND INFORMATION

1.1 Fund Name

Kenanga Islamic Balanced Fund (**KIBF** or **the Fund**)

1.2 Fund Category / Type

Balanced (Islamic) / Growth & Income

1.3 Investment Objective

The Fund aims to achieve steady capital growth and income distribution (if any) over the medium to long-term period by investing in a diversified portfolio in accordance with Shariah requirements.

1.4 Investment Strategy

The Fund seeks to maximise total returns by providing investors with a combination of capital appreciation and income distribution, if any, while reducing risk through diversified investments in Shariah-compliant equities and sukuk.

1.5 Duration

The Fund was launched on 6 December 2004 and shall exist as long as it appears to the Manager and the Trustee that it is in the interests of the unit holders for it to continue.

1.6 Performance Benchmark

60% FTSE Bursa Malaysia Emas Shariah Index and 40% Maybank 12-month GIA rate

1.7 Distribution Policy

Subject to the availability of income, the Fund will distribute income annually.

1.8 External Fund Manager

Kenanga Islamic Investors Berhad

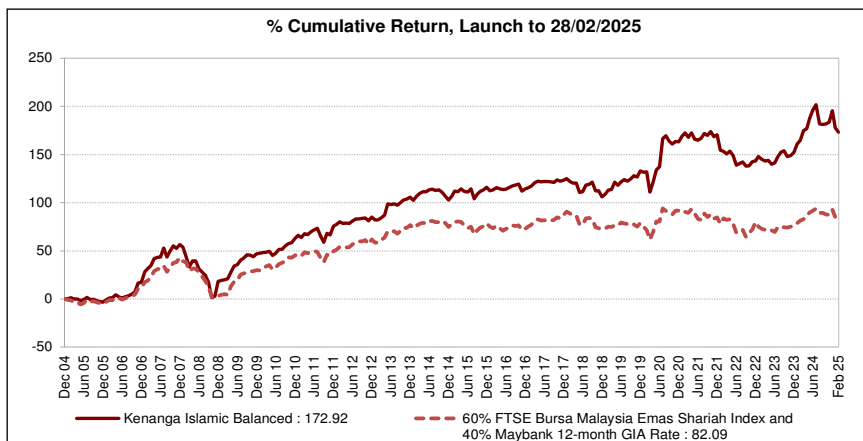
2. MANAGER'S REPORT

2.1 Explanation on whether the Fund has achieved its investment objective

Since inception, the Fund recorded a return of 172.92%, which is in line with the Fund's stated objective of medium to long term capital appreciation.

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

**Performance Chart Since Launch (6/12/2004 – 28/02/2025)
Kenanga Islamic Balanced Fund vs Benchmark***



Source: Novagni Analytics and Advisory

*Benchmark: 60% FTSE Bursa Malaysia Emas Shariah Index and 40% Maybank 12-month GIA Rate

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

For the financial year under review, the Fund sought to maximise total return by providing investors with a combination of capital appreciation and income distribution, if any, while reducing risk through diversified investments in Shariah-compliant equities with good growth prospects, whilst trading at a discount to their intrinsic/fair value as well as sukuk.

2.4 The Fund's asset allocation as at 28 February 2025 and comparison with the previous financial year

Asset	28 Feb 2025	29 Feb 2024
Listed Shariah-compliant equity securities	44.7%	55.1%
Listed Islamic collective investment scheme	0.6%	-
Unlisted corporate sukuk	16.4%	22.0%
Unlisted government sukuk	13.8%	3.4%
Unlisted quasi-government sukuk	2.7%	-
Unlisted Islamic commercial paper	1.8%	-

Note: The above mentioned percentages are based on total net asset value (NAV)

2.4 The Fund's asset allocation as at 28 February 2025 and comparison with the previous financial year (contd.)

Asset	28 Feb 2025	29 Feb 2024
Unlisted Islamic options	0.2%	2.1%
Short term Islamic deposits and cash equivalents	19.8%	17.4%

Note: The above mentioned percentages are based on total net asset value (NAV)

Reason for the differences in asset allocation

The Fund's asset allocation into listed Shariah-compliant equity securities was reduced from 55.1% as at end-February 2024 to 44.7% as at end-February 2025 to lock in market returns. Meanwhile, the Fund Manager rebalanced the Fund's fixed income allocation by increasing exposure to government sukuk, to capture the sustained market demand during the financial year under review.

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

	Year under review
KIBF	3.07%
60% FTSE Bursa Malaysia Emas Shariah Index and 40% Maybank 12-month GIA Rate	0.42%

Source: Lipper

The Fund outperformed its blended benchmark for the financial year under review mainly attributable to Shariah-compliant stock/sukuk selection and asset allocation.

2.6 Review of the market

Equity market review

In US, the S&P 500, Dow Jones and Nasdaq were up 3.1%, 2.1%, and 1.8% month-on-month (MoM) in March 2024 respectively, fueled by the continued optimism over the economy, potential rate cuts, and business opportunities in the artificial intelligence (AI) space. The street now expects Gross Domestic Product (GDP) to grow at 2.2% in 2024. The US Federal Reserve (Fed) maintained rates at 5.25% to 5.50%, keeping rates steady for the fifth consecutive meeting. Fed Chair Jerome Powell emphasized that the Fed remains "fully committed" to bring inflation down to its 2.0% target. However, the inflation rate which rose to 3.2% year-on-year (YoY) in February 2024 suggests that the path to the Fed's target could be longer and bumpier than expected as the labour market and economic growth remain strong, elevating prices.

In April, US equities fell sharply, with the Dow Jones, S&P 500 and Nasdaq falling 5.0%, 4.2% and 4.4% respectively due to a higher-than-expected inflation print which sparked fears of delays for interest rate cuts. US Consumer Price Index (CPI) rose 0.4% MoM, coming in higher than consensus' expectation of 0.3%. On a YoY basis, both headline and core CPI rose to 3.5% and 3.8% respectively, above economists' forecasts. In addition, March saw an additional 303,000 jobs added, way ahead of the 200,000 jobs anticipated. With the overall higher inflation and strong jobs market, expectations for rate cuts are now pushed back, with a June cut appearing unlikely and total number of cuts expected in 2024 reduced to one or two, from six at the start of the year. The 10-year US Treasury (UST) yield rose steeply 11.0% to 4.68%, close to levels last seen in November last year.

2.6 Review of the market (contd.)

Equity market review (contd.)

US equities rose in the month of May driven by better-than-expected corporate earnings, investors' optimism on the economic outlook and expectation of interest rate cut later this year. US consumer prices increased less than expected in April, suggesting that inflation resumed its downward trend hence boosted financial market expectations for a September interest rate cut. Hopes of the Fed to start its easing cycle this year were further bolstered by data on retail sales that were unexpectedly flat in April, suggesting that domestic demand was cooling. US CPI rose 0.3% in April after advancing 0.4% in February and March. On an annual basis, both headline and core CPI rose to 3.4% and 3.6% respectively. The core 12-month inflation reading was the lowest since April 2021 while the monthly increase of 0.3% was the smallest since December. US Dow Jones, S&P 500 and Nasdaq rose 2.3%, 4.8% and 6.9% MoM respectively. US announced new tariffs on USD 18 billion of goods from China, including quadruple tariffs on Chinese electric vehicles (to 100% from the current 25%) to protect US manufacturers. The increase is seen as having little impact as few electric vehicles are imported to the US from China. Tariffs were also increased on medical supplies and solar supplies as the Biden administration extended the Section 301 Tariffs on Imports from China, which started in 2018 and covers USD 300 billion of Chinese products.

Global equity markets continued to perform well in June 2024, with the S&P 500, Nasdaq, and Dow Jones increasing by 3.5%, 6.0%, and 1.1% MoM respectively. The US market finished the first half of 2024 strongly, with the S&P 500, Nasdaq, and Dow Jones up by 14.5%, 18.1%, and 3.8% respectively. The rally in the US market was mainly driven by better-than-expected corporate earnings. Wall Street is forecasting steady earnings growth through 2025. Even after excluding mega-cap technology stocks, the earnings outlook remains decent. US inflation cooled slightly to 3.3% in May, compared to the economists' expectation of 3.4%. The Fed has decided to hold interest rates steady after its meeting on the 11-12 June. The Fed now expects only one cut in 2024 amid sticky inflation, with economists anticipating the first cut in September 2024.

Global equity markets remained highly volatile during July amid rapidly changing macroeconomic and geopolitical environment. A weaker-than-expected US CPI reading early in the month, combined with weaker US labour market data, reassured bond investors that the Fed will soon begin cutting interest rates. Investors now expect the first rate cut in September, and are currently pricing almost three US rate cuts this year, with around 150 basis points (bps) worth of cuts by June 2025. Overall, the Dow Jones Industrial Average and S&P 500 rose 4.4% and 1.1% higher respectively, while the Nasdaq slipped 0.7% in July as investors rotated out of mega-caps tech names.

In August, volatility was the key theme. US equity markets sold off sharply in the beginning of the month on the back of labour market weakness (July unemployment rate spiked to 4.3% and jobs addition came significantly below expectations) and unwinding of the Japanese Yen carry trade. However, the index whipsawed higher by the end of the month as the Fed indicated the possibility of an interest rate cut soon and stronger-than-expected July retail sales relieved investors of recession fears. The Dow Jones Industrial Average closed the month 1.8% higher, while the S&P 500 rose 2.3%, and the Nasdaq grew 0.6%. Investors continue to expect the first Fed rate cut in September, and a total of four cuts by the end of 2024.

2.6 Review of the market (contd.)

Equity market review (contd.)

Equities in September saw moderate easing from last month's volatility, ultimately moving with upwards bias in most markets. The key headline was rate cuts as the Fed delivered its first cut of the cycle of 50bps, and the European Central Bank (ECB) executed its second 25bps cut in the year. Concerns that the 'upsized' Fed move was led by weakening growth were brushed aside by two consecutive better-than-expected jobless claims reports. As such, all three major US indices pushed through positive gains of 2.0% to 3.0% for the month, with Dow Jones and S&P 500 also notching new record highs. While the Fed's 'dot-plot' indicate another 50bps reduction before end-2024 and further 100bps in 2025, markets are positioned slightly ahead with an additional 50bps reduction already priced in for that period. Over in Europe, expectations of further inflation decline after August's 2.2% print (its 3-year low), coupled with the ECB's commitment to data dependence, supported the Euro STOXX's 0.9% gain for the month.

Equities slid in October as the 2024 US presidential elections approached. US equities traded higher for most of the month, but fell in the final days, with the Dow Jones and S&P 500 ending the month down 1.3% and 1.0% respectively. Economic activity remained robust, with 3Q GDP advancing 2.8%, despite a disappointing jobs report and weaker-than-expected Institute for Supply Management (ISM) data. The US economy added just 12,000 jobs in October, partly due to disruptions from hurricanes and port strikes. Several divergence appeared among economic indicators in October — inflation fell to 2.44% but core inflation rose to 3.31%. The US ISM Manufacturing Purchasing Managers' Index (PMI) dropped to 46.5, while the Services PMI rose to 54.9. Mortgage rates spiked even as the Fed's 'dot-plot' indicate another 50bps reduction before the end of 2024, and further 100bps reductions in 2025. In Europe, inflation increased to 2.0% in October, up 20bps from the previous month, and the ECB remained data dependent in its approach to easing monetary policy.

November 2024 began with the US presidential elections, where Donald Trump won a sweeping victory over his rival, Kamala Harris. Trump's re-election as the 47th President, coupled with the widely expected 25bps cut in federal funds rate, led to optimism in US equities. US' 3 major indexes climbed higher with positive gains of 5.0% to 7.0%, with the Dow Jones and S&P 500 finishing November at record highs. October's headline CPI grew to 2.6%, marking the first annual rise since March 2024, whereas core CPI rose to 3.3%. Nonetheless, these were within expectations, supporting the Fed's easing path. Surge in job growth is anticipated in November as October's growth was disrupted by hurricanes (Helene and Milton) and strikes by some aerospace factory workers. Eurozone's inflation also rose to 2.3% YoY in November, from 2.0% YoY in October, marking a slight departure from the ECB's target. Nonetheless, it fell 0.3% MoM, steepest since January 2024, potentially paving the way for further rate cuts. The Euro STOXX slipped lower by 0.5% in November.

Equities posted mixed results in December to close out 2024. A Santa Claus rally didn't materialize this year as the Dow Jones, S&P 500 fell 5.1% MoM and 2.5% MoM respectively while the Nasdaq rose 0.5% MoM. The Fed reduced interest rates by 25bps, bringing the current target range down to 4.25% to 4.50% as the market expected. Core inflation remained between 3.31% and 3.33% across all three prints between September and November. The prospect of fewer rate cuts next year, combined with the potential for higher expected inflation, appears to be a key focus for many investors. The 2025 Personal Consumption Expenditures (PCE) forecast rose from 2.1% to 2.5%, while the core PCE inflation forecast rose from 2.2% to 2.5%.

2.6 Review of the market (contd.)

Equity market review (contd.)

In Europe, Germany grappled with political uncertainty, with Premier Scholz losing a confidence vote in the German parliament earlier in December. Additionally, its manufacturing sector shows signs of slowing as major employers such as Volkswagen, Bosch, and Schaeffler have announced layoffs. The Euro STOXX gained by 1.9% MoM in December.

January 2025 kicked off with cautious optimism in global equity markets, with the Dow Jones, S&P 500 and Nasdaq rising 4.7%, 2.7%, and 1.6% MoM respectively. However, Technology and related stocks came under pressure due to a knee-jerk reaction following the Biden administration's release of the Interim Final Rule (IFR) on Artificial Intelligence Diffusion. Global stocks rose as investors reacted positively to US President Trump's inauguration on 20 January, who hinted at a potentially softer approach toward tariffs on China. Subsequently towards the end of the month, stock markets retreated following the release of DeepSeek, an open-source large language model (LLM) developed by a Chinese quant fund. DeepSeek's strong performance against other LLMs raised concerns on the need for large global AI capex. Meanwhile, the US Fed held its policy rate steady at 4.25% to 4.50% during its first Federal Open Market Committee (FOMC) meeting of the year on 28-29 January. Europe emerged as the best performing market with Euro STOXX 50, gaining 8.0% MoM as investors reallocated funds from high-valued US technology stocks to European equities, attracted by comparatively lower valuations and a more diversified sector exposure. Additionally, the Bank of England's (BoE) steady policy stance and expectations of rate cuts later in the year contributed to the positive market momentum.

February 2025 saw a shift in global equity markets, with mixed performances across regions. The Dow Jones, S&P 500 and Nasdaq posted declines of 1.6%, 1.4%, and 4.0% MoM respectively, as investor sentiment turned cautious amid a lacklustre earnings season and stretched valuations in mega-cap technology stocks. Trump's recent tariff measures began in early February, with a 10% tariff on Chinese imports taking effect 4 February. Additional tariffs on Canada and Mexico were announced but delayed until March. These actions created uncertainty in the markets, contributing to the cautious sentiment in February. Meanwhile, the Fed continued to signal a cautious approach amid persistent economic uncertainties. Previously, the policy rate had been maintained at 4.25% to 4.50%. Locally, February saw continued challenges for Malaysia's equity markets, with the FBM 100, FBM Shariah, FBM Small Cap declining 0.7%, 2.8%, and 6.6% MoM respectively, but FBM KLCI increasing by 1.1% MoM. The announcement of new US tariffs on Chinese imports further dampened sentiment, leading to a selloff in export-oriented and technology-linked stocks. Malaysia recorded foreign outflow of RM2.2 billion worth of equities in February 2025, slightly lower than RM3.1 billion outflow in January 2025.

Fixed income market review

In March 2024, the 2Y US Treasuries (UST) yield remained steady at 4.62% as mixed economic data and elevated inflation clouded the outlook for near-term interest rate cuts. On 20 March, the Fed kept interest rates unchanged at 5.25% to 5.50%, as widely expected. The committee reaffirmed its projections for 75bps of rate cuts in 2024 but reiterated its patient approach to lowering interest rates. Similarly, the Malaysian Government Securities (MGS) market remained stable in March, despite slightly higher domestic inflation. Malaysia's CPI edged higher to 1.8% YoY in February (January: 1.5%) mainly due to the increase in water tariffs during the month. Meanwhile on 7 March, Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) at 3.00%, given the balanced outlook for growth. Overall, MGS yields were largely unchanged for the month, with the 3Y MGS and 10Y MGS closing at 3.50% and 3.86% respectively.

2.6 Review of the market (contd.)

Fixed income market review (contd.)

In April, UST weakened significantly after Fed officials indicated that it would take longer than previously anticipated for rate cuts to begin given the resilient US economy and slow inflation progress. The 2Y UST yield surged by 42bps to 5.04% while the 10Y UST yield rose 48bps to close at 4.68%. Subsequently in May, UST recovered as softer economic data and signs of weakness in the US labour market reignited expectations for the Fed to cut interest rates. UST continued to rally in June as further easing of US inflation bolstered rate cut expectations, despite a strong rebound in the US job market and hawkish signals from the Fed. On 13 June, the Fed kept the interest rates unchanged at 5.25% to 5.50% as widely expected, but surprisingly revised its projections to signal only 25bps of rate cuts in 2024 (previous forecast: 75bps) and 100bps cut in 2025 (previous forecast: 75bps). UST pared gains towards end-June as market participants mulled the potential fiscal and inflationary implications from US presidential election. UST yields ended 2Q2024 slightly higher with the 2Y UST yield adding 13bps to 4.75%, while the 10Y UST yield rose 20bps to 4.40%.

On the local front, MGS yields inched higher in April amidst the bearish sentiment in global bond markets and the weakening ringgit. 3Y and 10Y MGS yields edged 11bps higher to 3.61% and 3.97% respectively at end-April. Nonetheless in May, the MGS market saw renewed buying interest alongside the rally in UST, driving the 3Y MGS yield 3bps lower to 3.58%, while the 10Y MGS yield closed 8bps lower at 3.89%. MGS yields continued to edge lower in June, loosely tracking UST movements. On 27 June, both S&P Global Ratings and Fitch Ratings affirmed Malaysia's sovereign credit rating at A- and BBB+ respectively, with a stable outlook. Overall for 2Q2024, MGS yields were largely steady, as the 3Y MGS yield ended the quarter at 3.52% while the 10Y MGS yield was unchanged at 3.86%.

The UST market enjoyed a strong rally in July, as soft labour market data reignited recession concerns while US inflation posted its first decline since the pandemic, fanning expectations for imminent rate cuts. Although the Fed kept interest rates unchanged on 31 July, the Fed signaled that it is moving closer to rate cuts as inflation continues to ease towards its 2.0% target. In August, UST extended its strong rally following the release of weaker jobs data and dovish comments by the Fed Chair, endorsing an imminent start to interest rate cuts and underlining policymakers' concerns over a softer labour market. The strong rally in UST continued in September as the Fed commenced its monetary policy easing cycle. As largely anticipated, the Fed slashed interest rates by 50bps, lowering its policy rate from 5.25% to 5.50%, to 4.75% to 5.00% during the FOMC meeting on 17-18 September. The UST yield curve bull steepened in 3Q2024, with the 2Y yield tumbling by 111bps quarter-on-quarter (QoQ) to 3.64% while the 10Y yield plunged by 62bps QoQ to 3.78%.

Similarly, MGS yields fell in July as trade volume surged on strong buying interest from both local and foreign investors. In tandem, the ringgit rose against the US dollar to its strongest level since August 2023, as foreign investors increased exposure in Malaysian government bonds to a record high in July. MGS ended mixed in August, with shorter tenures registering some gains while the longer ends were softer, amidst the remarkable GDP growth of 5.9% YoY in 2Q2024 (1Q2024: 4.2%). In September, the MGS market was rangebound ahead of the Budget 2025 announcement in mid-October. BNM kept the OPR unchanged at 3.00% for the eighth consecutive meeting on 5 September amidst the stable domestic growth and inflation outlook. MGS yields ended 3Q2024 generally lower, with the 3Y MGS yield falling by 19bps QoQ to 3.33% while the 10Y MGS yield shed 15bps QoQ to 3.71%.

2.6 Review of the market (contd.)

Fixed income market review (contd.)

UST reversed gains in October with both 2Y and 10Y UST yields surging above 4%, as markets dialed back expected rate cuts due to hotter-than-expected inflation. The UST sell-off intensified amidst the uncertainty surrounding the US presidential election and fiscal deficit concerns. As widely expected on 7 November, the Fed lowered interest rates by 25bps to 4.50%-4.75%. Meanwhile, US headline inflation rose to 2.6% YoY in October (September: 2.4%), driving the 10Y UST yield 17bps higher to 4.45%, before easing back to 4.17% at end-November. UST remained weak in December as the Fed's third consecutive rate cut, lowering interest rates by 25bps to 4.25%-4.50%. Concurrently, the Fed signalled fewer rate cuts for 2025 i.e. 50bps instead of the 100bps projected earlier, citing caution over the inflation outlook. In response, UST yields rose as investors recalibrated their expectations for the year ahead. On a QoQ basis, the UST yield curve steepened as the 2Y UST yield added 60bps to 4.24%, while the 10Y UST yield climbed 79bps higher to end the year at 4.57%.

Locally, MGS yields trended higher in October as the bearish sentiment in UST spilled over into the local bond market. The MGS market was mildly softer in early November, in line with UST movements, before the higher yields attracted steady buying interest. BNM also announced the cancellation of the 3Y government bond auction scheduled for December, implying a much lower net supply of government bonds for the year, thus further supporting prices. In December, the MGS market was relatively subdued, as trade volume moderated towards year-end. Overall, the 3Y and 10Y MGS yields climbed 15bps and 11bps QoQ in 4Q24 to 3.48% and 3.82% respectively.

UST started 2025 on a positive note, amid mixed US economic data as well as looming uncertainties over the US growth and inflation outlook following the inauguration of President Donald Trump on 20 January. The Fed kept interest rates unchanged at 4.25%-4.50% on 30 January as widely expected, turning slightly hawkish amid uncertainties stemming from elevated inflation and new US economic policies. Subsequently, UST rallied in February on growing rate cut expectations, on the back of US trade policy uncertainty and mixed economic data. Furthermore, the plunge in US consumer confidence also fanned expectations for additional rate cuts by the Fed, causing the UST yield curve to shift 20-30bps lower in February, with the 2Y and 10Y UST yields ending the month at 3.99% and 4.21% respectively.

On the local front, the MGS market was rangebound in January. BNM maintained the OPR at 3.00% for the tenth consecutive meeting on 22 January, in line with market expectations. Headline inflation edged down to 1.7% YoY in December (November: 1.8%), bringing the full-year 2024 average to 1.8% (2023: 2.5%). On 24 January, Moody's Ratings affirmed Malaysia's sovereign credit rating at A3 with a stable outlook. In February, the MGS market was relatively stable as trading volume picked up given the healthy profit-taking activities were met by strong reinvestment demand. MoM, 3Y and 10Y MGS yields continued to trend lower 3.44% (-2bps) and 3.79% (-1bp) respectively.

2.6 Review of the market (contd.)

Equity market outlook

Investors will focus on the Trump administration's stance on trade, fiscal policies, and immigration, as well as potential shifts in the regulatory framework, which will emphasize the 'America First' philosophy and deficit reduction. This approach could result in some short-term pain including a hit to growth due to impact of the tariffs and budget cuts. On monetary policy, the Fed remains cautious and has adopted a wait and see approach. The interest rate cut expectations for 2025 is maintained at 50bps, bringing the Fed funds rate to 3.9% towards the end of the year. Any further cuts would likely require real progress on inflation or signs of weakness in the labour market. In Malaysia, domestic growth outlook continues to be strong driven by an investment upcycle in infrastructure and property. However, the external environment is challenging, with tariffs and trade restrictions potentially impacting growth and exports.

Fixed income market outlook

The flurry of US tariff announcements has injected fresh uncertainty into global financial markets. Investors remain cautious over escalating trade tensions that may put additional pressure on prices and consumer sentiment. In 4Q2024, the US economy grew at a slower pace of 2.3% QoQ (3Q2024: 3.1% QoQ), bringing FY2024 growth to 2.8%. Nonetheless, Fed officials continue to signal that the central bank is in no hurry to adjust its monetary policy, pending further clarity on the US economic outlook. Meanwhile, given the heightened uncertainties, UST yields could remain volatile over the near term, as investors react to policy announcements and incoming economic data.

Locally, the Malaysian economy expanded at a solid pace of 5.0% YoY in 4Q2024, surpassing consensus estimates of 4.8%, bringing FY2024 growth to 5.1%. For FY2025, growth is projected at 4.5% to 5.5%, anchored by resilient domestic spending. Inflation should remain manageable between 2.0% to 3.5% (2024: 1.8%), subject to global developments and spillover effects from announced policy measures, e.g., retargeting of subsidies and minimum wage revision. Over the near term, BNM is expected to keep the OPR unchanged at 3.00% to support the economy amid external headwinds to growth. Prospects for the local bond market remain favourable, given the stable interest rate outlook, ample market liquidity and steady demand from long-term fixed income investors.

Strategy

Given the growth outlook, we are more focused on stock picking for 2025. We still favor sectors such as financials, construction, property, new energy, utilities and healthcare.

For fixed income, we continue our investment strategy of investing in liquid, highly sought-after sukuk, to enable swift reaction to changes in market sentiment or outlook. Our focus will continue to be on healthy credits, stable long-term cashflows, solid financial metrics and good corporate governance. Given lingering macroeconomic uncertainties, we overweight on sectors that are resilient to economic cycles. Furthermore, we overweight on corporate sukuk for their enhanced yield relative to lower yielding government sukuk.

2.7 Distributions

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

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 affairs of the Fund during the financial year

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

2.10 Circumstances that materially affect any interests of the unit holders

There were no circumstances that materially affected any interests of the unit holders during the financial year under review.

2.11 Rebates and soft commissions

It is the policy of the Manager to credit any rebates received into the account of the Fund. Any soft commissions received by investment manager on behalf of the Fund are in the form of research and advisory services that assist in the decision making process relating to the investment of the Fund which are of demonstrable benefit to unit holders of the Fund. Any dealing with the broker or dealer is executed on terms which are the most favourable for the Fund.

During the financial year under review, the Manager received soft commissions from its stockbrokers who have also executed trades for other funds or investments managed by the Manager. The soft commissions were utilised for research and advisory services that assist in the investment decision making process. The soft commissions received were for the benefit of the Fund and there was no churning of trades.

2.12 Cross-trade

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

2.13 Securities financing transactions

Securities financing transactions are transactions consisting of securities financing or repurchase. During the financial year under review, the Fund had not undertaken any securities financing transactions.

3. FUND PERFORMANCE

3.1 Details of portfolio composition of the Fund for the last three financial years as at 28/29 February are as follows:

a. Distribution among industry sectors and category of Shariah-compliant investments:

	FY 2025 %	FY 2024 %	FY 2023 %
Industrial Products and Services	11.8	15.8	12.7
Construction	7.6	5.7	3.0
Technology	7.4	5.3	16.5
Property	7.0	7.8	2.7
Health Care	4.1	1.2	1.9
Telecommunications and Media	3.8	3.4	1.9
Energy	1.7	11.0	3.9
Plantation	0.6	0.8	0.6
Consumer Products and Services	0.4	1.6	5.8
Utilities	0.3	2.5	0.7
Financial Services	-	-	0.7
Islamic Real Estate Investment Trusts	0.6	-	1.9
Unlisted corporate sukuk	16.4	22.0	25.2
Unlisted government sukuk	13.8	3.4	-
Unlisted quasi-government sukuk	2.7	-	-
Unlisted Islamic commercial paper	1.8	-	-
Unlisted Islamic options	0.2	2.1	0.7
Short term Islamic deposit and cash equivalents	19.8	17.4	21.8
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Note. The above mentioned percentages are based on total net asset value (NAV)

b. Distribution among markets

The Fund invests in local listed Shariah-compliant investment securities, unlisted Shariah-compliant fixed income securities, unlisted Islamic options, and short term Islamic deposits and cash equivalents only.

3.2 Performance details of the Fund for the last three financial years ended 28/29 February are as follows:

	FY 2025	FY 2024	FY 2023
Net asset value ("NAV") (RM Million)	267.14	35.01	13.64
Units in circulation (Million)	641.02	86.58	36.27
NAV per unit (RM)	0.4167	0.4043	0.3762
Highest NAV per unit (RM)	0.4711	0.4051	0.4224
Lowest NAV per unit (RM)	0.3987	0.3624	0.3567
Total return (%)	3.07	8.07	-3.22
- Capital growth (%)	3.07	8.07	-11.25
- Income growth (%)	-	-	8.03
Gross distribution per unit (sen)	-	-	3.50
Net distribution per unit (sen)	-	-	3.50
Total expense ratio ("TER") (%) ¹	1.56	1.60	1.67
Portfolio turnover ratio ("PTR") (times) ²	0.96	0.83	0.57

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.

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

- ¹ *TER is lower against the previous financial year mainly due to increase in average fund size during the financial year under review.*
- ² *PTR is higher against previous financial year due to increased trading activities during the financial year under review.*

3.3 Average total return of the Fund

	1 Year 29 Feb 24 - 28 Feb 25	3 Years 28 Feb 22 - 28 Feb 25	5 Years 29 Feb 20 - 28 Feb 25
KIBF	3.07%	2.87%	3.83%
60% FTSE Bursa Malaysia Emas Shariah Index and 40% Maybank 12-month GIA Rate	0.42%	-0.05%	1.57%

Source: Lipper

3.4 Annual total return of the Fund

	Year under review 29 Feb 24 - 28 Feb 25	1 Year			
		28 Feb 23- 29 Feb 24	28 Feb 22- 28 Feb 23	28 Feb 21- 28 Feb 22	29 Feb 20- 28 Feb 21
KIBF	3.07%	8.07%	-3.22%	-7.09%	17.49%
60% FTSE Bursa Malaysia Emas Shariah Index and 40% Maybank 12-month GIA Rate	0.42%	5.01%	-5.95%	-3.60%	11.15%

Source: Lipper

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

KENANGA ISLAMIC BALANCED FUND

**Audited Financial Statements Together with
Trustee's Report, Shariah Adviser's Report, Independent
Auditors' Report and Statement by the Manager**

28 February 2025

KENANGA ISLAMIC BALANCED FUND

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**TRUSTEE'S REPORT
TO THE UNIT HOLDERS OF KENANGA ISLAMIC BALANCED FUND ("Fund")**

We have acted as Trustee of the Fund for the financial year ended 28 February 2025 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, **Kenanga Investors Berhad** has operated and managed the Fund during the year covered by these financial statements in accordance with the following:

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

For and on behalf of
CIMB Islamic Trustee Berhad

Tok Puan Datin Ezreen Eliza binti Zulkiplee
Chief Executive Officer

Kuala Lumpur, Malaysia
28 April 2025

**SHARIAH ADVISER'S REPORT FOR ISLAMIC UNIT TRUST FUND
TO THE UNIT HOLDERS OF KENANGA ISLAMIC BALANCED FUND (Fund),**

We hereby confirm the following:

1. To the best of our knowledge, after having made all reasonable enquiries, Kenanga Investors Berhad has operated and managed the Fund during the period covered by these financial statements in accordance with the Shariah principles and requirements and complied with the applicable guidelines, rulings or decisions issued by the Securities Commission Malaysia pertaining to Shariah matters; and
2. The assets of the Fund comprise instruments that have been classified as Shariah-compliant except for AIMFLEX Berhad securities which have been reclassified as Shariah non-compliant by the Shariah Advisory Council of the Securities Commission Malaysia on 29 November 2024. These reclassified Shariah non-compliant securities shall be disposed in accordance with the Fund's Shariah investment guidelines as provided in the Fund's prospectus.

For Kenanga Investment Bank Berhad Shariah Committee

DR GHAZALI BIN JAAPAR
Shariah Adviser/Designated Person Responsible for Shariah Advisory

Kuala Lumpur, Malaysia

28 April 2025

Independent auditors' report to the unit holders of Kenanga Islamic Balanced Fund

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Kenanga Islamic Balanced Fund (the "Fund"), which comprise the statement of financial position as at 28 February 2025, 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 material accounting policy information, as set out on pages 8 to 50.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 28 February 2025, and of its financial performance and cash flows for the financial year then ended in accordance with MFRS Accounting Standards and IFRS Accounting Standards.

Basis for opinion

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

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

Independent auditors' report to the unit holders of Kenanga Islamic Balanced Fund (contd.)

Information other than the financial statements and auditors' report thereon (contd.)

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.

Responsibilities of the Manager and the Trustee for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

Independent auditors' report to the unit holders of Kenanga Islamic Balanced Fund (contd.)

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Independent auditors' report to the unit holders of
Kenanga Islamic Balanced Fund (contd.)**

Other matters

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

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Ahmad Siddiq Bin Ahmad Hasbullah
No. 03675/07/2026 J
Chartered Accountant

Kuala Lumpur, Malaysia
28 April 2025

STATEMENT BY THE MANAGER

I, **Datuk Wira Ismitz Matthew De Alwis**, being a director of **Kenanga Investors Berhad**, do hereby state that, in the opinion of the Manager, the accompanying statement of financial position as at 28 February 2025 and the related statement of comprehensive income, statement of changes in net asset value and statement of cash flows for the financial year ended 28 February 2025 together with notes thereto, are drawn up in accordance with MFRS Accounting Standards and IFRS Accounting Standards so as to give a true and fair view of the financial position of **Kenanga Islamic Balanced Fund** as at 28 February 2025 and of its financial performance and cash flows for the financial year then ended and comply with the requirements of the Deed.

For and on behalf of the Manager
KENANGA INVESTORS BERHAD

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

Kuala Lumpur, Malaysia

28 April 2025

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2025**

	Note	2025 RM	2024 RM
INVESTMENT INCOME			
Dividend income		1,296,570	215,604
Profit income		2,902,807	397,294
Net (loss)/gain from Shariah-compliant investments:			
- Financial assets at fair value through profit or loss ("FVTPL")	4	<u>(12,740,016)</u>	<u>1,835,706</u>
		<u>(8,540,639)</u>	<u>2,448,604</u>
EXPENSES			
Manager's fee	5	2,319,741	308,898
Trustee's fee	6	83,967	10,296
Auditors' remuneration		9,500	7,200
Tax agent's fee		6,500	600
Administration expenses		13,673	3,373
Brokerage and other transaction costs		<u>709,012</u>	<u>123,347</u>
		<u>3,142,393</u>	<u>453,714</u>
NET (LOSS)/INCOME BEFORE TAX		(11,683,032)	1,994,890
Income tax	7	<u>(429)</u>	<u>(1,120)</u>
NET (LOSS)/INCOME AFTER TAX, REPRESENTING TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE FINANCIAL YEAR		<u>(11,683,461)</u>	<u>1,993,770</u>
Net (loss)/income after tax is made up as follows:			
Realised loss		(4,927,718)	(44,534)
Unrealised (loss)/gain	4	<u>(6,755,743)</u>	<u>2,038,304</u>
		<u>(11,683,461)</u>	<u>1,993,770</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2025**

	Note	2025 RM	2024 RM
ASSETS			
INVESTMENTS			
Financial assets at FVTPL	4	214,273,170	28,890,647
Short term Islamic deposits	8	50,124,000	5,892,000
		<u>264,397,170</u>	<u>34,782,647</u>
OTHER ASSETS			
Amount due from Manager		2,400,086	598,679
Amount due from licensed financial institutions	9	769,550	106,685
Other receivables	10	148,099	2,080
Cash at bank		12,173	12,505
		<u>3,329,908</u>	<u>719,949</u>
TOTAL ASSETS		<u>267,727,078</u>	<u>35,502,596</u>
LIABILITIES			
Amount due to Trustee		27,172	2,394
Amount due to licensed financial institutions	9	534,458	470,451
Other payables	11	23,009	23,958
TOTAL LIABILITIES		<u>584,639</u>	<u>496,803</u>
EQUITY			
Unit holders' contribution		275,914,368	32,094,261
(Accumulated losses)/Retained earnings		(8,771,929)	2,911,532
NET ASSET VALUE ("NAV") ATTRIBUTABLE TO UNIT HOLDERS		<u>267,142,439</u>	<u>35,005,793</u>
	12	<u>267,142,439</u>	<u>35,005,793</u>
TOTAL LIABILITIES AND EQUITY		<u>267,727,078</u>	<u>35,502,596</u>
NUMBER OF UNITS IN CIRCULATION	12(a)	<u>641,017,847</u>	<u>86,584,989</u>
NAV PER UNIT (RM)		<u>0.4167</u>	<u>0.4043</u>

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

**STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2025**

	Note	Unit holders' contribution RM	(Accumulated losses)/ Retained earnings RM	Total NAV RM
2025				
At beginning of the financial year		32,094,261	2,911,532	35,005,793
Total comprehensive loss		-	(11,683,461)	(11,683,461)
Creation of units	12(a)	247,571,894	-	247,571,894
Cancellation of units	12(a)	(3,751,787)	-	(3,751,787)
At end of the financial year		<u>275,914,368</u>	<u>(8,771,929)</u>	<u>267,142,439</u>
2024				
At beginning of the financial year		12,650,529	917,762	13,568,291
Total comprehensive income		-	1,993,770	1,993,770
Creation of units	12(a)	20,810,087	-	20,810,087
Cancellation of units	12(a)	(1,366,355)	-	(1,366,355)
At end of the financial year		<u>32,094,261</u>	<u>2,911,532</u>	<u>35,005,793</u>

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

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2025**

	Note	2025 RM	2024 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES			
Proceeds from sale of financial assets at FVTPL		50,759,029	8,739,281
Profit received		2,285,334	324,823
Dividends received		1,163,492	218,999
Tax agent's fee paid		-	(3,500)
Auditors' remuneration paid		(7,000)	(6,800)
Payment for other fees and expenses		(23,622)	(11,668)
Trustee's fee paid		(59,189)	(8,904)
Manager's fee paid		(2,063,181)	(286,047)
Purchase of financial assets at FVTPL		<u>(249,585,335)</u>	<u>(25,260,787)</u>
Cash used in operating and investing activities		(197,530,472)	(16,294,603)
Income tax paid		-	(1,120)
Net cash used in operating and investing activities		<u>(197,530,472)</u>	<u>(16,295,723)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from units created		245,513,927	20,394,316
Cash paid on units cancelled		<u>(3,751,787)</u>	<u>(1,366,355)</u>
Net cash generated from financing activities		<u>241,762,140</u>	<u>19,027,961</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		44,231,668	2,732,238
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		<u>5,904,505</u>	<u>3,172,267</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		<u>50,136,173</u>	<u>5,904,505</u>
Cash and cash equivalents comprise:			
Cash at bank		12,173	12,505
Short term Islamic deposits		<u>50,124,000</u>	<u>5,892,000</u>
		<u>50,136,173</u>	<u>5,904,505</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2025

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

Kenanga Islamic Balanced Fund (the "Fund") was constituted pursuant to the executed Master Deed dated 22 November 2004 (collectively, together with deeds supplemental thereto, referred to as the "Deed") between the Manager, Kenanga Investors Berhad, and HSBC (Malaysia) Trustee Berhad ("the Trustee" prior to 3 December 2013). The Fund had changed its trustee to CIMB Islamic Trustee Berhad (the "Trustee" with effect from 3 December 2013). The aforesaid change was effected on 3 December 2013 via a Fourth Master Supplemental Deed dated 19 November 2013. The Fund commenced operations on 6 December 2004 and will continue to be in operation until terminated in accordance to Part 12 of the Deed.

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

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

The Fund seeks to provide unit holders with steady capital growth and income distribution (if any) over the medium to long-term period by investing in a diversified portfolio of authorised investments in accordance with Shariah requirements.

The financial statements were authorised for issue by the Chief Executive Officer of the Manager on 28 April 2025.

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, liquidity risk and Shariah status reclassification risk. Whilst these are the most important types of financial risks inherent in each type of financial instruments, the Manager and the Trustee would like to highlight that this list does not purport to constitute an exhaustive list of all the risks inherent in a Shariah-compliant investment in the Fund.

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

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 Shariah-compliant 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 Shariah-compliant investments' prices caused by uncertainties in the economic, political and social environment will affect the NAV of the Fund.

The Manager manages the risk of unfavourable changes in prices by cautious review of the Shariah-compliant 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 valuation of Shariah-compliant instruments. In the event of a rising interest rate environment, the valuation of Shariah-compliant instruments may decrease, and vice versa. Interest rate, such as the Overnight Policy Rate set by Bank Negara Malaysia, will have an impact on the investment decisions of the Fund regardless of whether it is a Shariah-compliant fund or otherwise. It does not in any way suggest that the Fund will invest in conventional financial instruments.

The Fund's exposure to the interest rate risk is mainly confined to unlisted corporate sukuk, unlisted government sukuk, unlisted quasi-government sukuk and unlisted Islamic commercial paper,.

Interest rate risk sensitivity

The following table demonstrates the sensitivity of the Fund's (loss)/income for the financial year to a reasonably possible change in rate of return, with all other variables held constant.

	Changes in rate Increase/(Decrease) Basis points	Effects on (loss)/income for the financial year (Loss)/Gain RM
2025		
Financial assets at FVTPL	<u>5/(5)</u>	<u>(329,421)/330,077</u>
2024		
Financial assets at FVTPL	<u>5/(5)</u>	<u>(35,875)/36,213</u>

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

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

a. Market risk (contd.)

i. Interest rate risk (contd.)

Interest rate risk exposure

The following table analyses the Fund's interest rate risk exposure. The Fund's financial assets and financial liabilities are disclosed at fair value and categorised by the earlier of contractual re-pricing or maturity dates.

2025 Assets	Up to 1 year RM	Above 1 year - 5 years RM	Above 5 years RM	Non-interest sensitive RM	Total RM	Weighted average effective rate of return* %
Financial assets at FVTPL	4,939,450	27,376,773	59,715,975	122,240,972	214,273,170	4.3
Short term Islamic deposits	50,124,000	-	-	-	50,124,000	3.1
Other financial assets	-	-	-	3,329,908	3,329,908	
	<u>55,063,450</u>	<u>27,376,773</u>	<u>59,715,975</u>	<u>125,570,880</u>	<u>267,727,078</u>	
Liabilities						
Other financial liabilities	-	-	-	561,630	561,630	
Total interest rate sensitivity gap	<u>55,063,450</u>	<u>27,376,773</u>	<u>59,715,975</u>	<u>125,009,250</u>	<u>267,165,448</u>	

* Calculated based on assets with exposure to interest rate movement only.

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

a. Market risk (contd.)

i. Interest rate risk (contd.)

Interest rate risk exposure (contd.)

	Up to 1 year RM	Above 1 year - 5 years RM	Above 5 years RM	Non-interest sensitive RM	Total RM	Weighted average effective rate of return* %
2024						
Assets						
Financial assets at FVTPL	602,292	2,982,482	5,189,736	20,116,137	28,890,647	3.7
Short term Islamic deposits	5,892,000	-	-	-	5,892,000	3.0
Other financial assets	-	-	-	719,949	719,949	
	<u>6,494,292</u>	<u>2,982,482</u>	<u>5,189,736</u>	<u>20,836,086</u>	<u>35,502,596</u>	
Liabilities						
Other financial liabilities	-	-	-	472,845	472,845	
Total interest rate sensitivity gap	<u>6,494,292</u>	<u>2,982,482</u>	<u>5,189,736</u>	<u>20,363,241</u>	<u>35,029,751</u>	

* Calculated based on assets with exposure to interest rate movement only.

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

a. Market risk (contd.)

ii. Price risk

Price risk is the risk of unfavourable changes in the fair values of listed Shariah-compliant equity securities, listed Islamic collective investment scheme and listed Shariah-compliant warrant. The Fund invests in listed Shariah-compliant equity securities, listed Islamic collective investment scheme and listed Shariah-compliant warrant which are exposed to price fluctuations. This may then affect the NAV of the Fund.

Price risk sensitivity

The Manager's best estimate of the effect on the (loss)/income for the financial year due to a reasonably possible change in investments in listed Shariah-compliant equity securities, listed Islamic collective investment scheme and listed Shariah-compliant warrant with all other variables held constant is indicated in the table below:

	Changes in rate Increase/(Decrease) Basis points	Effects on (loss)/income for the financial year Gain/(Loss) RM
2025		
Financial assets at FVTPL	5/(5)	60,545/(60,545)
2024		
Financial assets at FVTPL	5/(5)	9,637/(9,637)

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 Shariah-compliant financial instruments as at the reporting date.

	Fair value		Percentage of NAV	
	2025 RM	2024 RM	2025 %	2024 %
Financial assets at FVTPL	121,089,973	19,274,544	45.3	55.1

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

a. Market risk (contd.)

ii. Price risk (contd.)

Price risk concentration (contd.)

The Fund's concentration of price risk from the Fund's listed Shariah-compliant equity securities, listed Islamic collective investment scheme and listed Shariah-compliant warrant analysed by sector is as follows:

	Fair value		Percentage of NAV	
	2025 RM	2024 RM	2025 %	2024 %
Industrial Products and Services	31,471,942	5,527,704	11.8	15.8
Construction	20,290,596	1,995,407	7.6	5.7
Technology	19,739,134	1,847,326	7.4	5.3
Property	18,691,337	2,738,658	7.0	7.8
Health Care	10,829,079	417,011	4.1	1.2
Telecommunications and Media	10,145,760	1,196,733	3.8	3.4
Energy	4,653,177	3,864,112	1.7	11.0
Plantation	1,645,592	266,352	0.6	0.8
Consumer Products and Services	1,191,214	553,834	0.4	1.6
Utilities	874,480	867,407	0.3	2.5
Islamic Real Estate Investment Trusts	1,465,557	-	0.6	-
Listed Shariah- compliant warrant	92,105	-	- [^]	-
	<u>121,089,973</u>	<u>19,274,544</u>	<u>45.3</u>	<u>55.1</u>

[^] Denotes more than 0.01% but less than 0.1%

b. Credit risk

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

i. Credit risk exposure

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

ii. Financial assets that are either past due or impaired

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

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

b. Credit risk (contd.)

iii. Credit quality of financial assets

The Fund invests only in unlisted corporate sukuk, unlisted government sukuk, unlisted quasi-government sukuk, unlisted Islamic commercial paper, and unlisted Islamic options with at least investment grade credit rating by a credit rating agency. The following table analyses the Fund's portfolio of unlisted corporate sukuk, unlisted government sukuk, unlisted quasi-government sukuk, unlisted Islamic commercial paper and unlisted Islamic options by rating category:

Unlisted sukuk

Rating	Percentage of total unlisted sukuk		Percentage of NAV	
	2025	2024	2025	2024
	%	%	%	%
AA3/AA-	29.7	30.2	9.8	7.6
AA2/AA	17.5	4.9	5.7	1.2
AAA	1.2	29.5	0.4	7.6
A1/A+	0.6	12.6	0.2	3.2
AA1/AA+	0.5	5.2	0.2	1.3
A2/A	0.4	4.2	0.1	1.1
Not rated	50.1	13.4	16.5	3.4
	<u>100.0</u>	<u>100.0</u>	<u>32.9</u>	<u>25.4</u>

Unlisted Islamic commercial paper

Rating	Percentage of total unlisted Islamic commercial paper		Percentage of NAV	
	2025	2024	2025	2024
	%	%	%	%
Not rated	100.0	-	1.8	-

Unlisted Islamic options

Rating	Percentage of total unlisted Islamic options		Percentage of NAV	
	2025	2024	2025	2024
	%	%	%	%
Not rated	100.0	100.0	0.2	2.1

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

b. Credit risk (contd.)

iii. Credit quality of financial assets (contd.)

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

Short term Islamic deposits

Rating	Percentage of total short term Islamic deposits		Percentage of NAV	
	2025	2024	2025	2024
	%	%	%	%
P1/MARC-1	100.0	100.0	18.8	16.8

iv. Credit risk concentration

Concentration risk is monitored and managed based on sectoral distribution. The table below analyses the Fund's portfolio of unlisted corporate sukuk, unlisted government sukuk, unlisted quasi-government sukuk, unlisted Islamic commercial papers and unlisted Islamic options by sectoral distribution:

Unlisted sukuk

	Percentage of total unlisted sukuk		Percentage of NAV	
	2025	2024	2025	2024
	%	%	%	%
Government	47.8	13.4	15.7	3.4
Transportation and Storage	19.1	-	6.3	-
Real Estate	13.2	16.8	4.3	4.3
Energy and Utilities	7.6	40.2	2.5	10.3
Information Technology	5.7	2.2	1.9	0.6
Industrials	4.6	-	1.5	-
Communications Services	0.9	9.2	0.3	2.3
Health Care and Social Work	0.6	6.1	0.2	1.5
Financial	0.5	5.2	0.2	1.3
Consumer Discretionary	-	6.9	-	1.7
	100.0	100.0	32.9	25.4

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

b. Credit risk (contd.)

iv. Credit risk concentration

Unlisted Islamic commercial paper

	Percentage of total unlisted Islamic commercial paper		Percentage of NAV	
	2025 %	2024 %	2025 %	2024 %
Industrials	100.0	-	1.8	-

Unlisted Islamic options

	Percentage of total unlisted Islamic options		Percentage of NAV	
	2025 %	2024 %	2025 %	2024 %
Telecommunications and Media	100.0	13.2	0.2	0.3
Industrial Products and Services	-	86.8	-	1.8
	100.0	100.0	0.2	2.1

c. Liquidity risk

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

The Islamic liquid assets comprise cash at banks, short term Islamic deposits with licensed financial institutions and other Shariah-compliant instruments, which are capable of being converted into cash within 7 days.

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

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

c. Liquidity risk (contd.)

	Note	No maturity RM	Up to 1 year RM	Above 1 year - 5 years RM	Above 5 years RM	Total RM
2025						
Assets						
Financial assets at FVTPL		-	126,476,826	27,487,185	60,309,159	214,273,170
Short term Islamic deposits		-	50,124,000	-	-	50,124,000
Cash at bank		12,173	-	-	-	12,173
Other financial assets		-	3,317,735	-	-	3,317,735
	i.	12,173	179,918,561	27,487,185	60,309,159	267,727,078
Liabilities						
Other financial liabilities	ii.	-	561,630	-	-	561,630
Equity	iii.	-	267,142,439	-	-	267,142,439
Liquidity gap		12,173	(87,785,508)	27,487,185	60,309,159	23,009

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

c. Liquidity risk (contd.)

	Note	No maturity RM	Up to 1 year RM	Above 1 year - 5 years RM	Above 5 years RM	Total RM
2024						
Assets						
Financial assets at FVTPL		-	20,624,920	3,023,069	5,242,658	28,890,647
Short term Islamic deposits		-	5,892,000	-	-	5,892,000
Cash at bank		12,505	-	-	-	12,505
Other financial assets		-	707,444	-	-	707,444
	i.	12,505	27,224,364	3,023,069	5,242,658	35,502,596
Liabilities						
Other financial liabilities	ii.	-	472,845	-	-	472,845
Equity	iii.	-	35,005,793	-	-	35,005,793
Liquidity gap		12,505	(8,254,274)	3,023,069	5,242,658	23,958

i. Financial assets

Analysis of financial assets at FVTPL into maturity groupings is based on the expected date on which these assets will be realised. The Fund's investments in listed Shariah-compliant equity securities, listed Islamic collective investment scheme and listed Shariah-compliant warrant have been included in the "up to 1 year" category on the assumption that these are highly liquid Shariah-compliant investments which can be realised should all of the Fund's unit holders' equity be required to be redeemed. The unlisted Islamic options are also expected to be realised within a year. For other financial 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.

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

c. Liquidity risk (contd.)

ii. Financial liabilities

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

iii. Equity

As the unit holders can request for redemption of their units, they have been categorised as having a maturity of "up to 1 year". As a result, it appears that the Fund has a liquidity gap within "up to 1 year". However, the Fund believes that it would be able to liquidate its Shariah-compliant investments should the need arises to satisfy all the redemption requirements.

d. Shariah status reclassification risk

Shariah status reclassification risk is the risk that the currently held Shariah-compliant equity securities in the portfolio of the Fund may be reclassified as Shariah non-compliant in the periodic review of the securities by the Shariah Advisory Council of the Securities Commission Malaysia ("SACSC"), the Shariah Adviser or the Shariah boards of the Benchmark Index. If this occurs, the Manager will take the necessary steps to dispose of such securities.

Opportunity loss could occur due to the restriction on the Fund to retain the excess capital gains derived from the disposal of the reclassified Shariah non-compliant securities. In such an event, the Fund is required:

- i. to dispose of such securities if the value of the securities exceeds or is equal to the investment cost on the effective date of reclassification of the list of Shariah-compliant securities ("Reclassification") by the SACSC or date of review ("Review") by the Shariah Adviser. The Fund is allowed to keep dividends received and capital gains from the disposal of the securities up to the effective date of Reclassification or Review. However, any excess dividends received and excess capital gains from the disposal of the Shariah non-compliant securities after the effective date of Reclassification or Review should be channelled to *baitulmal* and/or charitable bodies advised by the Shariah Adviser;
- ii. may hold such securities if the value of the said securities is below the investment cost on the effective date of Reclassification or Review until the total subsequent dividends received (if any) and the market price of the securities is equal to the cost of investment at which time disposal has to take place within one calendar month, excess capital gains (if any) from the disposal of the securities should be channelled to *baitulmal* and/or charitable bodies as advised by the Shariah Adviser; or

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

d. Shariah status reclassification risk (contd.)

- iii. to dispose of such securities at a price lower than the investment cost which will result in a decrease in the Fund's value.

e. Regulatory reportings

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

3. MATERIAL ACCOUNTING POLICY INFORMATION

a. Basis of accounting

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

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

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the amended MFRS, which became effective for the Fund on 1 March 2024.

Description	Effective for financial periods beginning on or after
Amendments to MFRS 16: <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to MFRS 101: <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 107 and MFRS 7: <i>Supplier Finance Arrangements</i>	1 January 2024

The adoption of the amended MFRS did not have any material impact on the financial position or performance of the Fund.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

b. Standards and amendments to standards issued but not yet effective

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

Description	Effective for financial periods beginning on or after
Amendments to MFRS 121: <i>Lack of Exchangeability</i>	1 January 2025
Amendments that are part of Annual Improvements—Volume 11: <i>Amendments to MFRS 1, 7, 9, 10 and 107</i>	1 January 2026
Amendments to MFRS 9 and MFRS 7: <i>Amendments to the Classification and Measurement of Financial Instruments</i>	1 January 2026
Amendments to MFRS 9 and MFRS 7: <i>Contracts Referencing Nature-dependent Electricity 1 January 2026</i>	1 January 2026
MFRS 18: <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027
MFRS 19 Subsidiaries without Public Accountability: <i>Disclosures</i>	1 January 2027
Withdrawal of MFRS 101: <i>Presentation of Financial Statements</i>	1 January 2027
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be announced by MASB

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

c. Financial instruments

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

i. Initial recognition

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

c. Financial instruments (contd.)

ii. Measurement categories of financial assets and liabilities

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

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

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

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

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

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

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

c. Financial instruments (contd.)

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

The details of these conditions are outlined below.

Business model assessment

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

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

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

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

The SPPP test

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

c. Financial instruments (contd.)

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

The SPPP test (contd.)

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

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

iv. Financial investments

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

d. Derecognition of financial assets

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

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

d. Derecognition of financial assets (contd.)

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

A transfer only qualifies for derecognition if either:

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

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

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

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

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

e. Offsetting of financial assets and liabilities

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

f. Impairment of financial assets

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

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

ii. Write-offs

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

g. Income

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

Profit income, which includes the accretion of discount and amortisation of premium on Islamic fixed income securities, is recognised using the effective yield method.

Dividend income is recognised on declared basis, when the right to receive the dividend is established. The income is presented gross of withholding tax which is disclosed separately.

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

h. Cash and cash equivalents

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

i. Income tax

Income tax on the profit or loss for the financial 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.

The Fund may also incur withholding taxes on income received on the financial instrument.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

j. Unrealised reserves

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

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

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

l. Functional and presentation currency

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

m. Distributions

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

n. Significant accounting judgements and estimates

In the process of applying the Fund's accounting policies, management has made the following judgements and 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. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Fund's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgements and/or estimates are collated below with respect to judgements/estimates involved.

Where the financial instruments are not traded in an active market, fair value may be established by using a valuation technique which includes but is not limited to using option prices, benchmarking to recent arm's length transactions between knowledgeable willing parties, and reference to the current fair value of another instrument that is substantially the same. The Fund uses valuation techniques which involves making assumptions based on market conditions and other factors as of reporting date.

4. FINANCIAL ASSETS AT FVTPL

	2025 RM	2024 RM
Financial assets held for trading, at FVTPL:		
Listed Shariah-compliant equity securities	119,532,311	19,274,544
Listed Islamic collective investment scheme	1,465,557	-
Listed Shariah-compliant warrant	92,105	-
Unlisted corporate sukuk	43,807,058	7,684,256
Unlisted government sukuk	36,901,420	1,189,747
Unlisted quasi-government sukuk	7,087,866	-
Unlisted Islamic commercial paper	4,939,450	-
Unlisted Islamic options	447,403	742,100
	<u>214,273,170</u>	<u>28,890,647</u>
Net (loss)/gain on financial assets at FVTPL comprised:		
Realised loss on disposals	(5,984,273)	(202,598)
Unrealised changes in fair values	(6,755,743)	2,038,304
	<u>(12,740,016)</u>	<u>1,835,706</u>

Details of financial assets at FVTPL as at 28 February 2025:

	Quantity	Aggregate/ Amortised cost RM	Fair value RM	Percentage of NAV %
Listed Shariah-compliant equity securities				
Industrial Products and Services				
ATA IMS Berhad	3,020,600	1,348,884	891,077	0.3
Aurelius Technologies Berhad	912,900	2,906,171	2,802,603	1.0
CBH Engineering Holdings Berhad	271,200	89,914	80,004	^
CPE Technology Berhad	1,036,600	1,239,812	865,561	0.3
Critical Holdings Berhad	1,834,500	1,709,968	1,504,290	0.6
Dufu Technology Corp. Berhad	1,650,400	3,735,375	2,162,024	0.8
EG Industries Berhad	928,600	1,617,538	2,015,062	0.8
Feytech Holdings Berhad	374,900	326,483	198,697	0.1
HSS Engineers Berhad	366,500	367,701	366,500	0.1
Kawan Renergy Berhad	2,733,200	1,874,514	1,926,906	0.7
Kelington Group Berhad	356,000	931,031	1,242,440	0.5
KJTS Group Berhad	1,391,000	903,134	1,404,910	0.5

^ Denotes more than 0.01% but less than 0.1%.

4. FINANCIAL ASSETS AT FVTPL (CONTD.)

Details of financial assets at FVTPL as at 28 February 2025 (contd.):

	Quantity	Aggregate/ Amortised cost RM	Fair value RM	Percentage of NAV %
Listed Shariah-compliant equity securities (contd.)				
Industrial Products and Services (contd.)				
Northeast Group Sdn Bhd	597,900	374,689	239,160	0.1
P.I.E Industrial Berhad	102,900	514,328	401,310	0.2
Press Metal Aluminium Holdings Berhad	248,700	1,166,216	1,255,935	0.5
Rohas Tecnic Berhad	2,250,800	684,070	517,684	0.2
SAM Engineering & Equipment (M) Berhad	265,800	1,286,810	964,854	0.4
Samaiden Group Berhad	1,214,000	1,248,140	1,456,800	0.5
Solarvest Holdings Berhad	1,779,700	2,906,282	3,114,475	1.2
Southern Cable Group Berhad	1,546,400	1,405,790	1,778,360	0.7
Sunway Berhad	710,167	2,231,913	3,273,870	1.2
Uchi Technologies Berhad	75,400	221,482	282,750	0.1
VS Industry Berhad	2,811,000	3,270,276	2,726,670	1.0
		<u>32,360,521</u>	<u>31,471,942</u>	<u>11.8</u>
Constructions				
Gamuda Berhad	2,455,900	9,344,518	10,707,724	4.0
IJM Corporation Berhad	1,423,900	4,521,991	2,990,190	1.1
Kimlun Corporation Berhad	2,022,800	2,646,855	1,891,318	0.7
MN Holdings Berhad	1,815,200	1,493,692	1,905,960	0.7
Sunway Construction Group Berhad	248,400	844,051	1,068,120	0.4
UUE Holdings Berhad	2,485,300	1,864,483	1,727,284	0.7
		<u>20,715,590</u>	<u>20,290,596</u>	<u>7.6</u>
Technology				
AIMFLEX Berhad*	1,075,600	215,120	129,072	-^
Cloudpoint Technology Berhad	1,361,000	1,187,498	1,163,655	0.4
Greatech Technology Berhad	3,632,200	8,179,624	6,065,774	2.3
Inari Amerton Berhad	590,500	1,931,434	1,222,335	0.5

^ Denotes more than 0.01% but less than 0.1%.

*The security has been reclassified as Shariah non-compliant on 29 November 2024. Please refer to Note 13(a) for fund's action.

4. FINANCIAL ASSETS AT FVTPL (CONTD.)

Details of financial assets at FVTPL as at 28 February 2025 (contd.):

	Quantity	Aggregate/ Amortised cost RM	Fair value RM	Percentage of NAV %
Listed Shariah-compliant equity securities (contd.)				
Technology (contd.)				
Infomina Berhad	484,000	671,134	556,600	0.2
ITMAX System Berhad	1,581,000	4,525,485	6,165,900	2.3
Pentamaster Corporation Berhad	340,800	1,361,429	1,053,072	0.4
SFP Tech Holdings Berhad	1,278,200	408,001	383,460	0.1
SNS Network Technology Berhad	2,959,500	1,840,780	1,272,585	0.5
TT Vision Holdings Berhad	1,879,100	2,022,821	958,341	0.4
ViTrox Corporation Berhad	132,300	568,790	410,130	0.2
VSTECs Berhad	113,000	265,167	358,210	0.1
		<u>23,177,283</u>	<u>19,739,134</u>	<u>7.4</u>
Property				
Avaland Berhad	687,800	228,208	209,779	0.1
Eco World Development Group Berhad	646,900	1,129,700	1,287,331	0.5
Mah Sing Group Berhad	6,685,300	10,872,153	8,289,772	3.1
Matrix Concepts Holdings Berhad	398,550	354,653	561,956	0.2
Sime Darby Property Berhad	3,040,100	3,896,927	4,256,140	1.6
SP Setia Berhad	2,769,200	3,671,389	3,710,728	1.4
UEM Sunrise Berhad	419,700	277,691	375,631	0.1
		<u>20,430,721</u>	<u>18,691,337</u>	<u>7.0</u>
Health Care				
Hartalega Holdings Berhad	504,700	1,789,896	1,135,575	0.4
IHH Healthcare Berhad	897,800	5,876,175	6,688,610	2.5
KPJ Healthcare Berhad	1,181,500	2,300,497	2,800,155	1.1
Optimax Holdings Berhad	368,900	242,135	204,739	0.1
		<u>10,208,703</u>	<u>10,829,079</u>	<u>4.1</u>

4. FINANCIAL ASSETS AT FVTPL (CONTD.)

Details of financial assets at FVTPL as at 28 February 2025 (contd.):

	Quantity	Aggregate/ Amortised cost RM	Fair value RM	Percentage of NAV %
Listed Shariah-compliant equity securities (contd.)				
Telecommunications and Media				
OCK Group Berhad	4,839,900	2,484,717	1,984,359	0.8
REDtone International Berhad	622,300	574,454	354,711	0.1
Telekom Malaysia Berhad	1,143,000	7,418,353	7,806,690	2.9
		<u>10,477,524</u>	<u>10,145,760</u>	<u>3.8</u>
Energy				
Northern Solar Holdings Berhad	1,121,000	831,715	571,710	0.2
Pekati Group berhad	3,194,300	2,596,343	3,992,875	1.5
T7 Global Berhad	180,800	69,608	88,592	-^
		<u>3,497,666</u>	<u>4,653,177</u>	<u>1.7</u>
Plantation				
IOI Corporation Berhad	138,500	529,056	538,765	0.2
SD Guthrie Berhad	168,100	809,587	852,267	0.3
Ta Ann Holdings Berhad	68,800	262,562	254,560	0.1
		<u>1,601,205</u>	<u>1,645,592</u>	<u>0.6</u>
Consumer Products and Services				
CCK Consolidated Holdings Berhad	295,000	429,433	348,100	0.1
Farm Fresh Berhad	507,900	898,599	843,114	0.3
		<u>1,328,032</u>	<u>1,191,214</u>	<u>0.4</u>
Utilities				
Tenaga Nasional Berhad	64,300	684,270	874,480	0.3
Total listed Shariah-compliant equity securities		<u>124,481,515</u>	<u>119,532,311</u>	<u>44.7</u>

^ Denotes more than 0.01% but less than 0.1%.

4. FINANCIAL ASSETS AT FVTPL (CONTD.)

Details of financial assets at FVTPL as at 28 February 2025 (contd.):

	Quantity	Aggregate/ Amortised cost RM	Fair value RM	Percentage of NAV %
Listed Islamic collective investment scheme				
Axis Real Estate Investment Trust	809,700	1,384,587	1,465,557	0.6
Total listed Islamic collective investment scheme		1,384,587	1,465,557	0.6
Listed Shariah-compliant warrant				
MN Holdings Berhad - WA	109,000	82,295	92,105	-^
Total listed Shariah-compliant warrant		82,295	92,105	-^
Unlisted corporate sukuk				
Avaland Berhad (formerly known as MCT Berhad) maturing on 07/8/2029	10,000,000	10,042,975	10,049,425	3.8
Berapit Mobility Sdn Bhd maturing on 12/11/2036	3,400,000	3,464,026	3,489,908	1.3
Berapit Mobility Sdn Bhd maturing on 12/11/2038	5,000,000	5,090,788	5,129,661	1.9
Berapit Mobility Sdn Bhd maturing on 11/11/2039	3,000,000	3,055,529	3,076,985	1.2
Berapit Mobility Sdn Bhd maturing on 12/11/2041	3,000,000	3,057,562	3,079,888	1.1
IJM Land Berhad maturing on 19/3/2027	350,000	358,956	366,600	0.1
Keyfield International Berhad maturing on 26/12/2029	4,000,000	4,045,275	4,050,474	1.5
LBS Bina Group Berhad maturing on 23/1/2029	600,000	603,041	614,069	0.2

^ Denotes more than 0.01% but less than 0.1%.

4. FINANCIAL ASSETS AT FVTPL (CONTD.)

Details of financial assets at FVTPL as at 28 February 2025 (contd.):

	Quantity	Aggregate/ Amortised cost RM	Fair value RM	Percentage of NAV %
Unlisted corporate sukuk (contd.)				
Malayan Banking Berhad maturing on 31/1/2031	450,000	465,277	455,725	0.2
MY E.G. Services Berhad maturing on 21/8/2026	200,000	200,237	199,803	0.1
MY E.G. Services Berhad maturing on 16/8/2027	4,800,000	4,825,454	4,828,161	1.8
OCK Group Berhad maturing on 24/11/2028	800,000	813,585	825,554	0.3
Orkim Sdn Bhd maturing on 28/2/2030	1,000,000	1,000,118	1,000,118	0.4
Pengurusan Air Selangor Sdn Bhd maturing on 11/10/2038	500,000	509,155	548,875	0.2
Pengurusan Air SPV Berhad maturing on 31/1/2030	500,000	501,624	518,239	0.2
Point Zone (M) Sdn Bhd maturing on 11/3/2033	500,000	511,251	538,831	0.2
SIBS Sdn Bhd maturing on 02/3/2026	4,000,000	4,004,581	4,004,381	1.5
UEM Sunrise Berhad maturing on 07/4/2026	500,000	510,849	519,152	0.2
Yinson Holdings Berhad maturing on 07/12/2026	500,000	506,234	511,209	0.2
Total unlisted corporate sukuk		<u>43,566,518</u>	<u>43,807,058</u>	<u>16.4</u>
Unlisted government sukuk				
Government of Malaysia maturing on 30/8/2030	700,000	700,140	700,280	0.3
Government of Malaysia maturing on 08/10/2031	10,000,000	10,143,524	10,177,488	3.8
Government of Malaysia maturing on 30/8/2033	9,800,000	10,348,139	10,359,827	3.9
Government of Malaysia maturing on 14/8/2043	6,500,000	6,655,617	6,701,357	2.5

4. FINANCIAL ASSETS AT FVTPL (CONTD.)

Details of financial assets at FVTPL as at 28 February 2025 (contd.):

	Quantity	Aggregate/ Amortised cost RM	Fair value RM	Percentage of NAV %
Unlisted government sukuk (contd.)				
Government of Malaysia maturing on 15/5/2052	1,000,000	1,184,099	1,204,476	0.4
Government of Malaysia maturing on 23/3/2054	7,500,000	<u>7,733,564</u>	<u>7,757,992</u>	<u>2.9</u>
Total unlisted government sukuk		<u>36,765,083</u>	<u>36,901,420</u>	<u>13.8</u>
Unlisted quasi-government sukuk				
Danainfra Nasional Berhad maturing on 16/7/2031	5,000,000	5,023,326	5,057,476	1.9
Prasarana Malaysia Berhad maturing on 28/6/2039	2,000,000	<u>2,013,570</u>	<u>2,030,390</u>	<u>0.8</u>
Total unlisted quasi-government sukuk		<u>7,036,896</u>	<u>7,087,866</u>	<u>2.7</u>
Unlisted Islamic commercial paper				
SIBS Sdn Bhd maturing on 16/6/2025	5,000,000	<u>4,936,384</u>	<u>4,939,450</u>	<u>1.8</u>
Total unlisted Islamic commercial paper		<u>4,936,384</u>	<u>4,939,450</u>	<u>1.8</u>
Unlisted Islamic options				
Call/Put - Seni Jaya Corporation Berhad maturing on 18/8/2025	876,000	<u>434,496</u>	<u>447,403</u>	<u>0.2</u>
Total unlisted Islamic options		<u>434,496</u>	<u>447,403</u>	<u>0.2</u>

4. FINANCIAL ASSETS AT FVTPL (CONTD.)

Details of financial assets at FVTPL as at 28 February 2025 (contd.):

Quantity	Aggregate/ Amortised cost RM	Fair value RM	Percentage of NAV %
Total financial assets at FVTPL	<u>218,687,774</u>	<u>214,273,170</u>	<u>80.2</u>
Unrealised loss on financial assets at FVTPL		<u>(4,414,604)</u>	

5. MANAGER'S FEE

The Manager's fee is calculated on a daily basis at a rate not exceeding 2.50% per annum of the NAV of the Fund as provided under Division 13.1 of the Deed.

The Manager is currently charging Manager's fee of 1.50% per annum of the NAV of the Fund (2024: 1.50% per annum).

6. TRUSTEE'S FEE

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

The Trustee's fee is currently calculated at 0.05% per annum of the NAV of the Fund (2024: 0.05% per annum).

7. INCOME TAX

	2025 RM	2024 RM
Current income tax expense		
Local withholding tax	<u>429</u>	<u>1,120</u>

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 Shariah-compliant investment income less partial deduction for permitted expenses as provided for under Section 63B of the Income Tax Act, 1967.

7. INCOME TAX (CONTD.)

A reconciliation of income tax expense applicable to net (loss)/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:

	2025 RM	2024 RM
Net (loss)/income before tax	(11,683,032)	1,994,890
Tax at Malaysian statutory tax rate of 24% (2024: 24%)	(2,803,928)	478,774
Tax effect of:		
Income not subject to tax	(1,007,850)	(636,288)
Losses not deductible for tax purposes	3,057,604	48,623
Expenses not deductible for tax purposes	193,424	33,028
Restriction on tax deductible expenses for unit trust fund	560,750	75,863
Local withholding tax	429	1,120
Income tax for the financial year	429	1,120

8. SHORT TERM ISLAMIC DEPOSITS

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

9. AMOUNT DUE FROM/TO LICENSED FINANCIAL INSTITUTIONS

Amount due from/to licensed financial institutions relates to the amounts to be received from or paid to licensed financial institutions arising from the sales and purchases of Shariah-compliant investments.

10. OTHER RECEIVABLES

	2025 RM	2024 RM
Dividend receivable	132,649	-
Profit receivable from short term Islamic deposits	15,450	2,080
	148,099	2,080

11. OTHER PAYABLES

	2025 RM	2024 RM
Accrual for auditors' remuneration	9,500	7,000
Accrual for tax agent's fees	9,500	3,000
Provision for printing and other expenses	4,009	13,958
	23,009	23,958

12. NET ASSET VALUE ATTRIBUTABLE TO UNIT HOLDERS

NAV attributable to unit holders is represented by:

	Note	2025 RM	2024 RM
Unit holders' contribution	(a)	275,914,368	32,094,261
<u>(Accumulated losses)/Retained earnings:</u>			
Realised (deficits)/reserves		(4,357,325)	570,393
Unrealised (deficits)/reserves		(4,414,604)	2,341,139
		<u>(8,771,929)</u>	<u>2,911,532</u>
		<u>267,142,439</u>	<u>35,005,793</u>

(a) Unit holders' contribution

	2025		2024	
	No. of units	RM	No. of units	RM
At beginning of the financial year	86,584,989	32,094,261	36,267,616	12,650,529
Add: Creation of units	563,005,319	247,571,894	53,880,448	20,810,087
Less: Cancellation of units	<u>(8,572,461)</u>	<u>(3,751,787)</u>	<u>(3,563,075)</u>	<u>(1,366,355)</u>
At end of the financial year	<u>641,017,847</u>	<u>275,914,368</u>	<u>86,584,989</u>	<u>32,094,261</u>

The Manager, Kenanga Investors Berhad and other parties related to the Manager did not hold any units in the Fund, either legally or beneficially, as at 28 February 2025 (2024: nil).

13. SHARIAH INFORMATION OF THE FUND

The Shariah Adviser confirmed that the investment portfolio of the Fund is Shariah-compliant, which comprises the following:

- Equity securities listed on Bursa Malaysia Securities Berhad which have been classified as Shariah-compliant by the SACSC except for AIMFLEX Berhad. The security has been reclassified as Shariah non-compliant by SACSC on 29 November 2024. As per SACSC advice, the security shall be disposed soonest practical once the total amount of dividend received and the market value of the security held equals the original investment cost. Any excess dividends received thereafter and excess capital gain from the disposal of Shariah non-compliant securities should be channelled to *baitulmal* and/or charitable bodies;

13. SHARIAH INFORMATION OF THE FUND (CONTD.)

- b. Unlisted sukuk as available at Bond Info Hub and Fully Automated System for Issuing/Tendering of Bank Negara Malaysia;
- c. Derivatives which have been verified as Shariah-compliant by the Shariah Adviser; and
- d. Liquid assets in the local market, which have been placed in Shariah-compliant investments and/or instruments.

14. PORTFOLIO TURNOVER RATIO ("PTR")

PTR for the financial year is 0.96 times (2024: 0.83 times).

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

15. TOTAL EXPENSE RATIO ("TER")

TER for the financial year is 1.56% per annum (2024: 1.60% per annum).

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

16. TRANSACTIONS WITH LICENSED FINANCIAL INSTITUTIONS

	Transaction value RM	Percentage of total %	Brokerage, stamp duty and clearing fee RM	Percentage of total %
Kenanga Investment Bank Berhad*	43,162,674	14.4	108,190	16.6
Maybank Investment Bank Berhad	31,847,886	10.6	105,149	16.1
CGS International Securities Malaysia Sdn Bhd	29,739,767	9.9	96,954	14.9
CIMB Islamic Bank Berhad	29,210,685	9.7	-	-
AmBank (M) Berhad	24,477,600	8.1	-	-
RHB Investment Bank Berhad	23,616,357	7.9	50,179	7.7
Affin Hwang Investment Bank Berhad	23,505,595	7.8	58,177	8.9

16. TRANSACTIONS WITH LICENSED FINANCIAL INSTITUTIONS (CONTD.)

	Transaction value RM	Percentage of total %	Brokerage, stamp duty and clearing fee RM	Percentage of total %
UOB Kay Hian Securities (M) Sdn Bhd	12,681,886	4.2	39,393	6.0
CIMB Securities Sdn Bhd	10,421,512	3.5	33,002	5.1
Public Investment Bank Berhad	54,618,818	18.2	104,699	16.0
Others	43,162,674	14.4	108,190	16.6
	<u>300,433,511</u>	<u>100.0</u>	<u>652,384</u>	<u>100.0</u>

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

The above transactions values are in respect of listed Shariah-compliant equity securities, listed Islamic collective investment scheme, listed shariah-compliant warrant, unlisted corporate sukuk, unlisted government sukuk, unlisted quasi-government sukuk, unlisted Islamic commercial paper and unlisted Islamic options. Transactions in unlisted corporate sukuk, unlisted government guaranteed sukuk, unlisted quasi-government sukuk, unlisted Islamic commercial paper and unlisted Islamic options do not involve any commission or brokerage fees.

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

17. SEGMENTAL REPORTING

a. Business segments

In accordance with the objective of the Fund, the Fund can invest a maximum of 60% of its NAV in listed Malaysian Shariah-compliant investment securities and a maximum of 40% of its NAV in sukuk. The following table provides an analysis of the Fund's revenue, results, assets and liabilities by business segments:

17. SEGMENTAL REPORTING (CONTD.)

a. Business segments (contd.)

2025	Listed Shariah-compliant investment securities RM	Listed Shariah non-compliant investment securities (Note 13) RM	Unlisted Shariah-compliant investment security RM	Other Shariah-compliant investment RM	Total RM
Revenue					
Segment income	(11,876,632)	-	2,595,973	740,020	
Segment expenses	(709,012)	-	-	-	
Net segment (loss)/income representing segment results	(12,585,644)	-	2,595,973	740,020	(9,249,651)
Unallocated expenditures					(2,433,381)
Loss before tax					(11,683,032)
Income tax					(429)
Net loss after tax					(11,683,461)
Assets					
Financial assets at FVTPL	120,960,901	129,072	93,183,197	-	
Short term Islamic deposits	-	-	-	50,124,000	
Other segment assets	184,654	-	717,545	15,450	
Total segment assets	121,145,555	129,072	93,900,742	50,139,450	265,314,819
Unallocated assets					2,412,259
					267,727,078
Liabilities					
Segment liabilities	534,458	-	-	-	534,458
Unallocated liabilities					50,181
					584,639

17. SEGMENTAL REPORTING (CONTD.)

a. Business segments (contd.)

	Listed Shariah-compliant investment securities RM	Listed Shariah non-compliant investment securities (Note 13) RM	Unlisted Shariah-compliant investment security RM	Other Shariah-compliant investment RM	Total RM
2024					
Revenue					
Segment income	1,903,120	-	428,342	117,142	
Segment expenses	(123,347)	-	-	-	
Net segment income representing segment results	1,779,773	-	428,342	117,142	2,325,257
Unallocated expenditures					(330,367)
Income before tax					1,994,890
Income tax					(1,120)
Net income after tax					1,993,770
Assets					
Financial assets at FVTPL	19,274,544	-	9,616,103	-	
Short term Islamic deposits	-	-	-	5,892,000	
Other segment assets	108,765	-	-	2,080	
Total segment assets	19,383,309	-	9,616,103	5,894,080	34,893,492
Unallocated assets					609,104
					35,502,596
Liabilities					
Segment liabilities	470,451	-	-	-	470,451
Unallocated liabilities					26,352
					496,803

17. SEGMENTAL REPORTING (CONTD.)

b. Geographical segments

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

18. FINANCIAL INSTRUMENTS

a. Classification of financial instruments

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

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

	Financial assets at FVTPL RM	Financial assets at amortised cost RM	Other financial liabilities RM	Total RM
2025				
Assets				
Listed Shariah-compliant equity securities	119,532,311	-	-	119,532,311
Listed Islamic collective investment scheme	1,465,557	-	-	1,465,557
Listed Shariah-compliant warrant	92,105	-	-	92,105
Unlisted corporate sukuk	43,807,058	-	-	43,807,058
Unlisted government sukuk	36,901,420	-	-	36,901,420
Unlisted quasi-government sukuk	7,087,866	-	-	7,087,866
Unlisted Islamic commercial paper	4,939,450	-	-	4,939,450
Unlisted Islamic options	447,403	-	-	447,403
Short term Islamic deposits	-	50,124,000	-	50,124,000
Amount due from licensed financial institutions	-	769,550	-	769,550
Amount due from Manager	-	2,400,086	-	2,400,086
Other receivables	-	148,099	-	148,099
Cash at bank	-	12,173	-	12,173
	<u>214,273,170</u>	<u>53,453,908</u>	<u>-</u>	<u>267,727,078</u>

18. FINANCIAL INSTRUMENTS (CONTD.)

a. Classification of financial instruments (contd.)

	Financial assets at FVTPL RM	Financial assets at amortised cost RM	Other financial liabilities RM	Total RM
2025 (contd.)				
Liabilities				
Amount due to Trustee	-	-	27,172	27,172
Amount due to licensed financial institutions	-	-	534,458	534,458
	-	-	561,630	561,630
2024				
Assets				
Listed Shariah- compliant equity securities	19,274,544	-	-	19,274,544
Unlisted corporate sukuk	742,100	-	-	742,100
Unlisted Islamic options	7,684,256	-	-	7,684,256
Unlisted government sukuk	1,189,747	-	-	1,189,747
Short term Islamic deposits	-	5,892,000	-	5,892,000
Amount due from licensed financial institutions	-	106,685	-	106,685
Amount due from Manager	-	598,679	-	598,679
Other receivables	-	2,080	-	2,080
Cash at bank	-	12,505	-	12,505
	<u>28,890,647</u>	<u>6,611,949</u>	<u>-</u>	<u>35,502,596</u>
Liabilities				
Amount due to Trustee	-	-	2,394	2,394
Amount due to licensed financial institutions	-	-	470,451	470,451
	-	-	472,845	472,845

18. FINANCIAL INSTRUMENTS (CONTD.)

b. Financial instruments that are carried at fair value

The Fund's financial assets at FVTPL are carried at fair value.

The 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:				
2025				
Listed Shariah-compliant equity securities	119,532,311	-	-	119,532,311
Listed Islamic collective investment schemes	1,465,557	-	-	1,465,557
Listed Shariah-compliant warrant	92,105	-	-	92,105
Unlisted corporate sukuk	-	43,807,058	-	43,807,058
Unlisted government sukuk	-	36,901,420	-	36,901,420
Unlisted quasi-government sukuk	-	7,087,866	-	7,087,866
Unlisted Islamic commercial paper	-	4,939,450	-	4,939,450
Unlisted Islamic options	-	-	447,403	447,403
	<u>121,089,973</u>	<u>92,735,794</u>	<u>447,403</u>	<u>214,273,170</u>
2024				
Listed Shariah-compliant equity securities	19,274,544	-	-	19,274,544
Unlisted corporate sukuk	-	7,684,256	-	7,684,256
Unlisted government sukuk	-	1,189,747	-	1,189,747
Unlisted Islamic options	-	-	742,100	742,100
	<u>19,274,544</u>	<u>8,874,003</u>	<u>742,100</u>	<u>28,890,647</u>

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

18. FINANCIAL INSTRUMENTS (CONTD.)

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

The fair values of listed Shariah-compliant equity securities, listed Islamic collective investment scheme and listed Shariah-compliant warrant are determined by reference to Bursa Malaysia Securities Berhad's last traded prices at reporting date. The fair values of unlisted corporate sukuk, unlisted government sukuk, unlisted quasi-government sukuk and unlisted Islamic commercial paper are based on evaluated mid prices provided by bond pricing agency accredited by the Securities Commission of Malaysia at reporting date.

Reconciliation of fair value measurements of Level 3 financial instruments

The Fund carries the unlisted Islamic options as financial assets at FVTPL classified as Level 3 within the fair value hierarchy.

The following table shows a reconciliation of all movements in the fair value of the unlisted Islamic options categorised within Level 3 between the beginning and the end of the financial year.

	2025 RM	2024 RM
At the beginning of the financial year	742,100	103,944
Purchase cost	434,496	836,287
Proceed from Maturity	(823,181)	(213,299)
Realised gain	84,705	17,677
Unrealised change in fair value	9,283	(2,509)
At the end of the financial year	<u>447,403</u>	<u>742,100</u>

The following table presents additional information about the valuation methodology and input used for Shariah-compliant investments that are measured at fair value and categorised within Level 3:

	Fair value	Valuation methodology	Unobservable input
2025			
Call/Put - Seni Jaya Corporation Berhad maturing on 18/8/2024	<u>447,403</u>	Discounted cash flow	Option prices

18. FINANCIAL INSTRUMENTS (CONTD.)

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

Reconciliation of fair value measurements of Level 3 financial instruments (contd.)

	Fair value	Valuation methodology	Unobservable input
2024			
Call/Put - Seni Jaya Corporation Berhad maturing on 19/11/2024	98,127	Discounted cash flow	Option prices
Call/Put - Sunview Group Berhad maturing on 8/2/2025	459,610	Discounted cash flow	Option prices
Call/Put - Sunview Group Berhad T2 maturing on 27/2/2025	184,363	Discounted cash flow	Option prices
	<u>742,100</u>		

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

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

19. CAPITAL MANAGEMENT

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

The Fund's objectives for managing capital are:

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

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

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