

KENANGA ISLAMIC MONEY MARKET FUND

ANNUAL REPORT

For the Financial Year Ended 31 May 2024

kenanga

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

KENANGA ISLAMIC MONEY MARKET FUND

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CORPORATE DIRECTORY

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

Registered Office

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

Business Office

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

Board of Directors

Choy Khai Choon (**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 (No. 451957-D)

Registered Office

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

Business Office

Level 14, Kenanga Tower
237, Jalan Tun Razak
50400 Kuala Lumpur, Malaysia.
Tel: 03-2172 3000
Fax: 03-2172 3080

Trustee: CIMB Islamic Trustee Berhad Company No. 198801000556 (167913-M)

Registered Office

Level 13, Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur.
Tel: 03-2261 8888
Fax: 03-2261 0099
Website: www.cimb.com

Business Office

Level 21, Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur.
Tel: 03-2261 8888
Fax: 03-2261 9894

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

Registered Office

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

Business Office

Level 16, Kenanga Tower
237, Jalan Tun Razak
50400 Kuala Lumpur, Malaysia.
Tel: 03-2172 2727
Fax: 03-2172 2897
Website: www.kenanga.com.my

Auditor: Ernst & Young PLT Company No. 202006000003 (LLP0022760-LCA) & AF 0039

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

Tax Adviser: Ernst & Young Tax Consultants Sdn Bhd Company No. 198901002487 (179793-K)

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

Membership: Federation of Investment Managers Malaysia (FIMM)

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

DIRECTORY OF MANAGER'S OFFICES

Regional Branch Offices:

Kuala Lumpur

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

Melaka

No. 43, Jalan KSB 11
Taman Kota Syahbandar
75200 Melaka
Tel: 06-240 2310
Fax: 06-240 2287

Klang

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

Penang

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

Miri

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

Seremban

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

Johor Bahru

No. 63
Jalan Molek 3/1, Taman Molek
81100 Johor Bahru, Johor
Tel: 07-288 1683
Fax: 07-288 1693

Kuching

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

Kuantan

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

Ipoh

No. 1, Jalan Leong Sin Nam
30300 Ipoh, Perak
Tel: 05-254 7573 / 7570
Fax: 05-254 7606

Kota Kinabalu

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

Damansara Uptown

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

Kota Damansara

C26-1, Dataran Sunway
Jalan PJU 5/17
Kota Damansara
47510 Petaling Jaya, Selangor
Tel: 03-6150 3612
Fax: 03-6150 3906

Kluang

No. 1, Aras 1, Jalan Haji Manan
Pusat Perniagaan Komersial Haji Manan
86000 Kluang, Johor
Tel: 07-710 2700
Fax: 07-710 2150

1. FUND INFORMATION

1.1 Fund Name

Kenanga Islamic Money Market Fund (**KIMMF or the Fund**)

1.2 Fund Category / Type

Money Market (Islamic) / Income

1.3 Investment Objective

The Fund aims to provide investors with a regular income stream that complies with Shariah requirements whilst maintaining capital stability.

1.4 Investment Strategy

The Fund will invest in short term Islamic money market instruments and government or government-backed sukuk.

With effect from 2 October 2023, Unit Holders of the Fund were split into two categories, where individual Unit Holders were categorised under Class RI and non-individual Unit Holders were categorised under Class NR. The different classes of units were meant to segregate Unit Holders to cater for the different tax treatments applicable to individual and non-individual Unit Holders.

1.5 Duration

The Fund was launched on 9 November 2007 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

Maybank Islamic Overnight Deposit Rate.

1.7 Distribution Policy

Subject to the availability of income, the Fund will distribute income on a monthly basis.

1.8 External Fund Manager

Kenanga Islamic Investors Berhad

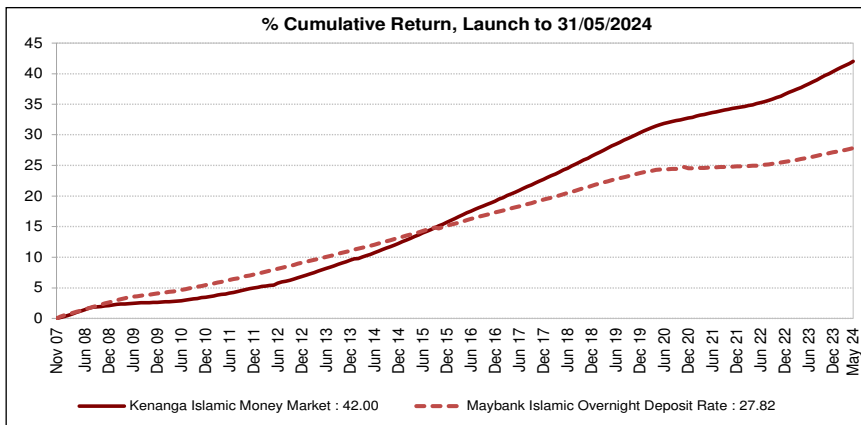
2. MANAGER'S REPORT

2.1 Explanation on whether the Fund has achieved its investment objective

For the financial year under review, the Fund fulfilled its investment objective of providing investors with a regular income stream that comply with Shariah requirements whilst maintaining capital stability.

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

Performance Chart Since Launch (9/11/2007 - 31/05/2024)
Kenanga Islamic Money Market Fund vs Maybank Islamic Overnight Deposit Rate



Source: Novagni Analytics and Advisory

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

For the financial year under review, the Fund invested in short term Islamic money market deposits with Islamic financial institutions to provide a reasonable level of income while maintaining liquidity to its investors. The strategy adopted by the Fund during the financial year is consistent with the investment strategy stated in the prospectus.

2.4 The Fund's asset allocation as at 31 May 2024 and comparison with the previous financial year

Asset	31 May 2024	31 May 2023
Short term Islamic deposits and cash	100.0%	100.0%

Reason for the differences in asset allocation

The Fund's asset allocation in short term Islamic deposits and cash remains unchanged at 100%.

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

	Year under review
KIMMF Class RI	2.87%
KIMMF Class NR	2.87%
Maybank Islamic Overnight Deposit Rate	1.31%

Source: Lipper

The Fund outperformed its benchmark return by 156 basis points (bps) during the financial year under review. The Fund's returns were derived from short term Islamic deposit placements. The outperformance was due to active management of the placement maturities to enhance the Fund's returns while meeting its liquidity requirements.

2.6 Review of the market

Market review

On 6 July 2023, Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) unchanged at 3.00% as it continues to see limited risks of future financial imbalances. As widely expected, BNM continued to maintain the OPR at 3.00% on 7 September amid the moderating domestic growth and inflation outlook. Malaysia's economy moderated from 5.6% year-on-year (YoY) in 1Q2023 to 2.9% in 2Q2023, partly due to weakness in external demand as well as the high base effect from 2Q2022 (8.8%); although domestic demand remained steady. Headline inflation continued to ease from 2.8% in 2Q2023 to 2.0% in 3Q2023, on the back of a slower rise in food and beverages as well as restaurants and hotels category.

On 13 October, the Malaysian government unveiled its latest economic and fiscal projections alongside the Budget 2024 announcement. Growth is projected to be at 4.0% in 2023 and 4.0%-5.0% in 2024. Meanwhile, budget deficit target remained at -5.0% of Gross Domestic Product (GDP) in 2023, with an aim to make further progress in fiscal consolidation in 2024 at a target of -4.3%.

On 2 November, BNM continued to keep the OPR unchanged at 3.00% at its final Monetary Policy Committee (MPC) meeting for the year, given the balanced outlook for domestic growth and inflation. Malaysia's economy expanded by 3.3% YoY in 3Q2023, driven by higher domestic private consumption and moderated to 3.0% YoY in 4Q2023, weighed by slower economic activity. Full year GDP growth normalized to 3.7% in 2023, from 8.7% in 2022. Domestic headline inflation for 4Q2023 continued to ease to 1.6%, while inflation for the full year 2023 declined to 2.5% (2022: 3.3%).

Moving into the new year, BNM kept the OPR unchanged at 3.00% during its MPC meetings on 24 January, 7 March and 9 May 2024, given the balanced outlook for domestic growth and inflation. Malaysia's economy expanded at a faster pace of 4.2% YoY in 1Q2024, supported by a rebound in exports. Meanwhile, headline inflation remained unchanged for the third consecutive month at 1.8% YoY in April, as the increase in food and beverages prices was offset by other key components that remained steady or slowed.

2.6 Review of the market (contd.)

Market outlook

Malaysia's economy is projected to grow at 4.0%-5.0% in 2024, underpinned by resilient domestic demand. Meanwhile, inflation is expected to remain modest in 2024 between 2.0%-3.5%, subject to global commodity prices and changes in domestic subsidies and price controls. Given the moderate growth and inflation outlook ahead, BNM is likely to keep interest rates steady for the rest of the year to support domestic growth amid external uncertainties.

2.7 Distributions

For the financial year under review, the Fund has declared the following income distributions:

	Gross/Net distribution per unit (sen)	Cum NAV per unit (RM)	Ex NAV per unit (RM)
Class RI			
27 October 2023	0.06	0.5280	0.5274
27 November 2023	0.15	0.5287	0.5272
26 December 2023	0.15	0.5284	0.5269
23 January 2024	0.15	0.5281	0.5266
26 February 2024	0.15	0.5280	0.5265
26 March 2024	0.15	0.5276	0.5261
24 April 2024	0.15	0.5273	0.5258
27 May 2024	0.15	0.5272	0.5257
	<u>1.11</u>		
Class NR*			
27 October 2023	0.06	0.5280	0.5274
27 November 2023	0.15	0.5287	0.5272
26 December 2023	0.15	0.5284	0.5269
23 January 2024	0.15	0.5281	0.5266
26 February 2024	0.15	0.5280	0.5265
26 March 2024	0.15	0.5276	0.5261
24 April 2024	0.15	0.5273	0.5258
27 May 2024	0.15	0.5272	0.5257
	<u>1.11</u>		

* The distributions to Class NR's unit holders are subject to 24% Malaysian withholdings tax.

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 significant changes in the state of affairs of the Fund during the financial year, which have been disclosed in the Fund's Semi-Annual Report for the financial period ended 30 November 2023. Please refer to the Fourth Supplemental Master Prospectus dated 15 September 2023 and the Fifth Supplemental Master Prospectus dated 2 October 2023 for more details.

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. As the Fund is solely invested in Islamic money market instruments, the Manager did not receive any rebates or soft commissions from its stockbrokers during the financial year under review.

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 31 May are as follows:

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

	FY 2024 %	FY 2023 %	FY 2022 %
Short term Islamic deposits and cash	100.0	100.0	100.0
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Note: The above mentioned percentages are based on the total market value of Shariah-compliant investments plus cash.

b. Distribution among markets

The Fund invests in local short term Islamic deposits only.

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

	FY 2024	FY 2023	FY 2022
Net asset value ("NAV") (RM Million)		123.33	251.17
- Class RI	27.95		
- Class NR	159.94		
Units in circulation (Million)		236.24	755.38
- Class RI	53.16		
- Class NR	304.17		
NAV per unit (RM)		0.5220	0.5091
- Class RI	0.5258		
- Class NR	0.5258		
Highest NAV per unit (RM)		0.5108	0.5108
- Class RI	0.5287		
- Class NR	0.5287		
Lowest NAV per unit (RM)		0.5082	0.5082
- Class RI	0.5257		
- Class NR	0.5257		
Total return (%)		2.19	1.19
- Class RI	2.87		
- Class NR	1.90		
- Capital growth (%)		2.19	0.35
- Class RI	0.73		
- Class NR	-0.23		
- Income growth (%)		-	0.83
- Class RI	2.14		
- Class NR	2.12		
Gross distribution per unit (sen)		-	0.42
- Class RI	1.11		
- Class NR	1.11		
Net distribution per unit (sen)		-	0.42
- Class RI	1.11		
- Class NR	1.11		
Total expense ratio ("TER") (%) ¹		0.53	0.58
- Class RI	0.53		
- Class NR	0.53		
Portfolio turnover ratio ("PTR") (times) ²	78.32	73.36	97.42

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

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 for the financial year under review is of insignificant change as compared against the previous financial year.
- ² PTR is higher as compared to previous financial year due to frequent rollover of short-term deposit placements during the current financial year under review.

3.3 Average total return of the Fund

	1 Year 31 May 23 - 31 May 24	3 Years 31 May 21 - 31 May 24	5 Years 31 May 19 - 31 May 24
KIMMF Class RI	2.87%	2.06%	2.05%
KIMMF Class NR	2.87%	2.06%	2.05%
Maybank Islamic Overnight Deposit Rate	1.31%	0.84%	0.83%

Source: Lipper

3.4 Annual total return of the Fund

	Year under review 31 May 23 - 31 May 24	1 Year				
		31 May 22 - 31 May 23	31 May 21 - 31 May 22	31 May 20 - 31 May 21	31 May 19 - 31 May 20	31 May 18 - 31 May 19
KIMMF Class RI	2.87%	2.19%	1.19%	1.40%	2.70%	3.17%
KIMMF Class NR	2.87%	2.19%	1.19%	1.40%	2.70%	3.17%
Maybank Islamic Overnight Deposit Rate	1.31%	0.95%	0.26%	0.28%	1.40%	1.90%

Source: Lipper

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

KENANGA ISLAMIC MONEY MARKET FUND

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

31 May 2024

KENANGA ISLAMIC MONEY MARKET FUND

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**TRUSTEE'S REPORT
TO THE UNIT HOLDERS OF KENANGA ISLAMIC MONEY MARKET FUND (“Fund”)**

We have acted as Trustee of the Fund for the financial year ended 31 May 2024 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.

We are of the opinion that the distributions of income by the Fund are appropriate and reflect the investment objective of the Fund.

For and on behalf of
CIMB Islamic Trustee Berhad

Datin Ezreen Eliza Zulkiplee
Chief Executive Officer

Kuala Lumpur, Malaysia

29 July 2024

**SHARIAH ADVISER'S REPORT FOR ISLAMIC UNIT TRUST FUND
TO THE UNIT HOLDERS OF KENANGA ISLAMIC MONEY MARKET 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.

For Kenanga Investment Bank Berhad Shariah Committee

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

Kuala Lumpur, Malaysia

29 July 2024

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Kenanga Islamic Money Market Fund (the "Fund"), which comprise the statement of financial position as at 31 May 2024, and the statement of comprehensive income, statement of changes in net asset value attributable to unit holders 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 31.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 May 2024, and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

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

Independent auditors' report to the unit holders of Kenanga Islamic Money Market 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 Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the financial statements

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

Independent auditors' report to the unit holders of Kenanga Islamic Money Market 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 Money Market 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. 03675/07/2024 J
Chartered Accountant

Kuala Lumpur, Malaysia
29 July 2024

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 31 May 2024 and the related statement of comprehensive income, statement of changes in net asset value attributable to unit holders and statement of cash flows for the financial year ended 31 May 2024 together with notes thereto, are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of Kenanga Islamic Money Market Fund as at 31 May 2024 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

29 July 2024

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MAY 2024**

	Note	2024 RM	2023 RM
INVESTMENT INCOME			
Profit income		5,078,847	5,419,610
Other income		5,955	-
		<u>5,084,802</u>	<u>5,419,610</u>
EXPENSES			
Manager's fee	4	758,438	1,058,402
Trustee's fee	5	32,749	42,336
Auditors' remuneration		10,700	9,100
Tax agent's fee		500	3,500
Administration expenses		9,407	15,583
		<u>811,794</u>	<u>1,128,921</u>
NET INCOME BEFORE FINANCE COST AND TAX			
		4,273,008	4,290,689
Finance cost - distributions	7	<u>(3,274,251)</u>	-
NET INCOME BEFORE TAX			
		998,757	4,290,689
Income tax	6	<u>-</u>	<u>-</u>
NET INCREASE IN NET ASSET VALUE ("NAV") ATTRIBUTABLE TO UNIT HOLDERS/NET INCOME AFTER TAX, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR			
		<u>998,757</u>	<u>4,290,689</u>
Increase in NAV attributable to unit holders/Net income after tax is made up as follows:			
Realised gain		<u>998,757</u>	<u>4,290,689</u>
Distributions for the financial year:			
Net distributions (RM)			
- Class RI	7	<u>464,033</u>	-
- Class NR	7	<u>2,810,218</u>	-
Gross/Net distribution per unit (sen)			
- Class RI	7	<u>1.11</u>	-
- Class NR	7	<u>1.11</u>	-

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2024**

	Note	2024 RM	2023 RM
ASSETS			
INVESTMENT			
Short term Islamic deposits	8	187,727,000	123,334,000
OTHER ASSETS			
Other receivable	9	392,788	112,700
Cash at bank		4,360	3,961
		<u>397,148</u>	<u>116,661</u>
TOTAL ASSETS		<u>188,124,148</u>	<u>123,450,661</u>
LIABILITIES			
Amount due to Manager		77,827	54,880
Amount due to Trustee		5,435	2,195
Other payables	10	146,296	66,250
TOTAL LIABILITIES (EXCLUDING NAV ATTRIBUTABLE TO UNIT HOLDERS)/TOTAL LIABILITIES		<u>229,558</u>	<u>123,325</u>
EQUITY			
Unit holders' contribution		-	117,019,511
Retained earnings		-	6,307,825
		<u>-</u>	<u>123,327,336</u>
NAV ATTRIBUTABLE TO UNIT HOLDERS	11	<u>187,894,590</u>	<u>123,327,336</u>
TOTAL LIABILITIES/TOTAL LIABILITIES AND EQUITY		<u>188,124,148</u>	<u>123,450,661</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2024 (CONTD.)**

	Note	2024 RM	2023 RM
NAV ATTRIBUTABLE TO UNIT HOLDERS			
COMPRISE:			
- Class RI		27,950,901	-
- Class NR		159,943,689	-
		187,894,590	123,327,336
NUMBER OF UNITS IN CIRCULATION			
- Class RI	11(a)	-	236,238,782
- Class NR	11(b)	53,156,906	-
	11(c)	304,166,924	-
		357,323,830	-
NAV PER UNIT (RM)			
- Class RI		0.5258	-
- Class NR		0.5258	-
		0.5258	0.5220

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

**STATEMENT OF CHANGES IN NET ASSET VALUE ATTRIBUTABLE TO UNIT HOLDERS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2024**

	2024 RM	2023 RM
At the beginning of the financial year	123,327,336	385,849,617
Movement due to units created and cancelled during the financial year:		
Creation of units	-	109,691,136
- Class RI	305,787,205	-
- Class NR	122,255,545	-
	428,042,750	-
Cancellation of units	-	(376,504,106)
- Class RI	(294,160,016)	-
- Class NR	(72,914,035)	-
	(367,074,051)	-
Reinvestment of income distributed	-	-
- Class RI	464,033	-
- Class NR	2,135,765	-
	2,599,798	-
Increase in NAV attributable to unit holders/total comprehensive income during the financial year	-	4,290,689
- Class RI	186,917	-
- Class NR	811,840	-
	998,757	-
At end of the financial year	187,894,590	123,327,336

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

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2024**

	Note	2024 RM	2023 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES			
Proceeds from the maturity of Shariah-compliant investments		997,285,000	2,002,875,000
Profit from Islamic deposits received		4,798,759	5,491,538
Other income received		5,955	-
Tax agent's fee paid		(3,500)	-
Auditors' remuneration paid		(9,500)	(9,100)
Payment for other fees and expenses		(35,891)	(26,621)
Trustee's fee paid		(29,509)	(53,832)
Manager's fee paid		(735,491)	(1,345,804)
Placement of Shariah-compliant investments		(1,048,589,000)	(1,900,434,000)
Net cash (used in)/generated from operating and investing activities		<u>(47,313,177)</u>	<u>106,497,181</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from units created		428,042,750	109,691,136
Cash paid on units cancelled		(367,074,052)	(376,504,106)
Distribution paid		(566,122)	-
Net cash generated from/(used in) financing activities		<u>60,402,576</u>	<u>(266,812,970)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		13,089,399	(160,315,789)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		<u>29,914,961</u>	<u>190,230,750</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		<u>43,004,360</u>	<u>29,914,961</u>
Cash and cash equivalents comprise:			
Cash at bank		4,360	3,961
Short term Islamic deposits	8	<u>43,000,000</u>	<u>29,911,000</u>
		<u>43,004,360</u>	<u>29,914,961</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2024

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

Kenanga Islamic Money Market Fund (the “Fund”) was constituted pursuant to the executed Master Deed dated 29 August 2007 (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 Fund commenced operations on 9 November 2007 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 investors with a regular income stream that comply with Shariah requirements whilst maintaining capital stability.

The financial statements were authorised for issue by the Chief Executive Officer of the Manager on 29 July 2024.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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.

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.

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

a. Market risk (contd.)

The Manager manages the risk of unfavourable changes in prices by cautious review of the 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 Islamic fund or otherwise. It does not in any way suggest that the Fund will invest in conventional financial instruments.

The Fund is not exposed to significant interest rate risk as its Islamic deposits are short term in nature and have fixed profit rates.

Interest rate risk exposure

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

	Up to 1 year RM	Non-interest sensitive RM	Total RM	Weighted average effective rate of return* %
2024				
Assets				
Short term Islamic deposits	187,727,000	-	187,727,000	3.5
Other financial assets	-	397,148	397,148	
	<u>187,727,000</u>	<u>397,148</u>	<u>188,124,148</u>	
Liabilities				
Other financial liabilities	-	83,262	83,262	
NAV attributable to unit holders	-	187,894,590	187,894,590	
	<u>-</u>	<u>187,977,852</u>	<u>187,977,852</u>	
Total interest rate sensitivity gap	<u>187,727,000</u>	<u>(187,580,704)</u>	<u>146,296</u>	

* Calculated based on Shariah-compliant 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	Non-interest sensitive RM	Total RM	Weighted average effective rate of return* %
2023				
Assets				
Short term Islamic deposits	123,334,000	-	123,334,000	3.3
Other financial assets	-	116,661	116,661	
	<u>123,334,000</u>	<u>116,661</u>	<u>123,450,661</u>	
Liabilities				
Other financial liabilities	-	57,075	57,075	
	<u>-</u>	<u>57,075</u>	<u>57,075</u>	
Total interest rate sensitivity gap	<u>123,334,000</u>	<u>59,586</u>	<u>123,393,586</u>	

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

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.

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

b. Credit risk (contd.)

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.

iii. Credit quality of financial assets

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

	Percentage of total short term Islamic deposits		Percentage of NAV	
	2024 %	2023 %	2024 %	2023 %
Rating				
P1/MARC-1	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

c. Liquidity risk

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

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

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

c. Liquidity risk (contd.)

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

	Note	No maturity RM	Up to 1 year RM	Total RM
2024				
Assets				
Short term Islamic deposits		-	187,727,000	187,727,000
Cash at bank		4,360	-	4,360
Other financial assets		-	392,788	392,788
	i.	<u>4,360</u>	<u>188,119,788</u>	<u>188,124,148</u>
Liabilities				
Other financial liabilities		-	83,262	83,262
NAV attributable to unit holders		-	187,894,590	187,894,590
	ii.	<u>-</u>	<u>187,977,852</u>	<u>187,977,852</u>
Liquidity gap		<u>4,360</u>	<u>141,936</u>	<u>146,296</u>
2023				
Assets				
Short term Islamic deposits		-	123,334,000	123,334,000
Cash at bank		3,961	-	3,961
Other financial assets		-	112,700	112,700
	i.	<u>3,961</u>	<u>123,446,700</u>	<u>123,450,661</u>
Liabilities				
Other financial liabilities	ii.	<u>-</u>	<u>57,075</u>	<u>57,075</u>
Equity	iii.	<u>-</u>	<u>123,327,336</u>	<u>123,327,336</u>
Liquidity gap		<u>3,961</u>	<u>62,289</u>	<u>66,250</u>

i. Financial assets

For the Fund's Shariah-compliant investment and 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.

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.

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

c. Liquidity risk (contd.)

iii. Equity

In the previous financial year, as the unit holders can request for redemption of their units, they have been categorised as having a maturity of “up to 1 year”.

d. Regulatory reportings

It is the Manager’s responsibility to ensure full compliance of all requirements under the Guidelines on Unit Trust Funds issued by 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 Malaysian Financial Reporting Standards (“MFRS”) as issued by the Malaysian Accounting Standards Board (“MASB”) and International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

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

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the MFRS and amended MFRS, which became effective for the Fund on 1 June 2023.

Description	Effective for financial periods beginning on or after
MFRS 17: <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17: <i>Insurance Contracts</i>	1 January 2023
Amendment to MFRS 17: <i>Initial Application of MFRS 17 and MFRS 9 — Comparative Information</i>	1 January 2023
Amendments to MFRS 101: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112: <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 112: <i>International Tax Reform — Pillar Two Model Rules</i>	1 January 2023

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

b. Amendments to standards issued but not yet effective

As at the reporting date, the following 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 amendments to standards when they become effective.

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
Amendments to MFRS 121: <i>Lack of Exchangeability</i>	1 January 2025
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 fair value through profit or loss ("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 yield rate ("EYR"). Gains or losses are 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 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/discourt).

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.

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:

- 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

d. Derecognition of financial assets (contd.)

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 is recognised using the effective yield method.

h. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank and short term Islamic deposits with licensed financial institutions with maturities of 7 days 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

j. NAV attributable to unit holders

The NAV attributable to unit holders meet the definition of puttable instruments classified as financial liability under MFRS 132 *Financial Instruments: Presentation*.

The Fund issues cancellable units in two classes of units known respectively as Class RI and Class NR, which are cancelled at the unit holder's option and are classified as financial liabilities. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share to the Fund's net asset value of respective classes. The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if unit holders exercise the right to put back the unit to the Fund.

In the previous financial year, the NAV attributable to unit holders is classified as equity under MFRS 132 *Financial Instruments: Presentation*.

k. Functional and presentation currency

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

l. Distributions

Distributions are at the discretion of the Manager. A distribution to the Fund's unit holders is accounted for as finance cost in the statement of comprehensive income as the NAV attributable to unit holders are classified as financial liability as per Note 3(j). A proposed distribution is recognised as a liability in the financial year in which it is approved by the Trustee.

In the previous year, a distribution to the Fund's unit holders is accounted for as a deduction from retained earnings.

m. Significant accounting judgements and estimates

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

i. Critical judgements made in applying accounting policies

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

ii. Key sources of estimation uncertainty

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

4. MANAGER'S FEE

The Manager's fee is calculated on a daily basis at a rate not exceeding 1.00% per annum of the NAV of the Fund as provided under Clause 13.1 of the Deed.

The Manager is currently charging Manager's fee of 0.50% per annum of the NAV of the Fund (2023: 0.50% per annum).

5. TRUSTEE'S FEE

Pursuant to the Fifth Master Supplemental Deed dated 25 July 2014, the Trustee's fee is calculated on a daily basis at a rate not exceeding 0.02% per annum of the NAV of the Fund.

The Trustee's fee is currently calculated at 0.02% per annum of the NAV of the Fund (2023: 0.02% per annum).

6. INCOME TAX

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

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

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

	2024	2023
	RM	RM
Net income before tax	998,757	4,290,689
Tax at Malaysian statutory tax rate of 24% (2023: 24%)	239,702	1,029,765
Tax effect of:		
Income not subject to tax	(1,220,353)	(1,300,706)
Expenses not deductible for tax purposes	813,528	14,741
Restriction on tax deductible expenses for unit trust fund	167,123	256,200
Income tax for the financial year	-	-

7. DISTRIBUTIONS

Distributions to unit holders were made on the following dates:

	2024	2023
	RM	RM
Class RI:		
27 October 2023	22,638	-
27 November 2023	51,887	-
26 December 2023	53,499	-
23 January 2024	54,127	-
26 February 2024	66,520	-
26 March 2024	66,898	-
24 April 2024	76,061	-
27 May 2024	72,403	-
	<u>464,033</u>	<u>-</u>
Class NR:		
27 October 2023	112,790	-
27 November 2023	295,675	-
26 December 2023	359,805	-
23 January 2024	450,386	-
26 February 2024	352,141	-
26 March 2024	339,482	-
24 April 2024	448,566	-
27 May 2024	451,373	-
	<u>2,810,218</u>	<u>-</u>
Total distributions	<u>3,274,251</u>	<u>-</u>
Gross/Net distribution per unit (sen)		
- Class RI	<u>1.11</u>	<u>-</u>
- Class NR	<u>1.11</u>	<u>-</u>

8. SHORT TERM ISLAMIC DEPOSITS

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

	2024	2023
	RM	RM
Short term Islamic deposits (tenure: more than 7 days)	144,727,000	93,423,000
Short term Islamic deposits (tenure: 7 days or less)	43,000,000	29,911,000
	<u>187,727,000</u>	<u>123,334,000</u>

9. OTHER RECEIVABLE

	2024	2023
	RM	RM
Profit receivable from short term Islamic deposits	<u>392,788</u>	<u>112,700</u>

10. OTHER PAYABLES

	2024	2023
	RM	RM
Accrual for auditors' remuneration	10,300	9,100
Accrual for tax agent's fees	3,500	6,500
Provision for printing and other expenses	24,166	50,650
Withholding tax payable	<u>108,330</u>	<u>-</u>
	<u>146,296</u>	<u>66,250</u>

11. NUMBER OF UNITS IN CIRCULATION

With effect from 2 October 2023, the units of the Fund were split into Class RI and Class NR, whereby individual unit holders were categorised under Class RI and non-individual unit holders were categorised under Class NR. There are no changes to the existing features of Class RI and existing non-individual unit holders were reclassified to Class NR, accordingly.

(a) Units in circulation

	2023
	No. of units
At beginning of the financial year	755,383,680
Add: Creation of units	212,791,337
Less: Cancellation of units	<u>(731,936,235)</u>
At end of the financial year	<u>236,238,782</u>

(b) Units in circulation - Class RI

	2024
	No. of units
At beginning of the financial year	236,238,782
Add: Creation of units	583,984,954
Less: Cancellation of units	<u>(561,366,575)</u>
Reinvestment of income distributed	881,551
Reclassification of units to Class NR	<u>(206,581,806)</u>
At end of the financial year	<u>53,156,906</u>

11. NUMBER OF UNITS IN CIRCULATION (CONTD.)

(c) Units in circulation - Class NR

	2024
	No. of units
At beginning of the financial year	-
Reclassification of units from Class RI	206,581,806
Add: Creation of units	231,826,692
Less: Cancellation of units	(138,298,974)
Reinvestment of income distributed	4,057,400
At end of the financial year	<u>304,166,924</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 31 May 2024 (2023: nil).

12. SHARIAH INFORMATION OF THE FUND

The Shariah Adviser confirmed that the investment portfolio of the Fund is Shariah-compliant, which comprises liquid assets in the local market, which are placed in Shariah-compliant investments and/or instruments.

13. PORTFOLIO TURNOVER RATIO ("PTR")

PTR for the financial year is 78.32 times (2023: 73.36 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.

14. TOTAL EXPENSE RATIO ("TER")

TER for the financial year is 0.53% per annum (2023: 0.53% 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.

15. SEGMENTAL REPORTING

Business and geographical segments

In accordance with the objective of the Fund, the Fund can invest up to 100% of its NAV in Islamic money market instruments, Islamic debentures and Islamic deposits. As the Fund invests only in short term Islamic deposits and all of the Fund's Shariah-compliant investments are located in Malaysia, disclosure by business and geographical segment is not relevant.

16. 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 amortised cost RM	Other financial liabilities RM	Total RM
2024			
Assets			
Short term Islamic deposits	187,727,000	-	187,727,000
Other receivable	392,788	-	392,788
Cash at bank	4,360	-	4,360
	<u>188,124,148</u>	<u>-</u>	<u>188,124,148</u>
Liabilities			
Amount due to Manager	-	77,827	77,827
Amount due to Trustee	-	5,435	5,435
NAV attributable to unit holders	-	187,894,590	187,894,590
	<u>-</u>	<u>187,977,852</u>	<u>187,977,852</u>
2023			
Assets			
Short term Islamic deposits	123,334,000	-	123,334,000
Other receivable	112,700	-	112,700
Cash at bank	3,961	-	3,961
	<u>123,450,661</u>	<u>-</u>	<u>123,450,661</u>
Liabilities			
Amount due to Manager	-	54,880	54,880
Amount due to Trustee	-	2,195	2,195
	<u>-</u>	<u>57,075</u>	<u>57,075</u>

b. 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.

17. CAPITAL MANAGEMENT

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

The Fund's objectives for managing capital are:

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

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

18. COMPARATIVES

As disclosed in Note 11, with effect from 2 October 2023, the units of the Fund were split into Class RI and Class NR, whereby individual unit holders were categorised under Class RI and non-individual unit holders were categorised under Class NR. There are no changes to the existing features of Class RI and existing non-individual unit holders were reclassified to Class NR, accordingly.

Arising from the split of units into Class RI and Class NR, unit holders' contribution to the Fund are classified as liabilities under requirement of MFRS 132 *Financial Instruments: Presentation*. In the previous financial year, unit holders' contributions were classified as equity. This reclassification of unit holders' contribution (and retained earnings) did not give rise to any impact on the NAV attributable to unit holders of the Fund. Accordingly, no restatements were required to be made to the comparatives in the financial statements.

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