

KAF SUKUK FUND

ANNUAL REPORT

31 AUGUST 2026

KAF INVESTMENT FUNDS BERHAD Reg. No: 199501004999

MANAGER'S REPORT

We are pleased to present the Manager's Report for the financial year ended 31 August 2026 ("the period").

1. Launch Date

KAF Sukuk Fund ("KSF/the Fund") commenced operations on 1 November 2013 and will continue its operations until terminated according to the Deed dated 25 September 2013, Supplemental Deed dated 19 March 2014, Second Supplemental Deed dated 12 March 2015, Third Supplemental Deed dated 20 August 2018 and Fourth Supplemental Deed dated 9 January 2023.

2. Type of Fund

Growth Fund.

3. Category of Fund

Sukuk.

4. Fund's Objective, Benchmark and Distribution Policy

KSF seeks to achieve capital growth in the medium to long-term by investing primarily in sukuk.

The Fund will invest primarily in sukuk with a minimum short-term credit rating of P2 by RAM and MARC2 by MARC or long-term credit rating of A3 by RAM and A- by MARC or an equivalent rating by any other recognised foreign credit rating agency; and/or sukuk issued or guaranteed by issuers or guarantors with a minimum short-term credit rating of P2 by RAM or MARC2 by MARC or a long-term credit rating of A3 by RAM or A- by MARC or an equivalent rating by any other recognised foreign credit rating agencies.

KSF's asset allocation is subject to a minimum of 70% of NAV exposure in sukuk and a maximum of 30% of NAV in either Islamic collective investment schemes, Islamic deposits or Islamic money market instruments.

The benchmark for the Fund is the RAM-Quant MGS Index (All Durations).

As the Fund's objective is to provide capital growth, the Manager does not intend to distribute income.

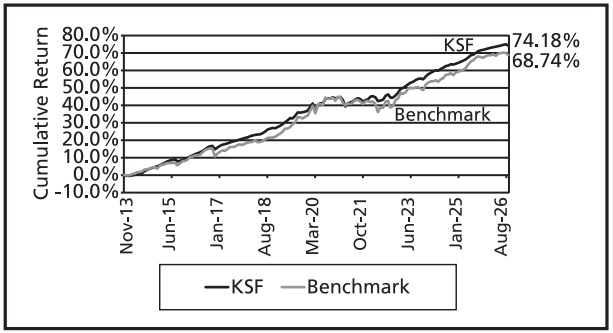
5. Review of Fund Operations and Performance

For the financial year ended 31 August 2026, KSF recorded a return of 1.78% based on Time Weighted Rate of Return ("TWRR") against its stipulated benchmark, which recorded a return of 0.36%. The outperformance was attributable to the Fund's defensive positioning in view of heightened uncertainty in global financial markets.

Since its inception, KSF recorded a return of 74.18% and outperformed its benchmark, which recorded 68.74%.

No cross-trade transaction carried out during the reported period ended 31 August 2026. The Fund has not undertaken any securities lending or repurchase transaction for the reported period.

Performance Chart since End of Initial Offer Period (21 November 2013 to 31 August 2026)



Source: Novagni Analytics & Advisory Sdn Bhd, an independent source.

Fund Performance as ranked by Lipper Asia Limited

Period	KSF		Mean of the Industry's Islamic Bond Funds
	% Return	Rank	% Return
3 months 28/05/2026 - 28/08/2026	(0.09)	37/67	(0.19)
6 months 27/02/2026 - 28/08/2026	0.43	27/65	0.17
1 year 28/08/2025 - 28/08/2026	1.75	23/61	1.41
3 years 28/08/2023 - 28/08/2026	12.26	17/55	11.63
5 years 27/08/2021 - 28/08/2026	20.77	7/49	17.11

Source: The Edge, 7 September 2026 issue, The Edge-Lipper Fund Performance Table, an independent source.

For the 1-year period, the Fund ranked at No. 23 out of 61 funds in the Islamic Bond Fund category by Lipper Asia Limited.

KSF's total realised income amounted to RM6.30 million, arising from Islamic deposits, profit earned and after accounting for gain on disposal of unquoted sukuk.

The Fund's NAV decreased to RM133.30 million from RM134.04 million as at 31 August 2025 as a result of outflows while the NAV per unit increased to RM174.3188 as of 31 August 2026 compared to RM171.2752 as of 31 August 2025 due to positive performance recorded during the year under review.

As at the end of the financial year under review, unrealised gain stood at RM1.71 million.

Past performance is not necessarily indicative of future performance.

Returns	Local Market (RM'000)
Realised Gain	
Profit from Islamic deposits	348
Profit from unquoted sukuk	5,354
Amortisation of premium net accretion of discount	(391)
Realised gain from unquoted sukuk	991
Unrealised Gain	
Unquoted sukuk	1,714

6. Asset Allocation and Investment Strategies

For the year under review, KSF's asset allocation was in unquoted sukuk and Islamic deposits. The exposure to unquoted sukuk slightly decreased, as the Fund adopted a defensive positioning in view of heightened uncertainty in the global financial market. As at 31 August 2026, the Fund's exposure to unquoted sukuk was at an aggregate of 87.06%.

Other than the investment strategy stated in the Replacement Master Prospectus dated 30 September 2023, the designated Fund Manager has not employed any other investment strategy.

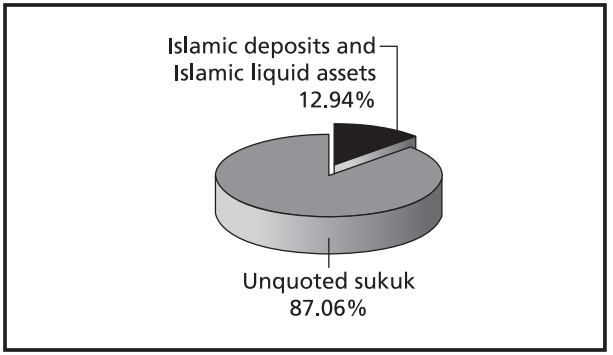
There were no significant changes in the Fund's state of affairs during the year.

There were no circumstances which could materially affect any interest of the unit holders.

Asset Allocation

Asset Class	Percentage of NAV as at		Change in Exposure over Period (%)
	31/08/2025 (%)	31/08/2026 (%)	
Unquoted sukuk	92.62	87.06	(5.56)
Islamic deposits and Islamic liquid assets	7.38	12.94	5.56

Portfolio of Investment and Other Assets as at 31 August 2026



7. Market Review

Malaysia's exports declined by 38.1% while imports decreased by 36.4% Year-on-Year ("YoY") in July. The trade surplus grew to MYR22.5 billion in July; up from MYR14.9 billion in the previous month. Malaysia's Consumer Price Index ("CPI") was lower at 1.8% YoY in July compared to 1.9% in June.

Malaysian foreign reserves increased in August to USD132.7 billion from USD131.8 billion in July. Meanwhile, Malaysia's Purchasing Managers' Index ("PMI") was lower at 50.2 in August compared to 50.9 in the previous month.

US ("United States") Treasury yields were higher in August with the Treasury 2-year, 5-year and 10-year benchmark yield closing the month at 4.34%, 4.50% and 4.75% respectively compared to 4.29%, 4.45% and 4.73% in July.

Malaysian Government Securities ("MGS") 3-year, 5-year and 10-year yield were higher, ending at 3.35%, 3.61% and 3.87% in August compared to 3.30%, 3.49% and 3.70% in the previous month.

8. Market Outlook and Strategy

The reporting period concluded with significant pressure across global fixed-income markets in August, driven by a convergence of adverse macroeconomic headwinds. Investor concerns regarding expanding global sovereign debt were heightened following the announcement of a US Treasury bond buyback initiative aimed at managing long-term yields, which drew skepticism from key market participants. Fixed-income securities faced persistent selling pressure throughout the month, further compounded by escalating geopolitical tensions in the Middle East. Market sentiment weakened further following hawkish remarks from Federal Reserve Chairman Kevin Warsh at the late-August Jackson Hole symposium, reinforcing the central bank's commitment to inflation control. Consequently, market consensus has shifted toward expecting two interest rate increases in 2026, beginning at the September Federal Open Market Committee ("FOMC") meeting, which would bring the targeted Federal Funds Rate to 4.25%.

Domestic fixed-income markets aligned with global sell-offs, pushing the 10-year MGS yield past 3.80% with potential upward pressure toward 4.00% entering September. Foreign investor appetite was further tempered by emerging political uncertainty. While consumer inflation moderated to 1.80% YoY, a sharp acceleration in the Producer Price Index to 9.7% YoY highlights lingering cost-push inflation risks across supply chains. The 4 government auctions for the month reflected the negative sentiment with the 5-year Government Investment Issue ("GII") 10/2031, 30-year MGS 07/2055, 7-year GII 03/2033 and 20-year MGS 04/2046 minting deteriorating Bid-to-Cover ("BTC") ratios of 2.242x, 2.017x, 2.147x and 1.635x respectively.

Despite the challenging global fixed-income environment, the rise in bond yields has resulted in more attractive valuation levels. Hence, we look for opportunities to buy quality assets while keeping an eye on potential inflationary risks. For now, we maintain our conservative stance of medium portfolio duration and an emphasis on high credit quality.

MANAGER'S REPORT

9. Changes made to the Fund's Prospectus

There were no changes made to the Fund's prospectus during the reported period.

10. Soft Commission

The Manager had received a soft commission (in the form of goods and services) during the year under review, which intended to bring direct benefit or advantage to the management of KSF from one broker/dealer by virtue of transactions conducted for KSF. The broker/dealer had also executed trades for other funds or investments managed by the Manager.

The soft commission received is in the form of research services that can add value to the investment process by analysing data to extract insights and arrive at meaningful conclusions. Such data assists the Manager in the investment decision-making process which is of demonstrable benefit to unit holders of KSF and other funds or investments managed by the Manager.

The soft commissions received were for the benefit of the Fund, and there was no churning of trades.

11. Other Information

The designated fund manager is Pn. Mass Zalaila binti Masod. Her profile is available on the website, www.kaf.com.my.

Portfolio Composition	As at 31 August		
	2026	2025	2024
	(Percentage of NAV)		
	%	%	%
Unquoted sukuk	87.06	92.62	82.45
Islamic deposits and Islamic liquid assets	12.94	7.38	17.55
Total	100.00	100.00	100.00
Total return for the year	**RM'000**	**RM'000**	**RM'000**
Capital growth	(3,261)	681	1,643
Income distribution	5,629	7,034	6,819

Performance	Income Return	Capital Return	Annual Total Return KSF	Benchmark
	%	%	%	%
Financial year ended				
31/08/2026	-	1.78	1.78	0.36
31/08/2025	-	5.08	5.08	6.59
31/08/2024	-	4.94	4.94	4.85
31/08/2023	-	6.08	6.08	5.54
31/08/2022	-	1.51	1.51	(0.39)

	Average Total Return KSF	Benchmark
	%	%
One (1) year	1.78	0.36
Three (3) years	4.08	4.06
Five (5) years	4.17	3.58

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

Basis of calculation and assumption made in calculating the returns:

The performance figures are a comparison of the growth/ decline in NAV for the stipulated period taking into account all the distribution payable (if any) during the stipulated period.

An illustration of the above would be as follow:

Capital return = NAV per Unit end / NAV per Unit begin -1
Income return = Income distribution per Unit / NAV per Unit ex-date
Total return = (1+Capital return) x (1+Income return) - 1

KEY PERFORMANCE DATA

NAV and Units in Circulation	As at 31 August 2026	2025	2024
Total NAV (RM'000)	133,303	134,044	173,581
Units in circulation (in '000)	765	783	1,065
NAV per unit (RM)	174.3188	171.2752	162.9899
Unit Prices for the year (RM per unit)			
NAV (year high)	175.2864	171.2752	163.0684
NAV (year low)	171.2592	163.0262	154.7854
NAV (year high, ex-distribution)	Nil	Nil	Nil
NAV (year low, ex-distribution)	Nil	Nil	Nil
NAV	174.3188	171.2752	162.9899
Unit split	Nil	Nil	Nil
Distribution	Nil	Nil	Nil
Total Expense Ratio ("TER")	0.50%	0.47%	0.47%
Portfolio Turnover Ratio ("PTR")	0.36 times	0.67 times	0.66 times

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

The TER for the year was higher than the previous years due to the overall decrease in the average NAV (refer to Note 14).

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

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

SHARIAH ADVISER'S REPORT

TO THE UNIT HOLDERS OF
KAF SUKUK FUND ("FUND")

We hereby confirm the following:

1. To the best of our knowledge, after having made all reasonable enquiries, **KAF Investment Funds Berhad** has operated and managed the Fund for the period covered by these financial statements namely, the year ended 31 August 2026, in accordance with 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 and on behalf of the Shariah Adviser,
BIMB SECURITIES SDN BHD

MUHAMMAD SHAHIER SA'MIN
Designated Shariah Person

Kuala Lumpur, Malaysia
28 October 2026

TRUSTEE'S REPORT

TO THE UNIT HOLDERS OF
KAF SUKUK FUND ("Fund")

We have acted as Trustee of the Fund for the financial year ended 31 August 2026 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, **KAF Investment Funds Berhad** has operated and managed the Fund during the year covered by these financial statements in accordance with the following:

1. Limitations imposed on the investment powers of the management company under the deed, securities laws and the Guidelines on Unit Trust Funds;

2. Valuation and pricing is carried out in accordance with the deed; and

3. Any creation and cancellation of units are carried out in accordance with the deed and any regulatory requirement.

For and on behalf of
CIMB Islamic Trustee Berhad

Tok Puan Datin Ezreen Eliza binti Zulkiplee
Chief Executive Officer

Kuala Lumpur, Malaysia
Date: 28 October 2026

STATEMENT BY THE MANAGER

TO THE UNIT HOLDERS OF
KAF SUKUK FUND

We, **Datuk Khatijah Ahmad** and **Mohammed Reza Tan Sri Abu Talib**, two of the Directors of **KAF Investment Funds Berhad**, do hereby state that, in the opinion of the Manager, the audited financial statements set out on pages 18 to 62 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 August 2026 and of its financial performance, changes in equity and cash flows of the Fund for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the Manager,
KAF Investment Funds Berhad

Datuk Khatijah Ahmad
Director

Mohammed Reza Tan Sri Abu Talib
Executive Director

Kuala Lumpur, Malaysia
28 October 2026

TO THE UNIT HOLDERS OF
KAF SUKUK FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of **KAF Sukuk Fund** ("the Fund") give a true and fair view of the financial position of the Fund as at 31 August 2026, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 August 2026, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of material accounting policies, as set out on pages 18 to 62.

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 opinion.

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' 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.

TO THE UNIT HOLDERS OF
KAF SUKUK FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises the Manager's Report, but does not include the financial statements of the Fund and our auditors' report thereon.

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

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

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

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of the 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 terminate the Fund, or has no realistic alternative but to do so.

TO THE UNIT HOLDERS OF
KAF SUKUK FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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.

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:

(a) 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.

(b) 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.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

INDEPENDENT AUDITORS' REPORT

TO THE UNIT HOLDERS OF
KAF SUKUK FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' responsibilities for the audit of the financial statements (cont'd)

(d) 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.

(e) 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.

OTHER MATTERS

This report is made solely to the unit holders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
28 October 2026

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2026

	Note	2026 RM	2025 RM
INCOME			
Profit income from financial assets at fair value through profit or loss		4,962,607	6,394,286
Profit income from financial assets at amortised cost		348,433	429,061
Net (loss)/gain on financial assets at fair value through profit or loss	6	(2,269,330)	1,633,411
		3,041,710	8,456,758
EXPENSES			
Manager's fee	3	(574,533)	(636,709)
Trustee's fee	4	(71,817)	(79,589)
Audit fee		(13,000)	(12,500)
Tax agent's fee		(4,500)	(4,500)
Other expenses		(9,749)	(8,626)
		(673,599)	(741,924)
NET PROFIT BEFORE TAXATION		2,368,111	7,714,834
TAXATION	5	-	-
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		2,368,111	7,714,834
Net profit after taxation is made up of the following:			
Realised amount		5,628,870	7,033,884
Unrealised amount		(3,260,759)	680,950
		2,368,111	7,714,834

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2026

	Note	2026 RM	2025 RM
ASSETS			
Cash and cash equivalents	7	17,549,162	9,973,459
Financial assets at fair value through profit or loss	6	116,056,031	124,145,907
Amount due from Manager - creation of units		20,000	8,160
Prepayment	9	-	2,362
TOTAL ASSETS		133,625,193	134,129,888
LIABILITIES			
Amount due to Manager			
- Cancellation of units		239,531	6,162
- Manager's fee		49,082	46,714
Amount due to Trustee		12,047	12,026
Other payables and accruals	10	21,925	20,594
TOTAL LIABILITIES		322,585	85,496
NET ASSET VALUE ("NAV") OF THE FUND		133,302,608	134,044,392
EQUITY			
Unit holders' capital		84,081,068	87,190,963
Retained earnings		49,221,540	46,853,429
TOTAL NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		133,302,608	134,044,392
NUMBER OF UNITS IN CIRCULATION	11	764,706	782,626
NAV PER UNIT		174.3188	171.2752

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2026

	Unit holders' capital	Retained earnings	Total
	RM	RM	RM
BALANCE AS AT 1 SEPTEMBER 2025	87,190,963	46,853,429	134,044,392
Movement in unit holders' capital:			
Creation of units arising from applications	28,873,677	-	28,873,677
Cancellation of units	(31,983,572)	-	(31,983,572)
	(3,109,895)	-	(3,109,895)
Total comprehensive income for the financial year	-	2,368,111	2,368,111
BALANCE AS AT 31 AUGUST 2026	84,081,068	49,221,540	133,302,608
BALANCE AS AT 1 SEPTEMBER 2024	134,442,510	39,138,595	173,581,105
Movement in unit holders' capital:			
Creation of units arising from applications	19,267,192	-	19,267,192
Cancellation of units	(66,518,739)	-	(66,518,739)
	(47,251,547)	-	(47,251,547)
Total comprehensive income for the financial year	-	7,714,834	7,714,834
BALANCE AS AT 31 AUGUST 2025	87,190,963	46,853,429	134,044,392

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2026

	Note	2026 RM	2025 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of unquoted sukuk		50,690,500	124,913,250
Purchase of unquoted sukuk		(45,395,076)	(99,819,000)
Profit income received		5,836,162	7,475,921
Manager's fee paid		(572,165)	(649,796)
Trustee's fee paid		(71,796)	(75,038)
Payment of other fees and expenses		(23,556)	(26,626)
Net cash generated from operating activities		10,464,069	31,818,711
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from creation of units		28,861,837	19,259,032
Payments for cancellation of units		(31,750,203)	(66,553,356)
Net cash used in financing activities		(2,888,366)	(47,294,324)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		7,575,703	(15,475,613)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		9,973,459	25,449,072
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	17,549,162	9,973,459
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash at bank		30,481	77,300
Islamic deposit with a licensed financial institution		17,518,681	9,896,159
	7	17,549,162	9,973,459

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

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

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note I.

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

(a) Standards, amendments to published standards and interpretations that are applicable and effective:

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 September 2025 that have a material effect on the financial statements of the Fund.

(b) New standards, amendments and interpretations that have been issued that are applicable to the Fund but not yet effective:

- Amendments to MFRS 9 and MFRS 7 'Amendments to the Classification and Measurement of Financial Instruments' (effective 1 January 2026).

  - The amendments clarify that financial assets are derecognised when the rights to the cash flows expire or when the asset is transferred, and financial liabilities are derecognised at the settlement date (i.e. when the liability is extinguished or qualifies for derecognition);

  - There is an optional exception to derecognise a financial liability at a date earlier than the settlement date if the cash transfer takes place through an electronic payment system, provided that all the specified criteria are met;

  - The amendments also clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest ("SPPI") criterion;

  - There are additional new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and

  - The amendments update the disclosures for equity instruments designated at fair value through other comprehensive income ("FVOCI").

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

(b) New standards, amendments and interpretations that have been issued that are applicable to the Fund but not yet effective: (cont'd)

- Annual Improvements to MFRS Accounting Standards for enhanced consistency (effective 1 January 2026).

- MFRS 18 'Presentation and Disclosure in Financial Statements' (effective 1 January 2027) replaces MFRS 101 'Presentation of Financial Statements'.

  - The new MFRS introduces a new structure of profit or loss statement.

    (a) Income and expenses are classified into 3 new main categories:

        (i) Operating category which typically includes results from the main business activities;

        (ii) Investing category that presents the results of investments in associates and joint ventures and other assets that generate a return largely independently of other resources; and

        (iii) Financing category that presents income and expenses from financing liabilities.

    (b) Entities are required to present two new specified subtotals: 'Operating profit or loss' and 'Profit or loss before financing and income taxes'.

  - Management-defined performance measures are disclosed in a single note and reconciled to the most similar specified subtotal.

  - Changes to the guidance on aggregation and disaggregation which focus on grouping items based on their shared characteristics.

SUMMARY OF MATERIAL ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2026

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

(b) New standards, amendments and interpretations that have been issued that are applicable to the Fund but not yet effective: (cont'd)

The Fund is currently still assessing the effect of the above standards and amendments. No other new standards or amendments to standards are expected to have a material effect on the financial statements of the Fund.

B INCOME RECOGNITION

Profit income from Islamic deposits with licensed financial institutions and unquoted sukuk are recognised using the effective profit rate method on an accrual basis.

Profit income is calculated by applying the effective profit rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective profit rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Realised gains or losses on sale of Shariah-compliant investments are accounted for as the difference between the net disposal proceeds and the carrying amount of the Shariah-compliant investments, which is determined on cost adjusted for accretion of discount or amortisation of premium.

C TAXATION

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

D FUNCTIONAL AND PRESENTATION CURRENCY

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

E FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

The Fund classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

The Fund classifies its Shariah-compliant investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

The contractual cash flows of the Fund's unquoted sukuk are solely principal and profit. However, these Shariah-compliant securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all Shariah-compliant investments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents and amount due from Manager - creation of units as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies amount due to Manager, amount due to Trustee and other payables and accruals as financial liabilities at amortised cost.

E FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D)

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Fund commits to purchase or sell the asset. Shariah-compliant investments are initially recognised at fair value.

Financial liabilities, within the scope of MFRS 9, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

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

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

Unquoted sukuk are revalued to reflect its fair value on a daily basis based on fair value prices quoted by a bond pricing agency ("BPA") registered with the Securities Commission Malaysia ("SC") as per the SC's Guidelines on Unit Trust Funds. Where such quotations are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted sukuk differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of non-BPA price.

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

E FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D)

(ii) Recognition and measurement (cont'd)

Islamic deposits with licensed financial institutions are stated at cost plus accrued profit income calculated using the effective profit rate method over the period from the date of placement to the date of maturity of the respective Islamic deposits.

Financial assets at amortised cost and other financial liabilities are subsequently carried at amortised cost using the effective profit rate method.

(iii) Impairment for assets carried at amortised cost

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month and lifetime expected credit losses as any such impairment would be wholly insignificant to the Fund.

Significant increase in credit risk

A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

Definition of default and credit-impaired financial assets

The Fund defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

Any contractual payment which is more than 90 days past due is considered credit impaired.

SUMMARY OF MATERIAL ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2026

E FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D)

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

Qualitative criteria

The obligor meets unlikeliness to pay criteria, which indicates the obligor is in significant financial difficulty. The Fund considers the following instances:

- the obligor is in breach of financial covenants;
- concessions have been made by the creditor relating to the obligor's financial difficulty;
- it is becoming probable that the obligor will enter bankruptcy or other financial reorganisation; and
- the obligor is insolvent.

Financial instruments that are credit-impaired are assessed on an individual basis.

Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of obligor's sources of income or assets to generate sufficient future cash flows to pay the amount. The Fund may write off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains. There were no write-offs/recoveries during the financial year.

F CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents comprise cash at bank and Islamic deposit with a licensed financial institution with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

G CREATION AND CANCELLATION OF UNITS

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

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

H UNIT HOLDERS' CAPITAL

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

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

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

SUMMARY OF MATERIAL ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2026

I CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT IN APPLYING ACCOUNTING POLICIES

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

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

However, the Manager is of the opinion that there are no accounting policies which require significant judgement to be exercised.

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC's Guidelines on Unit Trust Funds.

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

KAF Sukuk Fund (hereinafter referred to as "the Fund") was constituted pursuant to the execution of a Deed dated 25 September 2013 (hereinafter referred to as "the Deeds") between the previous manager, KAF Fund Management Sdn Bhd and the previous trustee, HSBC (Malaysia) Trustee Berhad. With the issuance of the Supplemental Deed dated 19 March 2014, the previous manager, KAF Fund Management Sdn Bhd has been changed to KAF Investment Funds Berhad ("the Manager"). The Deed was further modified by the Second Supplemental Deed dated 12 March 2015 and in the Third Supplemental Deed dated 20 August 2018, the previous trustee, HSBC (Malaysia) Trustee Berhad has been changed to CIMB Islamic Trustee Berhad ("the Trustee"). The Deed was further modified by the Fourth Supplemental Deed dated 9 January 2023. The Deed and the Supplemental Deeds issued regarding the Fund are collectively referred to as "the Deeds".

The principal activity of the Fund is to invest in "Permitted Investments" as set out in the Seventh Schedule of the Deed, which includes sukuk, short-term Islamic money market instruments and any other form of Shariah-compliant investments that comply with Shariah requirements as may be approved by the relevant authorities from time to time. The Fund commenced operations on 1 November 2013 and will continue its operation until terminated by the Trustee as provided under Part 12 of the Deed. The Fund aims to generate regular income for unit holders by investing primarily in Islamic deposits, Islamic money market instruments and sukuk.

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

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

The principal place of business of the Manager is located at Level 13, Menara IQ, Lingkaran TRX, Tun Razak Exchange, 55188 Kuala Lumpur.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2026

2. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund as at financial year end are as follows:

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	RM	RM	RM
2026			
Cash and cash equivalents	-	17,549,162	17,549,162
Financial assets at fair value through profit or loss	116,056,031	-	116,056,031
Amount due from Manager - creation of units	-	20,000	20,000
	116,056,031	17,569,162	133,625,193
2025			
Cash and cash equivalents	-	9,973,459	9,973,459
Financial assets at fair value through profit or loss	124,145,907	-	124,145,907
Amount due from Manager - creation of units	-	8,160	8,160
	124,145,907	9,981,619	134,127,526

All current liabilities are financial liabilities which are carried at amortised cost.

The Fund is exposed to a variety of risks which include market risk (including price risk and interest rate risk), liquidity risk, credit risk and Shariah status reclassification risk from its financial instruments.

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

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

Market risk

(a) Price risk

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

The table below shows the financial assets of the Fund as at 31 August which are exposed to price risk:

	2026 RM	2025 RM
Shariah-compliant investment		
Unquoted sukuk at fair value through profit or loss*	116,056,031	124,145,907

* Includes profit receivable of RM1,309,931 (2025: RM1,443,998).

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

Market risk (cont'd)

(a) Price risk (cont'd)

The following table summarises the sensitivity of the Fund's Shariah-compliant investments to price risk movements as at 31 August. The analysis is based on the assumptions that the market price increased and decreased by 5% (2025: 5%) with all other variables held constant and that fair value of the Fund's Shariah-compliant investments moves according to the historical correlation of the index. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	Change in price %	Impact on profit before taxation/ NAV RM
2026		
Unquoted sukuk at fair value through profit or loss	+/- 5	5,737,305
2025		
Unquoted sukuk at fair value through profit or loss	+/- 5	6,135,096

(b) Interest rate risk

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

The Fund's exposure to the interest rate risk is mainly confined to short-term Islamic deposit with a licensed financial institution. Interest rate risk is actively managed by duration targeting based on the interest rate outlook. The Manager overcomes the exposure of short-term Islamic deposit by way of maintaining Islamic deposit on a short-term basis.

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

Market risk (cont'd)

(b) Interest rate risk (cont'd)

The above interest rate is a general economic indicator that will have an impact on the management of the Fund regardless whether it is an Islamic unit trust fund or otherwise. It does not in any way suggest that the Fund will invest in conventional financial instruments. All the investments are carried out for the Fund are in accordance with Shariah requirements.

The table below summarises the sensitivity of the Fund's NAV to movements in valuation of unquoted sukuk held by the Fund as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate increased and decreased by 5% (2025: 5%) with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

	Increase/(Decrease) in profit before taxation/NAV	
	+5%	-5%
	RM	RM
2026		
Unquoted sukuk at fair value through profit or loss	(1,521,925)	1,565,847
2025		
Unquoted sukuk at fair value through profit or loss	(1,156,674)	1,173,601

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

Market risk (cont'd)

(b) Interest rate risk (cont'd)

The effective weighted average profit rates per annum and the average remaining maturities of unquoted sukuk and Islamic deposit with a licensed financial institution as at the date of the statement of financial position are as follows:

	Weighted average profit rates		Average remaining maturities	
	2026 %	2025 %	2026 Days	2025 Days
Unquoted sukuk	4.24	3.87	3,403	2,355
Islamic deposit with a licensed financial institution	2.85	2.85	1	2

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulties in meeting its financial obligations. The Manager manages this risk by maintaining sufficient levels of Islamic liquid assets to meet anticipated payment and cancellations of unit by unit holders. Islamic liquid assets comprise cash at bank, Islamic deposit with a licensed financial institution and other Shariah-compliant instruments, which are capable of being converted into cash within 7 days.

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

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

Liquidity risk (cont'd)

The amounts in the table below are the contractual undiscounted cash flows.

	Less than 1 month	Between 1 month to 1 year	Total
	RM	RM	RM
As at 31 August 2026			
Amount due to Manager			
- Cancellation of units	239,531	-	239,531
- Manager's fee	49,082	-	49,082
Amount due to Trustee	12,047	-	12,047
Other payables and accruals	-	21,925	21,925
Contractual undiscounted cash outflows	300,660	21,925	322,585
As at 31 August 2025			
Amount due to Manager			
- Cancellation of units	6,162	-	6,162
- Manager's fee	46,714	-	46,714
Amount due to Trustee	12,026	-	12,026
Other payables and accruals	-	20,594	20,594
Contractual undiscounted cash outflows	64,902	20,594	85,496

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

Credit risk

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

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

Credit risk arising from placements in Islamic deposit with a licensed financial institution is managed by ensuring that the Fund will only place Islamic deposits in reputable licensed financial institutions.

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

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

	2026	2025
	RM	RM
Cash and cash equivalents	17,549,162	9,973,459
Financial assets at fair value through profit or loss	116,056,031	124,145,907
Amount due from Manager - creation of units	20,000	8,160
	133,625,193	134,127,526

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

Credit risk (cont'd)

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

	Cash and cash equivalents	Financial assets at fair value through profit or loss	Amount due from Manager	Total
	RM	RM	RM	RM
As at 31 August 2026				
Financial services				
- AAA	30,481	-	-	30,481
- AA3	17,518,681	-	-	17,518,681
Others				
- non rated	-	-	20,000	20,000
Unquoted sukuk				
- AAA	-	15,938,120	-	15,938,120
- AA1	-	21,548,231	-	21,548,231
- AA2	-	7,731,426	-	7,731,426
- AA3	-	26,017,690	-	26,017,690
- AA	-	5,358,060	-	5,358,060
- AA-	-	29,111,209	-	29,111,209
- A1	-	10,351,295	-	10,351,295
	17,549,162	116,056,031	20,000	133,625,193

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

Credit risk (cont'd)

The following table sets out the credit risk concentration of the Fund: (cont'd)

	Cash and cash equivalents	Financial assets at fair value through profit or loss	Amount due from Manager	Total
	RM	RM	RM	RM
As at 31 August 2025				
Financial services				
- AAA	77,300	-	-	77,300
- AA3	9,896,159	-	-	9,896,159
Others				
- non rated	-	-	8,160	8,160
Unquoted sukuk				
- AAA	-	27,704,449	-	27,704,449
- AA1	-	22,030,001	-	22,030,001
- AA2	-	12,965,410	-	12,965,410
- AA3	-	16,378,555	-	16,378,555
- AA	-	5,516,410	-	5,516,410
- AA-	-	29,092,487	-	29,092,487
- A1	-	10,458,595	-	10,458,595
	9,973,459	124,145,907	8,160	134,127,526

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

Shariah status reclassification risk

This risk refers to the risk of a possibility that the currently held sukuk or Islamic money market instruments or Islamic deposits invested by the Fund may be declared as Shariah non-compliant by the relevant authority or the Shariah Adviser. If this occurs, the Manager will take the necessary steps to dispose of or withdraw such fixed income securities or money market instruments or deposits.

Capital risk

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

Fair value estimation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2026

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

Fair value estimation (cont'd)

The carrying values of cash and cash equivalents and amount due from Manager - creation of units and all current liabilities are reasonable approximation of their fair values due to their short-term nature.

Fair value hierarchy

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

- Quoted prices (unadjusted) in active market for identical assets or liabilities (Level 1).

- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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

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

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

Fair value hierarchy (cont'd)

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

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
As at 31 August 2026				
Financial assets at fair value through profit or loss				
- Unquoted sukuk	-	116,056,031	-	116,056,031
As at 31 August 2025				
Financial assets at fair value through profit or loss				
- Unquoted sukuk	-	124,145,907	-	124,145,907

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

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

3. MANAGER'S FEE

Clause 13.1.2 of the Deed dated 25 September 2013 and Supplemental Deed dated 19 March 2014 provide that the Manager is entitled to an annual management fee at a rate not exceeding 1.00% per annum based on the Fund's NAV on a daily basis before deducting the Manager's and Trustee's fees calculated for that particular day.

The Manager's fee provided in the financial statements is computed on this basis at a rate of 0.40% (2025: 0.40%) per annum.

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

4. TRUSTEE'S FEE

Clause 4.8 of the Third Supplemental Deed dated 20 August 2018 provides that the Trustee is entitled to an annual trustee fee at a rate not exceeding 0.10% per annum based on the Fund's NAV on a daily basis before deducting the Manager's and Trustee's fees calculated for that particular day or subject to a minimum of RM12,000 per annum.

The Trustee's fee provided in the financial statements is computed on this basis at a rate of 0.05% (2025: 0.05%) per annum or at the minimum of RM12,000 per annum.

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

5. TAXATION

	2026 RM	2025 RM
Current taxation		
- Malaysia taxation	-	-

The numerical reconciliation between net profit before taxation multiplied by the Malaysian statutory tax rate and tax expense of the Fund is as follows:

	2026 RM	2025 RM
Net profit before taxation	2,368,111	7,714,834
Taxation at Malaysian statutory rate of 24% (2025: 24%)	568,347	1,851,560
Tax effects of:		
Investment income not subject to tax	(730,010)	(2,029,622)
Expenses not deductible for tax purposes	19,683	21,466
Restriction on tax deductible expenses for unit trust funds	141,980	156,596
Tax expense	-	-

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2026 RM	2025 RM
Net (loss)/gain on financial assets at fair value through profit or loss:		
- realised gain on sale of Shariah-compliant investments	991,429	952,461
- unrealised (loss)/gain on fair value movement	(3,260,759)	680,950
	(2,269,330)	1,633,411
Financial assets at fair value through profit or loss:		
- Unquoted sukuk*	116,056,031	124,145,907

*Includes profit receivable of RM1,309,931 (2025: RM1,443,998).

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

Details of unquoted sukuk as at 31 August 2026 are set out as follows:

Name of issuer	Nominal value	Aggregate cost	Fair value as at 31/08/2026	Fair value as at 31/08/2026 expressed as percentage of NAV of Fund
	RM	RM	RM	%
UNQUOTED SUKUK				
Affin Islamic Bank Berhad - 4.66% 13/10/33	5,000,000	5,088,489	5,172,439	3.88
Bank Islam Malaysia Berhad - 4.70% 17/10/33	5,000,000	5,088,205	5,178,855	3.89
Bank Pembangunan Malaysia Berhad - 3.90% 28/07/33	5,000,000	5,018,699	4,985,349	3.74
Edra Energy Sdn Bhd - 6.03% 05/01/29	5,000,000	5,156,164	5,295,210	3.97
Edra Energy Sdn Bhd - 6.00% 05/07/28	5,000,000	5,187,140	5,245,521	3.94
Edra Energy Sdn Bhd - 6.12% 05/07/30	5,000,000	5,429,551	5,439,575	4.08

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

Details of unquoted sukuk as at 31 August 2026 are set out as follows: (cont'd)

Name of issuer	Nominal value	Aggregate cost	Fair value as at 31/08/2026	Fair value as at 31/08/2026 expressed as percentage of NAV of Fund
	RM	RM	RM	%
UNQUOTED SUKUK				
Imtiaz Sukuk II Berhad - 5.00% 08/11/29	5,000,000	5,079,452	5,260,002	3.95
Jimah East Power Sdn Bhd - 5.74% 04/06/29	5,000,000	5,131,605	5,315,331	3.99
Johor Port Berhad - 5.10% 04/10/27	5,000,000	5,104,794	5,181,294	3.89
Lebuhraya DUKE Fasa 3 Sdn Bhd - 5.37% 23/02/46	11,523,619	11,537,183	11,176,032	8.38
Lebuhraya DUKE Fasa 3 Sdn Bhd - 5.43% 22/02/47	4,033,797	4,038,598	3,911,210	2.93
Lebuhraya DUKE Fasa 3 Sdn Bhd - 5.47% 23/02/50	3,172,603	3,176,407	3,059,116	2.29

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

Details of unquoted sukuk as at 31 August 2026 are set out as follows: (cont'd)

Name of issuer	Nominal value	Aggregate cost	Fair value as at 31/08/2026	Fair value as at 31/08/2026 expressed as percentage of NAV of Fund
	RM	RM	RM	%
UNQUOTED SUKUK				
Lebuhraya DUKE Fasa 3 Sdn Bhd - 5.53% 23/02/51	170,348	170,555	164,428	0.12
Lebuhraya DUKE Fasa 3 Sdn Bhd - 6.00% 23/02/39	138,266	138,448	140,021	0.10
Lebuhraya DUKE Fasa 3 Sdn Bhd - 6.00% 23/02/38	69,133	69,224	70,284	0.05
Lebuhraya DUKE Fasa 3 Sdn Bhd - 6.00% 23/08/38	92,177	92,298	93,493	0.07
MEX I Capital Berhad^ - 5.80% 21/01/36	1,201,803	1,246,062	1,430,692	1.07
MEX I Capital Berhad^ - 5.80% 21/01/37	858,028	890,406	1,040,732	0.78

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

Details of unquoted sukuk as at 31 August 2026 are set out as follows: (cont'd)

Name of issuer	Nominal value	Aggregate cost	Fair value as at 31/08/2026	Fair value as at 31/08/2026 expressed as percentage of NAV of Fund
	RM	RM	RM	%
UNQUOTED SUKUK				
Mumtaz Rakyat Sukuk Berhad - 3.96% 19/06/36	10,000,000	10,080,285	10,037,385	7.53
Point Zone (M) Sdn Bhd - 4.86% 11/03/33	5,000,000	5,191,051	5,358,060	4.02
Tenaga Nasional Berhad - 5.23% 30/06/37	10,000,000	10,240,703	10,952,771	8.22
YTL Power International Berhad - 4.99% 24/03/33	10,000,000	10,509,854	10,769,340	8.08
YTL Power International Berhad - 5.05% 03/05/27	10,500,000	10,676,937	10,778,891	8.09

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

Details of unquoted sukuk as at 31 August 2026 are set out as follows: (cont'd)

Name of issuer	Nominal value	Aggregate cost	Fair value as at 31/08/2026	Fair value as at 31/08/2026 expressed as percentage of NAV of Fund
	RM	RM	RM	%
TOTAL UNQUOTED SUKUK	111,759,774	114,342,110	116,056,031	87.06
UNREALISED GAIN ON UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS		1,713,921		
FAIR VALUE OF TOTAL UNQUOTED SUKUK		116,056,031		

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

Details of unquoted sukuk as at 31 August 2025 are set out as follows:

Name of issuer	Nominal value	Aggregate cost	Fair value as at 31/08/2025	Fair value as at 31/08/2025 expressed as percentage of NAV of Fund
	RM	RM	RM	%
UNQUOTED SUKUK				
Affin Islamic Bank Berhad - 4.66% 13/10/33	5,000,000	5,088,489	5,226,089	3.90
Bank Islam Malaysia Berhad - 4.70% 17/10/33	5,000,000	5,088,206	5,232,505	3.90
CIMB Group Holdings Berhad - 4.00% 12/08/38	5,000,000	5,010,959	5,072,009	3.78
Edra Energy Sdn Bhd - 6.00% 05/07/28	5,000,000	5,262,670	5,367,171	4.00
Edra Energy Sdn Bhd - 6.03% 05/01/29	5,000,000	5,202,216	5,422,860	4.05
Edra Energy Sdn Bhd - 6.12% 05/07/30	5,000,000	5,528,582	5,588,525	4.17
Imtiaz Sukuk II Berhad - 5.00% 08/11/29	5,000,000	5,079,452	5,330,502	3.98

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

Details of unquoted sukuk as at 31 August 2025 are set out as follows: (cont'd)

Name of issuer	Nominal value	Aggregate cost	Fair value as at 31/08/2025	Fair value as at 31/08/2025 expressed as percentage of NAV of Fund
	RM	RM	RM	%
UNQUOTED SUKUK				
Jimah East Power Sdn Bhd - 5.74% 04/06/29	5,000,000	5,153,919	5,410,881	4.04
Johor Port Berhad - 5.10% 04/10/27	5,000,000	5,104,795	5,255,794	3.92
Lebuhraya DUKE Fasa 3 Sdn Bhd - 5.24% 23/08/27	10,000,000	10,136,220	10,104,921	7.54
Lebuhraya DUKE Fasa 3 Sdn Bhd - 5.34% 23/08/28	5,000,000	5,095,934	5,074,534	3.79
Lebuhraya DUKE Fasa 3 Sdn Bhd - 6.04% 23/08/35	3,000,000	3,128,236	3,246,358	2.42
MEX I Capital Berhad^ - 5.70% 21/01/36	1,201,803	1,249,779	1,483,167	1.11

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

Details of unquoted sukuk as at 31 August 2025 are set out as follows: (cont'd)

Name of issuer	Nominal value	Aggregate cost	Fair value as at 31/08/2025	Fair value as at 31/08/2025 expressed as percentage of NAV of Fund
	RM	RM	RM	%
UNQUOTED SUKUK				
MEX I Capital Berhad^ - 5.70% 21/01/37	858,028	892,868	1,079,732	0.80
Point Zone (M) Sdn Bhd - 4.86% 11/03/33	5,000,000	5,202,771	5,516,410	4.11
Sarawak Energy Berhad - 4.95% 25/11/33	5,000,000	5,171,109	5,546,124	4.14
SMJ Sdn Bhd - 4.43% 25/10/30	10,000,000	10,287,597	10,543,453	7.87
Tenaga Nasional Berhad - 5.23% 30/06/37	10,000,000	10,254,584	11,614,871	8.66
YTL Power International Berhad - 5.05% 03/05/27	10,500,000	10,678,658	10,933,661	8.16
YTL Power International Berhad - 4.99% 24/03/33	10,000,000	10,554,183	11,096,340	8.28

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

Details of unquoted sukuk as at 31 August 2025 are set out as follows: (cont'd)

Name of issuer	Nominal value	Aggregate cost	Fair value as at 31/08/2025	Fair value as at 31/08/2025 expressed as percentage of NAV of Fund
	RM	RM	RM	%
TOTAL UNQUOTED SUKUK	115,559,831	119,171,227	124,145,907	92.62
UNREALISED GAIN ON UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS		4,974,680		
FAIR VALUE OF TOTAL UNQUOTED SUKUK		124,145,907		

The weighted average profit rates per annum and the average remaining maturities of unquoted sukuk are shown in Note 2(b) to the financial statements.

^On 13 October 2021, the sukukholders of MEX 1 Capital Berhad approved the restructuring exercise for its Islamic medium-term notes ("existing sukuk"). Subsequently, on 21 January 2022, the restructuring exercise has been completed with the exchange of the existing sukuk with a new Senior Sukuk Musharakah of up to RM1.13 billion in nominal value ("new sukuk"). RAM Ratings has assigned a final A2/Stable rating to the new sukuk on 19 January 2022. On 22 August 2025, RAM Ratings has upgraded MEX I Capital Berhad's sukuk to AA2/Stable.

7. CASH AND CASH EQUIVALENTS

	2026 RM	2025 RM
Cash at bank	30,481	77,300
Islamic deposit with a licensed financial institution*	17,518,681	9,896,159
	17,549,162	9,973,459

*A total of RM17,518,681 (2025: RM9,896,159) of the short-term Islamic deposit are placed with KAF Investment Bank Berhad, the intermediate holding company of the Manager.

The weighted average profit rates per annum and the average remaining maturities of Islamic deposit with a licensed financial institution are shown in Note 2(b) to the financial statements.

8. SHARIAH INFORMATION OF THE FUND

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

(a) Sukuk as per the list of sukuk available at Bond Info Hub, Fully Automated System For Issuing/Tendering of Bank Negara Malaysia and the Bond and Sukuk Information Exchange; and

(b) Cash placements and liquid assets in local market which are placed in Shariah-compliant instruments.

9. PREPAYMENT

	2026 RM	2025 RM
Shariah advisory fee	-	2,362

10. OTHER PAYABLES AND ACCRUALS

	2026 RM	2025 RM
Audit and tax agent's fees	19,862	19,294
Shariah advisory fee	863	-
Sundry accruals	1,200	1,300
	21,925	20,594

11. NUMBER OF UNITS IN CIRCULATION

	2026 Number of units	2025 Number of units
At the beginning of the financial year	782,626	1,064,981
Creation of units arising from applications	166,765	116,080
Cancellation of units	(184,685)	(398,435)
At the end of the financial year	764,706	782,626

12. TRANSACTIONS WITH DEALERS

Details of transactions with the dealers for the financial year ended 31 August 2026 and 31 August 2025 are as follows:

Name of dealers	Value of trades RM	Percentage of total trades %
2026		
Hong Leong Bank Berhad	20,130,000	21.02
Hong Leong Islamic Bank Berhad	15,366,500	16.04
CIMB Islamic Bank Berhad	15,294,000	15.96
Malayan Banking Berhad	15,000,000	15.66
RHB Investment Bank Berhad	9,995,500	10.44
AmBank (M) Berhad	5,000,000	5.22
CIMB Bank Berhad	5,000,000	5.22
Hong Leong Investment Bank Berhad	5,000,000	5.22
OCBC Bank (M) Berhad	5,000,000	5.22
	95,786,000	100.00
2025		
Hong Leong Bank Berhad	57,883,250	26.98
Bank Islam Malaysia Berhad	51,891,000	24.18
CIMB Bank Berhad	46,845,000	21.83
RHB Investment Bank Berhad	15,702,000	7.32
Hong Leong Investment Bank Berhad	12,059,000	5.62
Hong Leong Islamic Bank Berhad	10,134,500	4.72
AmBank (M) Berhad	5,048,500	2.35
Affin Hwang Investment Bank Berhad	5,018,000	2.34
United Overseas Bank (Malaysia) Berhad	5,006,500	2.33
KAF Investment Bank Berhad*	5,001,000	2.33
	214,588,750	100.00

*The intermediate holding company of the Manager.

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

13. UNITS HELD BY THE MANAGER AND RELATED PARTIES

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

Related parties	Relationships
KAF Investment Funds Berhad	The Manager
KAF-Seagroatt & Campbell Berhad	Immediate holding company of the Manager
AKKA Sdn Bhd	Ultimate holding company of the Manager
KAF Enhanced Bond Fund KAF First Fund KAF Dana Alif	Fund managed by the Manager
Dato' Ahmad Kadis	Spouse of Director of the Manager
Subsidiaries and associates of the ultimate holding company of the Manager as disclosed in its financial statements	Subsidiaries and associated companies of the ultimate holding company of the Manager

13. UNITS HELD BY THE MANAGER AND RELATED PARTIES (CONT'D)

	2026		2025	
	No. of units	RM	No. of units	RM
KAF Investment Funds Berhad	3	523	1	171
KAF Enhanced Bond Fund	6,153	1,072,584	6,153	1,053,856
KAF First Fund	14,001	2,440,638	14,001	2,398,024
KAF Dana Alif	12,812	2,233,372	12,812	2,194,378
Dato' Ahmad Kadis	3,492	608,721	3,500	599,463
Subsidiaries and associates of the ultimate holding company of the Manager	51,399	8,959,812	108,988	18,666,941

The above units were transacted at the prevailing market price. All related parties units are held beneficially, except for the Manager where the units are held legally.

14. TOTAL EXPENSE RATIO ("TER")

	2026	2025
TER	0.50%	0.47%

TER is derived from the following calculation:

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

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

The average NAV of the Fund for the financial year calculated on a daily basis was RM133,809,283 (2025: RM159,175,225).

15. PORTFOLIO TURNOVER RATIO ("PTR")

	2026	2025
PTR	0.36 times	0.67 times

PTR is derived from the following calculation:

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

where: total acquisition for the financial year = RM45,395,076 (2025: RM99,819,000)
total disposal for the financial year = RM50,313,508 (2025: RM113,817,289)

CORPORATE INFORMATION

Manager
KAF Investment Funds Berhad
Reg. No: 199501004999

Registered Office
Level 13A, Menara IQ
Lingkaran TRX
Tun Razak Exchange
55188 Kuala Lumpur

Business Office
Level 13, Menara IQ
Lingkaran TRX
Tun Razak Exchange
55188 Kuala Lumpur
Tel: 03-9767 6000 Fax: 03-9767 6001
Website: www.kaf.com.my

Board of Directors
Datuk Khatijah binti Ahmad
Mohammed Reza Tan Sri Abu Talib
Nor Rejina binti Abdul Rahim
Tunku Rozita binti Tunku Abdul Malek

Secretary
Siti Nurmazita binti Mustapha (LS 0009160)

Trustee
CIMB Islamic Trustee Berhad

Auditor & Reporting Accountant
PricewaterhouseCoopers PLT

Tax Adviser
KPMG Tax Services Sdn Bhd

Shariah Adviser
BIMB Securities Sdn Bhd
Reg. No: 199401004484

Banker
CIMB Islamic Bank Berhad

KAF Investment Funds Berhad Reg. No: 199501004999
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For more information,
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