

Fund Information

Fund Name

Public Emerging Opportunities Fund (PEMOF)

Fund Category

Equity

Fund Investment Objective

To achieve capital growth through investments in companies with mid and small market capitalisation.

Fund Performance Benchmark

The benchmarks of the Fund and their respective percentages are 60% FTSE Bursa Malaysia Mid 70 Index, 30% FTSE Bursa Malaysia Small Cap Index and 10% 3-Month Kuala Lumpur Interbank Offered Rate (KLIBOR).

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Fund Distribution Policy

Incidental

Breakdown of Unitholdings of PEMOF as at 31 January 2018

Size of holdings	No. of unitholders	% of unitholders	No. of units held (million)
5,000 and below	515	10.71	2
5,001 to 10,000	636	13.22	5
10,001 to 50,000	2,455	51.05	60
50,001 to 500,000	1,168	24.29	145
500,001 and above	35	0.73	35
Total	4,809	100.00	247

Note: Excluding Manager's Stock.

Fund Performance

Average Total Return for the Following Year Ended 31 January 2018

	Average Total Return of PEMOF (%)
1 Year	13.60

Fund Performance

For the Financial Year Ended 31 January 2018

Annual Total Return for the Financial Years Ended 31 January

Year	2018	2017
PEMOF (%)	13.60	1.80*

* The figure shown is for period since Fund commencement (19 April 2016).

The calculation of the above returns is based on computation methods of Lipper.

Notes:

1. **Total return** of the Fund is derived by this formulae:

$$\left(\frac{\text{End of Period FY}_{\text{Current Year}} \text{ NAV per unit}}{\text{End of Period FY}_{\text{Previous Year}} \text{ NAV per unit}} \right) - 1$$

(Adjusted for unit split and distribution paid out for the period)

The above total return of the Fund was sourced from Lipper.

2. Average total return is derived by this formulae:

$$\frac{\text{Total Return}}{\text{Number of Years Under Review}}$$

Other Performance Data for the Past Two Financial Years Ended 31 January

	2018	2017
Unit Prices (MYR)		
Highest NAV per unit for the year	0.2927	0.2553
Lowest NAV per unit for the year	0.2554	0.2467
Net Asset Value (NAV) and Units in Circulation (UIC) as at the End of the Year		
Total NAV (MYR'000)	71,556	40,870
UIC (in '000)	247,552	160,583
NAV per unit (MYR)	0.2891	0.2545
Total Return for the Year (%)	13.60	1.80
Capital growth (%)	12.78	1.12
Income (%)	0.73	0.67
Management Expense Ratio (%)	1.74	1.77
Portfolio Turnover Ratio (time)	0.32	0.67

Notes: Management Expense Ratio is calculated by taking the total management expenses expressed as an annual percentage of the Fund's average net asset value.

Portfolio Turnover Ratio is calculated by taking the average of the total acquisitions and disposals of the investments in the Fund for the year over the average net asset value of the Fund calculated on a daily basis.

The Portfolio Turnover Ratio for the financial year 2018 dropped to 0.32 time from 0.67 time in the previous financial year on account of lower level of rebalancing activities performed by the Fund during the year.

Fund Performance

For the Financial Year Ended 31 January 2018

Distribution and Unit Split

No distribution and unit split were declared for the financial years ended 31 January 2018 and 31 January 2017.

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

Asset Allocation for the Past Two Financial Years

	As at 31 January (Per Cent of Net Asset Value)	
	2018 %	2017 %
EQUITY SECURITIES		
Quoted		
Malaysia		
Basic Material	3.8	0.6
Communications	4.5	7.1
Consumer, Cyclical	5.2	6.1
Consumer, Non-cyclical	11.0	7.9
Diversified	3.5	4.3
Energy	3.8	5.7
Financial	12.6	16.5
Industrial	26.5	23.0
Technology	4.9	2.1
Utilities	-	0.7
TOTAL QUOTED EQUITY SECURITIES	75.8	74.0
COLLECTIVE INVESTMENT FUNDS		
Quoted		
Malaysia		
Financial	0.6	2.3
TOTAL QUOTED COLLECTIVE INVESTMENT FUNDS	0.6	2.3
DEPOSITS WITH FINANCIAL INSTITUTIONS	24.0	23.9
OTHER ASSETS & LIABILITIES	-0.4	-0.2

Manager's Report

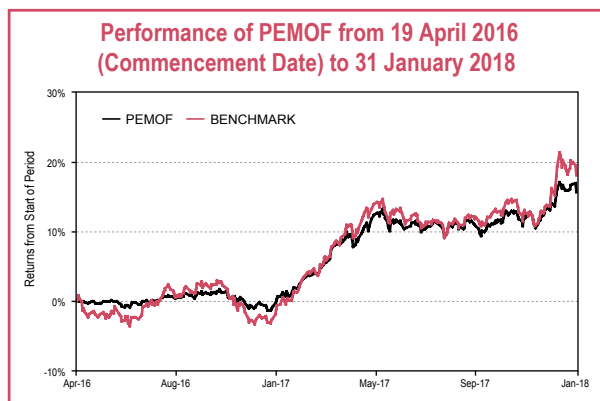
Overview

This Annual Report covers the financial year from 1 February 2017 to 31 January 2018.

Public Emerging Opportunities Fund (PEMOF or the Fund) aims to achieve capital growth through investments in companies with mid and small market capitalisation.

For the financial year under review, the Fund registered a return of +13.60% as compared to its Benchmark's return of +16.60%. The Fund's equity portfolio registered a return of +19.47% while its money market portfolio registered a return of +3.05% during the financial year under review. A detailed performance attribution analysis is provided in the sections below.

From its commencement on 19 April 2016 (being the last day of the initial offer period) to 31 January 2018, the Fund registered a return of +15.64% as compared to the Benchmark's return of +18.03% over the same period. As the Fund has registered a positive return during the review period, it is the opinion of the Manager that the Fund is positioned to meet its objective of achieving capital growth through investments in companies with mid and small market capitalisation.



The Fund's Benchmark is a composite index of 60% FTSE Bursa Malaysia Mid 70 Index, 30% FTSE Bursa Malaysia Small Cap Index and 10% 3-Month Kuala Lumpur Interbank Offered Rate (KLIBOR).

Effect of Distribution Reinvestment on Portfolio Exposures

There were no distributions declared for the year ended 31 January 2018.

Change in Portfolio Exposures from 31-Jan-17 to 31-Jan-18

	31-Jan-17	31-Jan-18	Change	Average Exposure
Equities & Related Securities	76.3%	76.4%	+0.1%	76.83%
Money Market	23.7%	23.6%	-0.1%	23.17%

Manager's Report

Returns Breakdown by Asset Class

	Returns On Investments	Market / Benchmark Returns	Benchmark Index Used	Average Exposure	Attributed Returns
Equities & Related Securities	19.47%	18.13%	Equity Benchmark Overnight Rate	76.83%	14.96%
Money Market	3.05%	2.97%		23.17%	0.71%
less: Expenses					-2.07%
Total Net Return for the Year					13.60%

Overnight Rate = Bank Negara Weighted Average Overnight Interbank Rate

Equity Portfolio Review

For the financial year under review, the Fund's equity portfolio registered a return of +19.47% and outperformed the equity Benchmark's return of +18.13%. The Fund's equity portfolio outperformed the equity Benchmark as its investments in the Consumer, Financial and Technology sectors outperformed the broad market during the financial year under review.

The Fund commenced the financial year under review with an equity exposure of 76.3% and this was increased to above 80% in August 2017 to capitalise on investment opportunities in the domestic market. The Fund subsequently reduced its equity exposure to lock in profits on selected equity investments and ended the financial year under review with an equity weight of 76.4%. Based on an average equity exposure of 76.83%, the Fund's equity portfolio is deemed to have registered a return of +14.96% to the Fund as a whole for the financial year under review. A full review of the performance of the equity market is tabled in the following sections.

Sector Allocation

In terms of sector allocation within the equity portfolio, the top 5 sectors accounted for 60.8% of the Net Asset Value (NAV) of the Fund and 79.6% of the Fund's equity portfolio. The weightings of the top 5 sectors in Malaysia (unless otherwise indicated) are in the following order: Industrial (26.5%), Financial (13.2%), Consumer, Non-cyclical (11.0%), Consumer, Cyclical (5.2%) and Technology (4.9%).

Money Market Portfolio Review

During the financial year under review, the Fund's money market portfolio, which was invested primarily in deposits, yielded a return of +3.05%. In comparison, the Bank Negara Weighted Average Overnight Interbank Rate (Overnight Rate) registered a return of +2.97% over the same period.

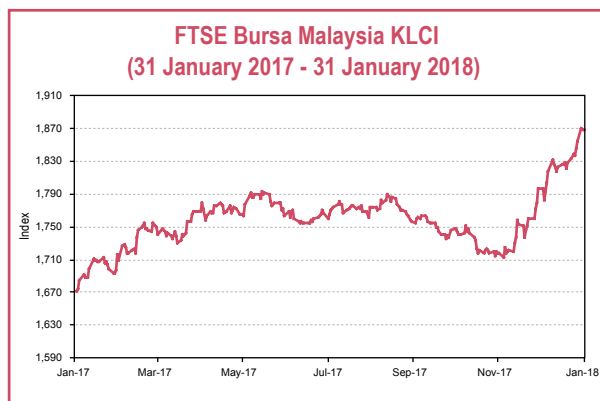
Manager's Report

During the financial year under review, the Fund's exposure to money market investments decreased from 23.7% to 23.6% as funds were mobilised into equity investments. Based on an average exposure of 23.17%, the money market portfolio is estimated to have contributed +0.71% to the Fund's overall return for the financial year under review.

Stock Market Review

Starting the financial year under review at 1,671.54 points, the FTSE Bursa Malaysia KLCI (FBM KLCI) strengthened in February through April 2017, led by firmer regional currencies, stable oil prices and positive sentiment arising from the new U.S. president's pro-growth policies. The Index subsequently traded range-bound in May 2017 as global energy prices softened. The market edged higher in early June 2017 amid sustained buying interest in selected blue chips, before moving lower in mid-July 2017 due to softer oil prices and a lack of fresh leads.

After rising in early September 2017, the FBM KLCI retraced in October and November 2017 as market sentiment was dampened by a lack of fresh catalysts and a sell-down in selected blue chips. The Index subsequently rebounded in December 2017 and continued to rally in January 2018 in tandem with firmer oil prices and buying interest from foreign investors. The FBM KLCI closed at 1,868.58 points to register a gain of 11.79% for the financial year under review.



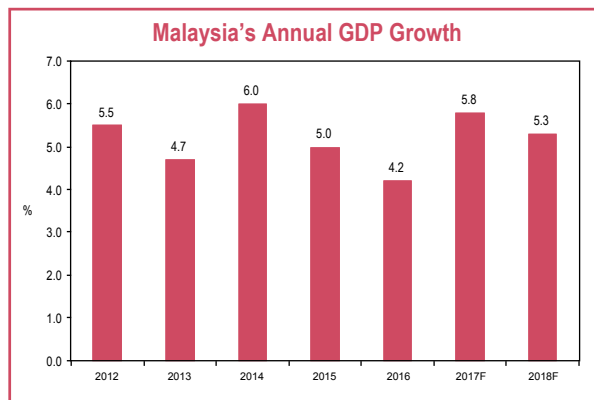
Money Market Review

The Overnight Rate commenced the financial year under review at 2.99% and ended the financial year under review higher at 3.17%.

Economic Review

Malaysia's GDP growth gained pace from 4.2% in 2016 to 5.9% in the first three quarters of 2017 on the back of higher domestic demand and export growth. Growth in the services sector rose from 5.6% in 2016 to 6.2% in the first three quarters of 2017. Meanwhile, growth in manufacturing activities increased from 4.4% to 6.2% over the same period.

Manager's Report



Source: Bloomberg

Malaysia's export growth accelerated to 20.4% in the first 11 months of 2017 from 1.2% in 2016 due mainly to higher exports of electrical and electronic products. Import growth surged to 21.2% from 1.9% over the same period. Malaysia's cumulative trade surplus widened to RM90.0 billion in the first 11 months of 2017 compared to RM79.2 billion for the corresponding period of the prior year. Due to capital inflows, Malaysia's foreign reserves rose to US\$102.4 billion as at end-December 2017 compared to US\$94.5 billion a year ago.

Malaysia's inflation rate gained pace to 3.7% in 2017 from 2.1% in 2016 on the back of higher transportation costs and food prices. On 25 January 2018, Bank Negara Malaysia (BNM) raised the OPR by 25 basis points (bps) from 3.00% to 3.25% amid resilient economic growth. Loans growth eased to 4.1% in 2017 from 5.3% in 2016 due to slower demand from the household sector.

Led by higher investment spending and export growth, U.S. GDP growth rose from 1.5% in 2016 to 2.3% in 2017. Investment spending increased by 3.2% in 2017 compared to a contraction of 1.6% in 2016 due to higher investment in equipment. Meanwhile, exports expanded by 3.1% compared to a decline of 0.3% over the same period. At the Federal Open Market Committee (FOMC) meeting on 30-31 January 2018, the Federal Reserve maintained the Federal funds rate at the target range of 1.25%-1.50%.

Eurozone GDP growth gained pace from 1.8% in 2016 to 2.5% in 2017 on the back of higher exports. At its monetary policy meeting on 25 January 2018, the European Central Bank (ECB) kept its main refinancing and deposit rates at 0.00% and -0.40% respectively. The ECB extended its quantitative-easing program from January 2018 until at least September 2018. However, it reduced the monthly pace of bond-buying from €60 billion to €30 billion with effect from January 2018.

In a referendum held on 23 June 2016, British voters voted in favour of exiting the European Union (EU). The United Kingdom (UK) formally notified of its exit from the EU under Article 50 on 29 March 2017, which commences a 2-year process of trade negotiations with the EU.

Manager's Report

Outlook and Investment Strategy

Global and regional equity markets traded on a positive note in January 2018 amid an improved outlook for the global economy. However, concerns over inflationary pressures in the U.S. may result in volatile market conditions in the near term. Looking ahead, the performance of equity markets will depend on the economic outlook and market valuations of the U.S., Europe and the Asia Pacific region.

U.S. economic growth is projected to edge up from 2.3% in 2017 to 2.6% in 2018, driven by higher investment spending on the back of tax reform measures.

In the Eurozone, economic growth is envisaged to ease from 2.5% in 2017 to 2.2% in 2018 on expectations of slower export growth.

On the domestic front, Malaysia's GDP growth is projected to ease from 5.8% in 2017 to 5.3% in 2018 amid moderating export growth. However, domestic demand will be supported by sustained consumer and investment spending backed by government measures to increase disposable incomes as well as the ongoing implementation of infrastructure projects.

The budget deficit is projected to narrow to RM39.8 billion (2.8% of GDP) in 2018 from the RM39.9 billion (3.0% of GDP) estimated for 2017, while the federal revenue is forecast to expand by 6.4% to RM239.9 billion in 2018. Meanwhile, operating expenditure and net development expenditure are expected to grow by 6.5% to RM234.3 billion and 0.2% to RM45.4 billion respectively in 2018.

As at end-January 2018, the local stock market was trading at a prospective P/E ratio of 16.7x, which was above its 10-year average of 16.5x. The market's dividend yield was 3.22%.

Given the above factors, the Fund will continue to rebalance its investment portfolio accordingly with the objective of achieving capital growth through investments in companies with mid and small market capitalisation.

Policy on Soft Commissions

The management company may receive goods or services which include research materials, data and quotation services and investment related publications by way of soft commissions provided they are of demonstrable benefit to the Fund and unitholders.

During the financial year under review, PEMOF has not received goods or services by way of soft commissions.

Statement Of Assets And Liabilities

As at 31 January 2018

	2018 MYR'000	2017 MYR'000
Assets		
Investments	54,668	31,197
Due from the Manager, net	43	-
Other receivables	38	16
Deposits with financial institutions	17,165	9,773
Cash at banks	59	55
	71,973	41,041
Liabilities		
Due to brokers/financial institutions, net	390	102
Due to the Manager, net	-	49
Due to the Trustee	4	2
Other payables	23	18
	417	171
Total net assets	71,556	40,870
Net asset value ("NAV") attributable to unitholders (Total equity)	71,556	40,870
Units in circulation (in '000)	247,552	160,583
NAV per unit (in sen)	28.91	25.45

Statement Of Income And Expenditure

For the Financial Year Ended 31 January 2018

	1.2.2017 to 31.1.2018 MYR'000	30.3.2016 to 31.1.2017 MYR'000
Income		
Interest income	428	511
Dividend income	1,231	272
Net gain from investments	6,347	596
	8,006	1,379
Less: Expenses		
Trustee's fee	40	18
Management fee	1,081	480
Audit fee	7	4
Tax agent's fee	3	3
Brokerage fee	142	159
Administrative fees and expenses	16	11
	1,289	675
Net income before taxation	6,717	704
Taxation	(2)	-
Net income after taxation	6,715	704
Net income after taxation is made up as follows:		
Realised	(1,418)	520
Unrealised	8,133	184
	6,715	704

Statement Of Changes In Net Asset Value

For the Financial Year Ended 31 January 2018

	Unitholders' capital MYR'000	Retained earnings MYR'000	Total MYR'000
As at 30 March 2016	-	-	-
Creation of units	41,391	-	41,391
Cancellation of units	(1,225)	-	(1,225)
Net income after taxation	-	704	704
As at 31 January 2017	40,166	704	40,870
As at 1 February 2017	40,166	704	40,870
Creation of units	30,154	-	30,154
Cancellation of units	(6,183)	-	(6,183)
Net income after taxation	-	6,715	6,715
As at 31 January 2018	64,137	7,419	71,556

Statement Of Cash Flows

For the Financial Year Ended 31 January 2018

	1.2.2017 to 31.1.2018 MYR'000	30.3.2016 to 31.1.2017 MYR'000
Cash flows from operating activities		
Proceeds from sale of investments	10,892	6,575
Purchase of investments	(27,790)	(37,222)
Subscription of rights	(141)	(11)
Capital distribution received	61	-
Maturity of deposits	3,459,396	3,944,834
Placement of deposits	(3,466,788)	(3,954,607)
Interest income received	426	511
Net dividend income received	1,209	256
Trustee's fee paid	(38)	(16)
Management fee paid	(1,035)	(420)
Audit fee paid	(7)	-
Tax agent's fee paid	(3)	-
Payment of other fees and expenses	(11)	-
Net cash outflow from operating activities	(23,829)	(40,100)
Cash flows from financing activities		
Cash proceeds from units created	29,917	41,380
Cash paid on units cancelled	(6,084)	(1,225)
Net cash inflow from financing activities	23,833	40,155
Net increase in cash and cash equivalents	4	55
Cash and cash equivalents at the beginning of the financial year/period	55	-
Cash and cash equivalents at the end of the financial year/period	59	55