

This First Supplemental Prospectus is supplementary to and has to be read in conjunction with the Prospectus dated 13 April 2021.

FIRST SUPPLEMENTAL PROSPECTUS

KENANGA WAQF AL-IHSAN FUND

This First Supplemental Prospectus is dated 22 August 2023 and must be read together with the Prospectus dated 13 April 2021.

The Fund is constituted on 25 February 2021.

Manager:

Kenanga Investors Berhad

Registration No.: 199501024358 (353563-P)

Trustee:

RHB Trustee Berhad

Registration No.: 200201005356 (573019-U)

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS FIRST SUPPLEMENTAL PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 13 OF THE PROSPECTUS DATED 13 APRIL 2021 AND PAGE 6 OF THIS FIRST SUPPLEMENTAL PROSPECTUS.

This First Supplemental Prospectus is supplementary to and has to be read in conjunction with the Prospectus dated 13 April 2021.

RESPONSIBILITY STATEMENTS

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

STATEMENTS OF DISCLAIMER

The Securities Commission Malaysia has authorised the Kenanga Waqf Al-Ihsan Fund ("Fund") and a copy of this First Supplemental Prospectus has been registered with the Securities Commission Malaysia.

The authorisation of the Fund, and registration of this First Supplemental Prospectus, should not be taken to indicate that the Securities Commission Malaysia recommends the Fund or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in the Prospectus dated 13 April 2021 and this First Supplemental Prospectus.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of Kenanga Investors Berhad, the management company responsible for the Fund, and takes no responsibility for the contents in the First Supplemental Prospectus. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this First Supplemental Prospectus, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.

INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF INVESTORS ARE UNABLE TO MAKE THEIR OWN EVALUATION, THEY ARE ADVISED TO CONSULT PROFESSIONAL ADVISERS.

ADDITIONAL STATEMENTS

Investors should note that they may seek recourse under the Capital Markets and Services Act 2007 for breaches of securities laws including any statement in this First Supplemental Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this First Supplemental Prospectus or the conduct of any other person in relation to the Fund.

Kenanga Waqf Al-Ihsan Fund has been certified as Shariah-compliant by the Shariah adviser appointed for the Fund.

This First Supplemental Prospectus is not intended to and will not be issued and distributed in any country or jurisdiction other than Malaysia ("Foreign Jurisdiction"). Consequently, no representation has been and will be made as to its compliance with the laws of any Foreign Jurisdiction. Accordingly, no offer or invitation to subscribe or purchase Units of Kenanga Waqf Al-Ihsan Fund to which this First Supplemental Prospectus relates may be made in any Foreign Jurisdiction or under any circumstances where such action is unauthorised.

This First Supplemental Prospectus is supplementary to and has to be read in conjunction with the Prospectus dated 13 April 2021.

Unless otherwise provided in this First Supplemental Prospectus, all the capitalised terms used herein shall have the same meanings as ascribed to them in the Prospectus dated 13 April 2021.

EXPLANATORY NOTE:

This First Supplemental Prospectus has been issued to inform investors of the following:

- The insertion of the new definition of “Eligible Market”.
- The updated corporate directory of the Shariah Adviser.
- The updated information in relation to the investment policy and strategy, risk management strategies, investment restrictions and limits, Shariah investment guidelines and liquidity risk of the Fund.
- The insertion of a new section “Use of Islamic derivatives”, “Suspension of Dealing in Units” and a new suspension of redemption risk.
- The updated information in relation to the Fund’s expenses, policy on rebates and soft commissions, redemption of units and rights to cooling-off.
- The amended disclosures in relation to information of the Manager, investment management team and Shariah adviser.
- The updated salient terms of the deeds.
- The amended disclosures on related-party transactions.
- The issuance of the new supplemental deed in relation to the Fund and the updated tax adviser’s letter.
- The updated directory of the Manager’s offices and list of IUTA.

A. GENERAL

All reference to “investment committee”, wherever it appears in the Prospectus is hereby replaced with “person(s) or members of a committee undertaking the oversight function of the Fund”.

B. DEFINITIONS

Page 1 of the Prospectus

A new definition of “Eligible Market” is hereby inserted after the definition of “Deed” as follows:

- Eligible Market : means an exchange, government securities market or an OTC market:
- (a) that is regulated by a regulatory authority of that jurisdiction;
 - (b) that is open to the public or to a substantial number of market participants; and
 - (c) on which financial instruments are regularly traded.

C. CORPORATE DIRECTORY

Pages 3 – 4 of the Prospectus

- (i) The information in relation to IBFIM is hereby deleted in its entirety and replaced with the following:

SHARIAH ADVISER BFIM
Registration No.: 200701005076 (763075-W)

This First Supplemental Prospectus is supplementary to and has to be read in conjunction with the Prospectus dated 13 April 2021.

REGISTERED OFFICE	Suite 13.03, 13 th Floor Menara Tan & Tan 207 Jalan Tun Razak 50400 Kuala Lumpur
BUSINESS OFFICE	Level 5, Bangunan AICB, No. 10, Jalan Dato' Onn, 50480 Kuala Lumpur
	Tel No.: 03-2031 1010 Fax No.: 03-2026 9988 E-mail: info@ibfim.com Website: www.ibfimonline.com

D. KENANGA WAQF AL-IHSAN FUND

Page 5 of the Prospectus

- (i) The fifth paragraph under investment objective, policy and strategy is hereby deleted in its entirety and replaced with the following:

The Fund may also invest up to 20% of its NAV in foreign Eligible Markets.

Page 6 of the Prospectus

- (ii) The following paragraph is hereby inserted after the last paragraph under fourth paragraph under asset allocation:

We have established liquidity risk management policy to enable us to identify, monitor and manage the liquidity risk of the Fund in order to meet the redemption requests from the Unit Holders as well as to safeguard the interests of the remaining Unit Holders. In managing the Fund's liquidity, we will:

- a. ensure the Fund maintains sufficient Islamic liquid assets to meet redemption requests from Unit Holders;
- b. regularly review the Fund's investment portfolio including its liquidity profile;
- c. monitor the Fund's net flows against redemption requests during normal and adverse market conditions to ensure the Fund has sufficient cash holdings to mitigate any potential risk in not being able to meet the redemption requests from Unit Holders; and
- d. where available, obtain Islamic cash financing on a temporary basis for the purpose of meeting redemption requests for Units and for short-term bridging requirements.

However, if we have exhausted the above avenue, we will, in consultation with the Trustee and having considered the interests of the Unit Holders, resort to suspend the redemption of Units to manage the liquidity of the Fund under exceptional circumstances, where the fair value of a material portion of the Fund's assets cannot be reasonably determined. Any redemption request received by us during the suspension period will only be accepted and processed on the next Business Day after the cessation of suspension of the Fund. Please refer to Section 7.8 of this Prospectus for more information on suspension of dealing in Units.

Pages 7 - 8 of the Prospectus

- (iii) The information under investment restrictions and limits is hereby deleted in its entirety and replaced with the following:

The Fund is subject to the following investment restrictions and limits stipulated in the Guidelines:

This First Supplemental Prospectus is supplementary to and has to be read in conjunction with the Prospectus dated 13 April 2021.

1. The aggregate value of the Fund's investments in unlisted Shariah-compliant securities, units or shares in Islamic leveraged exchange-traded funds and units or shares in Islamic inverse exchange-traded funds must not exceed 15% of the Fund's NAV, subject to a maximum limit of 10% of the Fund's NAV in a single issuer or single Islamic leveraged exchange-traded fund or Islamic inverse exchange-traded fund, as the case may be.
2. The value of the Fund's investments in Shariah-compliant ordinary shares issued by any single issuer must not exceed 10% of the Fund's NAV.
3. The value of the Fund's investments in Shariah-compliant transferable securities and Islamic money market instruments issued by any single issuer must not exceed 15% of the Fund's NAV ("single issuer limit"). In determining the single issuer limit, the value of the Fund's investments in instruments in item 1 issued by the same issuer must be included in the calculation.
4. The Fund's investments in Shariah-compliant shares or Shariah-compliant securities equivalent to shares must not exceed 10% of the Shariah-compliant shares or Shariah-compliant securities equivalent to shares, as the case may be, issued by any single issuer.
5. The Fund's investments in sukuk must not exceed 20% of the sukuk issued by a single issuer. This limit may be disregarded at the time of acquisition if at that time of acquisition the gross amount of sukuk in issue cannot be determined.
6. For investment in Islamic derivatives, the Fund's global exposure from Islamic derivatives position must not exceed the Fund's NAV at all times. The Fund's exposure to Islamic derivatives will be calculated based on commitment approach and the Fund's exposure to counterparty of OTC Islamic derivatives will be calculated in the manner as disclosed in the section below under the heading "Use of Islamic derivatives".
7. The aggregate value of the Fund's investments in, or exposure to, a single issuer through Shariah-compliant transferable securities, Islamic money market instruments, Islamic deposits, underlying assets of Islamic derivatives and counterparty exposure arising from the use of OTC Islamic derivatives, must not exceed 25% of the Fund's NAV ("single issuer aggregate limit"). In determining the single issuer aggregate limit, the value of the Fund's investments in instruments in item 1 issued by the same issuer must be included in the calculation.
8. The value of the Fund's investments in units or shares of Islamic CIS that comply with the Guidelines must not exceed 20% of the Fund's NAV.
9. The Fund's investments in Islamic CIS must not exceed 25% of the units or shares in the Islamic CIS.
10. The Islamic CIS has to be regulated and registered or authorised or approved by the relevant regulatory authority in its home jurisdiction.
11. There must not be any cross-holding between the Fund and the Islamic CIS.
12. The value of the Fund's investments in Shariah-compliant transferable securities and Islamic money market instruments issued by any group of companies must not exceed 20% of the Fund's NAV ("group limit"). In determining the group limit, the value of the Fund's investments in instruments in item 1 issued by the issuers within the same group of companies must be included in the calculation.
13. The value of the Fund's placement in Islamic deposits with any single financial institution must not exceed 20% of the Fund's NAV. This single financial institution limit does not apply to placements of Islamic deposits arising from:
 - (a) subscription monies received prior to the commencement of investment by the Fund;

This First Supplemental Prospectus is supplementary to and has to be read in conjunction with the Prospectus dated 13 April 2021.

- (b) liquidation of investments prior to the termination of the Fund, where the placement of Islamic deposits with various financial institutions would not be in the best interests of Unit Holders; or
 - (c) monies held for the settlement of redemption or other payment obligations, where the placement of Islamic deposits with various financial institutions would not be in the best interest of Unit Holders.
14. The Fund's investments in Islamic money market instruments must not exceed 10% of the instruments issued by any single issuer. This limit does not apply to Islamic money market instruments that do not have a pre-determined issue size.
15. The single issuer limit in item 3 may be raised to 35% of the Fund's NAV if the issuing entity is, or the issue is guaranteed by, either a foreign government, foreign government agency, foreign central bank or supranational, that has a minimum long-term credit rating of investment grade (including gradation and subcategories) by an international rating agency. Where the single issuer limit is increased to 35% of the Fund's NAV, the single issuer aggregate limit in item 7 may be raised, subject to the group limit in item 12 not exceeding 35% of the Fund's NAV.

The above stated limits and restrictions shall be complied with at all times based on the most up-to-date value of the Fund's investments. Where the limit or restriction is breached as a result of any appreciation or depreciation in value of the assets of the Fund, redemption of Units or payments made from the Fund, change in capital of a corporation in which the Fund has invested in or downgrade in or cessation of a credit rating, we will, within a reasonable period of not more than three (3) months from the date of the breach, take all necessary steps and actions to rectify the breach. The 3 month period may be extended if it is in the best interest of Unit Holders and the Trustee's consent is obtained. Such extension must be subject to at least a monthly review by the Trustee.

There is no restriction and limit imposed on Shariah-compliant securities or Shariah-compliant instruments issued or guaranteed by the Malaysian government or BNM.

Page 8 of the Prospectus

- (iv) The following new information in relation to use of Islamic derivatives is hereby inserted after the investment restrictions and limits:

Use of Islamic Derivatives

Calculation of Global Exposure to Islamic Derivatives

The global exposure of the Fund is calculated based on commitment approach and is calculated as the sum of:

- (a) the absolute value of the exposure of each individual Islamic derivative not involved in netting or hedging arrangements;
- (b) the absolute value of the net exposure of each individual Islamic derivative after netting or hedging arrangements; and
- (c) the values of cash collateral received pursuant to the reduction of exposure to counterparties of OTC Islamic derivatives.

Netting and hedging arrangements may be taken into account to reduce the Fund's exposure to Islamic derivatives.

Netting arrangements

The Fund may net positions between:

- (a) Islamic derivatives on the same underlying constituents, even if the maturity dates are different; or
- (b) Islamic derivatives and the same corresponding underlying constituents, if those underlying constituents are Shariah-compliant transferable securities, Islamic money market instruments, or units or shares in Islamic CIS.

This First Supplemental Prospectus is supplementary to and has to be read in conjunction with the Prospectus dated 13 April 2021.

Hedging arrangements

The marked-to-market value of Shariah-compliant transferable securities, Islamic money market instruments, or units or shares in Islamic CIS involved in hedging arrangements may be taken into account to reduce the exposure of the Fund to Islamic derivatives.

The hedging arrangement must:

- (a) not be aimed at generating a return;
- (b) result in an overall verifiable reduction of the risk of the Fund;
- (c) offset the general and specific risks linked to the underlying constituent being hedged;
- (d) relate to the same asset class being hedged; and
- (e) be able to meet its hedging objective in all market conditions.

Calculation of Exposure to Counterparty of OTC Islamic derivatives

The exposure to a counterparty of an OTC Islamic derivative must be measured based on the maximum potential loss that may be incurred by the Fund if the counterparty defaults and not on the basis of the notional value of the OTC Islamic derivative.

The total exposure to a single counterparty is calculated by summing the exposure arising from all OTC Islamic derivative transactions entered into with the same counterparty.

The maximum exposure of the Fund to the counterparty of OTC Islamic derivatives, calculated based on the above, must not exceed 10% of the Fund's NAV.

Page 11 of the Prospectus

- (v) The information in the first paragraph in relation to sukuk under the Shariah Investment Guidelines is hereby deleted in its entirety and replaced with the following:

The Fund's investments in local sukuk will be selected from the list of sukuk approved or authorised by, or lodged with, the SC. The Shariah Adviser will review based on the data available at the websites of the SC and/or BNM.

E. RISK FACTORS

Page 13 of the Prospectus

- (i) The information in relation to liquidity risk under general risks of investing in the Fund is hereby deleted in its entirety and replaced with the following:

Liquidity Risk

Liquidity risk refers to the ease of liquidating an asset depending on the asset's volume traded in the market. If the Fund holds assets that are illiquid, or are difficult to dispose of, the value of the Fund and consequently the value of Unit Holders' investments in the Fund will be negatively affected when it has to sell such assets at unfavourable prices.

- (ii) The following new information in relation to suspension of redemption risk is hereby inserted under general risks of investing in the Fund:

Suspension of Redemption Risk

The redemption of Units of the Fund may be suspended under exceptional circumstances, where the fair value of a material portion of the Fund's assets cannot be reasonably determined. Upon suspension, the Fund will not be able to pay Unit Holders' redemption proceeds in a timely manner and Unit Holders will be compelled to remain invested in the Fund for a longer period of time than the stipulated redemption timeline. Hence, Unit Holder's investments will continue to be subjected to the risk factors inherent to the Fund. Please refer to Section 7.8 of this Prospectus for more information on suspension of dealing in Units.

This First Supplemental Prospectus is supplementary to and has to be read in conjunction with the Prospectus dated 13 April 2021.

F. FEES, CHARGES AND EXPENSES

Page 21 of the Prospectus

- (i) Item (ix) under section 6.2.3 – Fund’s expenses is hereby deleted in its entirety and replaced with the following:

expenses and charges incurred for the annual or semi-annual report;

- (ii) The information under section 6.3 – Policy on Rebates and Soft Commissions is hereby deleted in its entirety and replaced with the following:

It is our policy to credit any rebates received into the account of the Fund.

Goods and services (“soft commissions”) provided by any broker or dealer may be retained by the Manager or the fund manager if:

- (a) the soft commissions bring direct benefit or advantage to the management of the Fund and may include research and advisory related services;
- (b) any dealing with the broker or dealer is executed on terms which are the most favourable for the Fund; and
- (c) the availability of soft commissions is not the sole or primary purpose to perform or arrange transactions with such broker or dealer, and the Manager or fund manager shall not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft commissions.

G. TRANSACTION INFORMATION

Page 26 of the Prospectus

- (i) The information in the fifth bullet point under section 7.4 – Application and Redemption of Units, Redeeming Your Investment is hereby deleted in its entirety and replaced with the following:

- Payment of redemption proceeds will be made within seven (7) Business Days from the date on which a redemption request is deemed received.

Page 27 of the Prospectus

- (ii) The information in the third and fourth bullet points under section 7.4 – Application and Redemption of Units, Cooling-Off Right is hereby deleted in its entirety and replaced with the following:

- Within the cooling-off period, the refund to the investors shall not be less than the sum of:
 - (a) the NAV of the Units on the day the Units were purchased, or the prevailing NAV per Unit at the point of exercise of the cooling-off right (whichever is lower); and
 - (b) the sales charge originally imposed on the day the Units were purchased.
- The investors shall be refunded within seven (7) Business Days from the date of receipt of the cooling-off notice by the investors. Any application for cooling-off must be made before the cut-off time of 4:00 p.m. on any Business Day.

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- (iii) The following new information in relation to suspension of dealing in Units is hereby inserted after section 7.7 – Anti-Money Laundering Policy:

7.8 Suspension of Dealing In Units

The Manager may, in consultation with the Trustee and having considered the interests of the Unit Holders, suspend the dealing in Units due to exceptional circumstances, where there is good and sufficient reason to do so (e.g. where the market value or fair value of a material portion of the Fund's assets cannot be determined).

The Manager will cease the suspension as soon as practicable after the aforesaid circumstances has ceased, and in any event within 21 days of commencement of suspension. The period of suspension may be extended if the Manager satisfies the Trustee that it is in the best interest of Unit Holders for the dealing in Units to remain suspended. Such suspension will be subject to weekly review by the Trustee.

Any redemption request received by the Manager during the suspension period will only be accepted and processed on the next Business Day after the cessation of suspension of the Fund. In such cases, Unit Holders will be compelled to remain invested in the Fund for a longer period of time than the stipulated redemption timeline. Hence, their investments will continue to be subjected to the risk factors inherent to the Fund.

Where such suspension is triggered, the Manager will inform all Unit Holders in a timely and appropriate manner of its decision to suspend the dealing in Units.

H. THE MANAGER

Pages 29 – 30 of the Prospectus

- (i) The information under section 8.1 – Background is hereby deleted in its entirety and replaced with the following:

The information in relation to the corporate information, including the experience of KIB in operating unit trust funds is available on the Manager's website at <https://www.kenangainvestors.com.my/who-we-are>.

- (ii) Item (c) under section 8.2 - Functions is hereby deleted in its entirety and replaced with the following:

issuing the Fund's semi-annual and annual reports to Unit Holders;

- (iii) The information under section 8.3 - Board of Directors is hereby deleted in its entirety and replaced with the following:

The Board of Directors

The functions of the board of directors are to elaborate, decide, endorse or resolve all matters pertaining to the Manager and the Fund at the board meetings that are held formally four (4) times yearly or as and when circumstances require.

Board of Directors

Choy Khai Choon (**Chairman, Non-Independent Non-Executive Director**)*

Imran Devindran Abdullah (**Independent Non-Executive Director**)

Norazian Ahmad Tajuddin (**Independent Non-Executive Director**)

Luk Wai Hong, William (**Non-Independent Non-Executive Director**)

Datuk Wira Ismitz Matthew De Alwis (**Chief Executive Officer, Executive Director**)

** Choy Khai Choon was appointed as the Chairman and Non-Independent Non-Executive Director of Kenanga Investors Berhad ("KIB") on 1 April 2023.*

This First Supplemental Prospectus is supplementary to and has to be read in conjunction with the Prospectus dated 13 April 2021.

The list of the board of directors of the Manager may be updated from time to time. Please refer to the Manager's website at <https://www.kenangainvestors.com.my/board-of-directors> for the latest update on the board of directors of the Manager.

- (iv) The information under section 8.5 – Roles and Functions of the Investment Committee is hereby deleted in its entirety.
- (v) The second and third paragraphs of section 8.6 – Investment Management Team is hereby deleted in its entirety and replaced with the following:

The profile of Ms Lee Sook Yee is available on the Manager's website at <https://www.kenangainvestors.com.my/lee-sook-ye>.

- (vi) The statement under section 8.6 – Investment Management Team is hereby deleted in its entirety and replaced with the following:

Further information and updates on KIB, our board of directors and the Shariah Adviser are provided in our website at www.kenangainvestors.com.my.

I. THE SHARIAH ADVISER

Page 31 of the Prospectus

- (i) The information under section 9.1 – Background is hereby deleted in its entirety and replaced with the following:

The experience of IBFIM is available on the Manager's website at <https://www.kenangainvestors.com.my/shariah-adviser>.

Pages 32 – 33 of the Prospectus

- (ii) The information under section 9.3 – Profile of the Designated Persons Responsible for Shariah Matters of the Fund is hereby deleted in its entirety and replaced with the following:

The profile of the designated Shariah persons is available on the Manager's website at <https://www.kenangainvestors.com.my/shariah-adviser>.

J. SALIENT TERMS OF THE DEED

Page 36 of the Prospectus

- (i) Item (d) under section 11.1 – Unit Holders' Rights and Liabilities, Unit Holders' Rights is hereby deleted in its entirety and replaced with the following:

receive annual and semi-annual reports of the Fund; and

- (ii) The following note is hereby inserted after the end of the second paragraph under Unit Holders' Rights:

Note: If you are investing in the Fund through an IUTA which adopts the nominee system of ownership, you would not be recognised by the Manager as a registered Unit Holder under the Deed(s). Consequently, your right as an investor may be limited as you would not have all the rights ordinarily exercisable by a Unit Holder, including but not limited to the right to have your particulars recorded in the register of Unit Holders of the Manager and the right to call, attend and vote in any Unit Holders' meeting. The Manager will only recognise the IUTA as a Unit Holder of the Fund and the IUTA shall be entitled to all the rights conferred to it under the Deed(s).

This First Supplemental Prospectus is supplementary to and has to be read in conjunction with the Prospectus dated 13 April 2021.

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- (iii) Item (iv) under section 11.4 – Expenses Permitted by the Deed is hereby deleted in its entirety and replaced with the following:

fees for the valuation of any investment of the Fund;

- (iv) Item (xvi) under section 11.4 – Expenses Permitted Expenses by the Deed is hereby deleted in its entirety and replaced with the following:

expenses and charges incurred in connection with the printing and postage for the annual or semi-annual report, tax certificates, reinvestment statements and other services associated with the administration of the Fund;

Page 40 of the Prospectus

- (v) The second paragraph under section 11.7 – Termination of the Fund is hereby deleted in its entirety and replaced with the following:

The Manager may, in its sole discretion and without having to obtain the prior approval of the Unit Holders, terminate and wind up the Fund if such termination:

- (a) is required by the relevant authorities; or
- (b) is in the best interests of Unit Holders and the Manager in consultation with the Trustee deems it to be uneconomical for the Manager to continue managing the Fund.

- (vi) The information under section 11.8 – Unit Holders' Meeting, Quorum is hereby deleted in its entirety and replaced with the following:

- (a) The quorum required for a meeting of the Unit Holders shall be five (5) Unit Holders, whether present in person or by proxy; however, if the Fund has five (5) or less Unit Holders, the quorum required for a meeting of the Unit Holders shall be two (2) Unit Holders, whether present in person or by proxy.
- (b) If the meeting has been convened for the purpose of voting on a special resolution, the Unit Holders present in person or by proxy must hold in aggregate at least twenty-five per centum (25%) of the Units in circulation of the Fund at the time of the meeting.
- (c) If the Fund has only one (1) remaining Unit Holder, such Unit Holder, whether present in person or by proxy, shall constitute the quorum required for the meeting of the Unit Holders.

K. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST

Page 41 of the Prospectus

The information in the third and fourth paragraphs under section 12.2 – Policy on Conflict of Interest, Manager is hereby deleted in its entirety.

L. ADDITIONAL INFORMATION

Page 43 of the Prospectus

- (i) The second paragraph under section 13.3 – Financial Year End of the Fund is hereby deleted in its entirety and replaced with the following:

This First Supplemental Prospectus is supplementary to and has to be read in conjunction with the Prospectus dated 13 April 2021.

The latest annual and semi-annual reports of the Fund will be made available (without charge) to you within 2 months after the end of financial period of the Fund.

- (ii) The information under section 13.4 – Deed of the Fund is hereby deleted in its entirety and replaced with the following:

Deed	25 February 2021
First Supplemental Deed	16 February 2023

- (iii) Item (c) under section 13.6 – Documents Available for Inspection is hereby deleted in its entirety and replaced with the following:

the latest annual and semi-annual reports for the Fund;

M. TAXATION ADVISER'S LETTER

Pages 45 – 52 of the Prospectus

The tax adviser's letter is hereby deleted in its entirety and replaced with the following:

Taxation adviser's letter in respect of the taxation
of the unit trust fund and the unit holders
(prepared for inclusion in this First Supplemental Prospectus)

Ernst & Young Tax Consultants Sdn Bhd
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

30 May 2023

The Board of Directors
Kenanga Investors Berhad
Level 14, Kenanga Tower
237, Jalan Tun Razak
50490 Kuala Lumpur

Dear Sirs

Taxation of the unit trust fund and unit holders

This letter has been prepared for inclusion in this First Supplemental Prospectus in connection with the offer of units in the unit trust known as Kenanga Waqf Al-Ihsan Fund (hereinafter referred to as "the Fund").

The purpose of this letter is to provide prospective unit holders with an overview of the impact of taxation on the Fund and the unit holders.

Taxation of the Fund

The taxation of the Fund is subject to the provisions of the Malaysian Income Tax Act 1967 (MITA), particularly Sections 61 and 63B.

Subject to certain exemptions, the income of the Fund comprising profits and other investment income derived from or accruing in Malaysia after deducting tax allowable expenses, is subject to Malaysian income tax at the rate of 24% with effect from the year of assessment 2016.

Under Section 2(7) of the MITA, any reference to interest shall apply, *mutatis mutandis*, to gains or profits received and expenses incurred, in lieu of interest, in transactions conducted in accordance with the principles of *Syariah*.

This First Supplemental Prospectus is supplementary to and has to be read in conjunction with the Prospectus dated 13 April 2021.

The effect of this is that any gains or profits received (hereinafter referred to as “profits”) and expenses incurred, in lieu of interest, in transactions conducted in accordance with the principles of *Syariah*, will be accorded the same tax treatment as if they were interest.

Tax allowable expenses would comprise expenses falling under Section 33(1) and Section 63B of the MITA. Section 33(1) permits a deduction for expenses that are wholly and exclusively incurred in the production of gross income. In addition, Section 63B allows unit trusts a deduction for a portion of other expenses (referred to as ‘permitted expenses’) not directly related to the production of income, as explained below.

“Permitted expenses” refer to the following expenses incurred by the Fund which are not deductible under Section 33(1) of the MITA:

- the manager’s remuneration,
- maintenance of the register of unit holders,
- share registration expenses,
- secretarial, audit and accounting fees, telephone charges, printing and stationery costs and postage.

These expenses are given a partial deduction under Section 63B of the MITA, based on the following formula:

$$A \times \frac{B}{4C}$$

- where
- A is the total of the permitted expenses incurred for that basis period;
 - B is gross income consisting of dividend¹, interest and rent chargeable to tax for that basis period; and
 - C is the aggregate of the gross income consisting of dividend¹ and interest (whether such dividend or interest is exempt or not) and rent, and gains made from the realisation of investments (whether chargeable to tax or not) for that basis period,

provided that the amount of deduction to be made shall not be less than 10% of the total permitted expenses incurred for that basis period.

Exempt income

The following income of the Fund is exempt from income tax:

- **Malaysian sourced dividends**

All Malaysian-sourced dividends should be exempt from income tax.

- **Malaysian sourced profit**

- profit from securities or bonds issued or guaranteed by the Government of Malaysia;
- profit from debentures or *sukuk*, other than convertible loan stock, approved or authorized by, or lodged with, the Securities Commission;
- profit from Bon Simpanan Malaysia issued by Bank Negara Malaysia;
- profit derived from Malaysia and paid or credited by banks licensed under the Financial Services Act 2013 or the Islamic Financial Services Act 2013²;

¹ Pursuant to Section 15 of the Finance Act 2011, with effect from the year of assessment 2011, dividend income is deemed to include income distributed by a unit trust which includes distributions from Real Estate Investment Trusts.

² Effective from 1 January 2019, the income tax exemption for a unit trust fund, pursuant to Paragraph 35A, Schedule 6 of the Income Tax Act, 1967 shall not apply to a wholesale fund which is a money market fund.

This First Supplemental Prospectus is supplementary to and has to be read in conjunction with the Prospectus dated 13 April 2021.

- (v) profit derived from Malaysia and paid or credited by any development financial institution prescribed under the Development Financial Institutions Act 2002²;
- (vi) profit from *sukuk* originating from Malaysia, other than convertible loan stock, issued in any currency other than Ringgit and approved or authorized by, or lodged with, the Securities Commission or approved by the Labuan Financial Services Authority (LFSA)³; and
- (vii) profit which is specifically exempted by way of statutory orders or any other specific exemption provided by the Minister.

- **Discount**

Tax exemption is given on discount paid or credited to any unit trust in respect of investments as specified in items (i), (ii) and (iii) above.

Foreign-sourced income

Pursuant to the Finance Act 2021, income derived by a resident person from sources outside Malaysia and received in Malaysia from 1 January 2022 will no longer be exempt from tax.

The Guidelines issued by the Malaysian Inland Revenue Board on 29 September 2022 (amended on 29 December 2022) define the term “received in Malaysia” to mean transferred or brought into Malaysia, either by way of cash⁴ or electronic funds transfer⁵.

Foreign-sourced income (FSI) received in Malaysia during the transitional period from 1 January 2022 to 30 June 2022 will be taxed at 3% of gross. From 1 July 2022 onwards, FSI received in Malaysia will be taxed at the prevailing tax rate(s) of the taxpayer and based on applicable tax rules. Bilateral or unilateral tax credits may be allowed if the same income has suffered foreign tax, and where relevant conditions are met.

Income Tax (Exemption) (No. 6) Order 2022 has been issued to exempt a “qualifying person”⁶ from the payment of income tax in respect of dividend income which is received in Malaysia from outside Malaysia, effective from 1 January 2022 to 31 December 2026. The exemption will however not apply to a person carrying on the business of banking, insurance or sea or air transport. As the definition of “qualifying person” does not include unit trust funds, it would mean that resident unit trust funds would technically not qualify for the exemption, unless there are further updates thereto.

Gains from the realisation of investments

Pursuant to Section 61(1) (b) of the MITA, gains from the realisation of investments will not be treated as income of the Fund and hence, are not subject to income tax. Such gains may be subject to real property gains tax (RPGT) under the Real Property Gains Tax Act 1976 (RPGT Act), if the gains are derived from the disposal of chargeable assets, as defined in the RPGT Act.

³ Effective from the year of assessment 2017, the exemption shall not apply to interest paid or credited to a company in the same group or interest paid or credited to a bank licensed under the Financial Services Act 2013 or the Islamic Financial Services Act 2013; or a development financial institution prescribed under the Development Financial Institutions Act 2002.

⁴ “Cash” in this context is defined as banknotes, coins and cheques.

⁵ “Electronic funds transfer” means bank transfers (e.g., credit or debit transfers), payment cards (debit card, credit card and charge card), electronic money, privately-issued digital assets (e.g., crypto-assets, stablecoins) and central bank digital currency.

⁶ “Qualifying person” in this context means a person resident in Malaysia who is:

- (a) An individual who has dividend income received in Malaysia from outside Malaysia in relation to a partnership business in Malaysia;
- (b) A limited liability partnership which is registered under the Limited Liability Partnerships Act 2012; or
- (c) A company which is incorporated or registered under the Companies Act 2016.

This First Supplemental Prospectus is supplementary to and has to be read in conjunction with the Prospectus dated 13 April 2021.

Implementation of Sales and Service Tax (“SST”)

Sales and Service Tax (“SST”) was re-introduced effective 1 September 2018. Sales Tax of 10% (most common rate) or 5% is charged by Malaysian manufacturers of taxable goods or upon importation into Malaysia of such taxable goods, unless specifically exempted under the Sales Tax (Goods Exempted From Tax) Order 2018. Service Tax at the rate of 6% is charged on certain prescribed taxable services performed by taxable persons as stipulated under Service Tax Regulations 2018. The input tax recovery mechanism under the previous GST regime does not apply to SST. Therefore, any SST incurred is not recoverable and will form a cost element for businesses.

Based on the Service Tax Regulations 2018, a unit trust fund is neither regarded as a taxable person nor as providing taxable services and is therefore not liable for SST registration. Where the Fund incurs expenses such as management fees, the management services provided by asset and fund managers who are licensed or registered with Securities Commission Malaysia for carrying out the regulated activity of fund management under the Capital Markets and Services Act 2007, are specifically excluded from the scope of Service Tax. As for other fees, such as trustee fees and other administrative charges, these may be subject to 6% service tax provided they fall within the scope of service tax (i.e. are provided by a “taxable person”, who exceeds the required annual threshold (in most cases RM 500,000 per annum) and the services qualify as “taxable services”).

Taxation of unit holders

For Malaysian income tax purposes, unit holders will be taxed on their share of the distributions received from the Fund.

The income of unit holders from their investment in the Fund broadly falls under the following categories:

1. taxable distributions; and
2. non-taxable and exempt distributions.

In addition, unit holders may also realise a gain from the sale of units.

The tax implications of each of the above categories are explained below:

1. Taxable distributions

Distributions received from the Fund will have to be grossed up to take into account the underlying tax paid by the Fund and the unit holder will be taxed on the grossed up amount.

Such distributions carry a tax credit, which will be available for set-off against any Malaysian income tax payable by the unit holder. Should the tax deducted at source exceed the tax liability of the unit holder, the excess is refundable to the unit holder.

Please refer to the paragraph below for the income tax rates applicable to the grossed up distributions.

2. Non-taxable and exempt distributions

Tax exempt distributions made out of gains from the realisation of investments and exempt income earned by the Fund will not be subject to Malaysian income tax in the hands of the unit holders.

A retail money market fund is exempted from tax on its interest income derived from Malaysia, pursuant to Paragraph 35A of Schedule 6 of the ITA. Pursuant to the Finance Act 2021, with effect from 1 January 2022, distributions by a retail money market fund from such tax exempt interest income, to a unit holder other than an individual, will no

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longer be exempt from tax. The distribution to unit holders other than individuals will be subject to withholding tax at 24%. This would be a final tax for non-residents. Malaysian residents are required to include the distributions in their tax returns and claim a credit in respect of the withholding tax suffered. Individuals will continue to be exempt from tax on such distributions.

Rates of tax

The Malaysian income tax chargeable on the unit holders would depend on their tax residence status and whether they are individuals, corporations or trust bodies. The relevant income tax rates are as follows:

Unit holders	Malaysian income tax rates
<p>Malaysian tax resident:</p> <ul style="list-style-type: none"> • Individual and non-corporate unit holders (such as associations and societies) • Co-operatives⁷ • Trust bodies • Corporate unit holders <ul style="list-style-type: none"> (i) A company with paid up capital in respect of ordinary shares of not more than RM2.5 million (at the beginning of the basis period for the year of assessment) and gross income from a source or sources consisting of a business not exceeding RM50 million for the basis period for the year of assessment^{8 9} (ii) Companies other than (i) above 	<ul style="list-style-type: none"> • Progressive tax rates ranging from 0% to 30% • Progressive tax rates ranging from 0% to 24% • 24% • First RM600,000 of chargeable income @ 17%¹⁰ • Chargeable income in excess of RM600,000 @ 24% • 24%

⁷ Pursuant to Paragraph 12(1), Schedule 6 of the MITA, the income of any co-operative society—
 (a) in respect of a period of five years commencing from the date of registration of such co-operative society; and
 (b) thereafter where the members' funds [as defined in Paragraph 12(2)] of such co-operative society as at the first day of the basis period for the year of assessment is less than seven hundred and fifty thousand ringgit, is exempt from tax.

⁸ A company would not be eligible for the concessionary tax rate on the first RM600,000 of chargeable income if:-
 (a) more than 50% of the paid-up capital in respect of the ordinary shares of the company is directly or indirectly owned by a related company which has paid-up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment;
 (b) the company owns directly or indirectly more than 50% of the paid-up capital in respect of the ordinary shares of a related company which has paid-up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment;
 (c) more than 50% of the paid-up capital in respect of the ordinary shares of the company and a related company which has a paid-up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment is directly or indirectly owned by another company.
 (d) Based on the Finance Bill 2023, it has been proposed that with effect from the year of assessment 2024, an additional condition will be imposed such that not more than 20% of the paid-up capital in respect of the ordinary shares of the company at the beginning of a basis period for a year of assessment can be directly or indirectly owned by one or more companies incorporated outside Malaysia or by individuals who are not citizens of Malaysia, to qualify for the concessionary tax rates.

⁹ The above excludes a business trust and a company which is established for the issuance of asset-backed securities in a securitization transaction approved by the Securities Commission.

¹⁰ Based on the Finance Bill 2023, it has been proposed that the concessionary tax rate be reduced from 17% to 15% for the first RM150,000 of chargeable income with effect from the year of assessment 2023.

This First Supplemental Prospectus is supplementary to and has to be read in conjunction with the Prospectus dated 13 April 2021.

Unit holders	Malaysian income tax rates
Non-Malaysian tax resident (Note 1): <ul style="list-style-type: none"> • Individual and non-corporate unit holders • Corporate unit holders and trust bodies 	<ul style="list-style-type: none"> • 30% • 24%

Note 1:

Non-resident unit holders may be subject to tax in their respective countries depending on the provisions of the tax legislation in the respective countries and any existing double taxation arrangements with Malaysia.

Gains from sale of units

Gains arising from the realisation of investments will generally not be subject to income tax in the hands of unit holders unless they are insurance companies, financial institutions or traders / dealers in securities.

Unit splits and reinvestment of distributions

Unit holders may also receive new units as a result of unit splits or may choose to reinvest their distributions. The income tax implications of these are as follows:

- Unit splits – new units issued by the Fund pursuant to a unit split will not be subject to income tax in the hands of the unit holders.
- Reinvestment of distributions – unit holders may choose to reinvest their income distribution in new units by informing the Manager. In this event, the unit holder will be deemed to have received the distribution and reinvested it with the Fund.

We hereby confirm that, as at the date of this letter, the statements made in this letter correctly reflect our understanding of the tax position under current Malaysian tax legislation and the related interpretation and practice thereof, all of which are subject to change, possibly on a retrospective basis. We have not been retained (unless specifically instructed hereafter), nor are we obligated to monitor or update the statements for future conditions that may affect these statements.

The statements made in this letter are not intended to be a complete analysis of the tax consequences relating to an investor in the Fund. As the particular circumstances of each investor may differ, we recommend that investors obtain independent advice on the tax issues associated with an investment in the Fund.

Yours faithfully
Ernst & Young Tax Consultants Sdn Bhd

Koh Leh Kien
 Partner

Ernst & Young Tax Consultants Sdn Bhd has given its consent to the inclusion of the Taxation Adviser's Letter in the form and context in which it appears in this First Supplemental Prospectus and has not withdrawn such consent before the date of issue of this First Supplemental Prospectus.

This First Supplemental Prospectus is supplementary to and has to be read in conjunction with the Prospectus dated 13 April 2021.

N. DIRECTORY OF THE MANAGER'S OFFICES, LIST OF IUTA AND AUTHORISED DISTRIBUTORS

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- (i) The information in relation to the regional office in Petaling Jaya is hereby deleted in its entirety and replaced with the following:

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

- (ii) The information in relation to the regional office in Ipoh is hereby deleted in its entirety and replaced with the following:

Ipoh
No. 1, Jalan Leong Sin Nam
30300 Ipoh, Perak
Tel: 05-2547570 / 05-2547573
Fax: 05-2547606

- (iii) The following information is hereby inserted after the information on the regional office in Kota Kinabalu:

Kota Damansara
C26-1, Dataran Sunway,
Jalan PJU 5/17, Kota Damansara,
47810 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

- (iv) Item 16. under Third Party Distributors / Institutional Unit Trust Advisers is hereby deleted in its entirety and replaced with the following:

Astute Fund Management Berhad (*formerly known as Apex Investment Services Berhad*)

- (v) The following information is hereby inserted after Item 16. under Third Party Distributors / Institutional Unit Trust Advisers:

17. HSBC Bank Malaysia Berhad

18. UOB Kay Hian Securities (M) Sdn Bhd