

# Fund Information

## Fund Name

Public Optimal Growth Fund (POGF)

## Fund Category

Equity

## Fund Investment Objective

To provide income and capital growth by investing in stocks which offer attractive dividend yields\* and growth stocks in the domestic market.

\* Stocks which offer attractive dividend yields refer to stocks with consistency in rewarding shareholders via dividend payouts.

## Fund Performance Benchmark

The benchmark of the Fund is the FTSE Bursa Malaysia Top 100 Index (FBM 100).

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## Fund Distribution Policy

Annual

## Breakdown of Unitholdings of POGF as at 31 July 2018

Size of holdings	No. of unitholders	% of unitholders	No. of units held (million)
5,000 and below	1,305	6.78	4
5,001 to 10,000	2,117	11.01	16
10,001 to 50,000	9,360	48.65	240
50,001 to 500,000	6,334	32.93	761
500,001 and above	122	0.63	102
<b>Total</b>	<b>19,238</b>	<b>100.00</b>	<b>1,123</b>

Note: Excluding Manager's Stock.

## Fund Performance

### Average Total Return for the Following Years Ended 31 July 2018

	Average Total Return of POGF (%)
1 Year	1.97
3 Years	3.34
5 Years	3.98

## Fund Performance

For the Financial Year Ended 31 July 2018

### Annual Total Return for the Financial Years Ended 31 July

Year	2018	2017	2016	2015	2014
POGF (%)	1.97	7.87	0.04	-3.61	13.04

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

Notes:

- 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.

- Average total return is derived by this formulae:

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

### Other Performance Data for the Past Three Financial Years Ended 31 July

	2018	2017	2016
<b>Unit Prices (MYR)*</b>			
Highest NAV per unit for the year	0.3317	0.3220	0.3022
Lowest NAV per unit for the year	0.2997	0.2870	0.2700
<b>Net Asset Value (NAV) and Units in Circulation (UIC) as at the End of the Year</b>			
Total NAV (MYR'000)	345,625	379,103	378,339
UIC (in '000)	1,124,105	1,227,290	1,290,115
NAV per unit (MYR)	0.3075	0.3089	0.2933
<b>Total Return for the Year (%)</b>	<b>1.97</b>	<b>7.87</b>	<b>0.04</b>
Capital growth (%)	-0.07	5.95	-1.56
Income (%)	2.04	1.81	1.63
<b>Management Expense Ratio (%)</b>	<b>1.57</b>	<b>1.57</b>	<b>1.57</b>
<b>Portfolio Turnover Ratio (time)</b>	<b>0.28</b>	<b>0.36</b>	<b>0.39</b>

\* All prices quoted are ex-distribution.

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 0.28 time from 0.36 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 July 2018

### Distribution and Unit Split

Financial year Date of distribution	2018 31.7.18	2017 31.7.17	2016 29.7.16
<b>Distribution per unit</b>			
Gross (sen)	0.75	0.75	0.25
Net (sen)	0.75	0.75	0.25
<b>Unit split</b>	-	-	-

### Impact on NAV Arising from Distribution (Final) for the Financial Years

	2018 Sen per unit	2017 Sen per unit	2016 Sen per unit
Net asset value before distribution	31.50	31.64	29.58
Less: Net distribution per unit	(0.75)	(0.75)	(0.25)
Net asset value after distribution	30.75	30.89	29.33

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 Three Financial Years

	As at 31 July (Percent of NAV)		
	2018 %	2017 %	2016 %
<b>EQUITY SECURITIES</b>			
<b>Quoted</b>			
<b>Malaysia</b>			
Basic Materials	4.9	3.3	-
Communications	6.0	6.9	13.6
Consumer, Cyclical	4.1	1.6	6.7
Consumer, Non-cyclical	13.7	15.8	10.5
Diversified	2.2	7.9	7.5
Energy	4.8	3.6	3.3
Financial	34.0	39.7	23.4
Industrial	7.3	4.3	7.9
Technology	-	-	0.1
Utilities	6.8	7.6	4.8
<b>TOTAL QUOTED EQUITY SECURITIES</b>	<b>83.8</b>	<b>90.7</b>	<b>77.8</b>
<b>COLLECTIVE INVESTMENT FUNDS</b>			
<b>Quoted</b>			
<b>Malaysia</b>			
Financial	-	4.3	4.1
<b>TOTAL QUOTED COLLECTIVE INVESTMENT FUNDS</b>	<b>-</b>	<b>4.3</b>	<b>4.1</b>
<b>DEPOSITS WITH FINANCIAL INSTITUTIONS</b>	<b>18.4</b>	<b>7.7</b>	<b>19.2</b>
<b>OTHER ASSETS &amp; LIABILITIES</b>	<b>-2.2</b>	<b>-2.7</b>	<b>-1.1</b>

## Statement Of Distribution Of Returns

For the Financial Year Ended 31 July 2018

	Sen Per Unit
Gross Distribution	0.7500
Net Distribution	0.7500
Total Returns	0.6100

### Effects of Distribution on NAV per unit before and after Distribution:

	Before Distribution	After Distribution
NAV per unit (MYR)	0.3150	0.3075

## Manager's Report

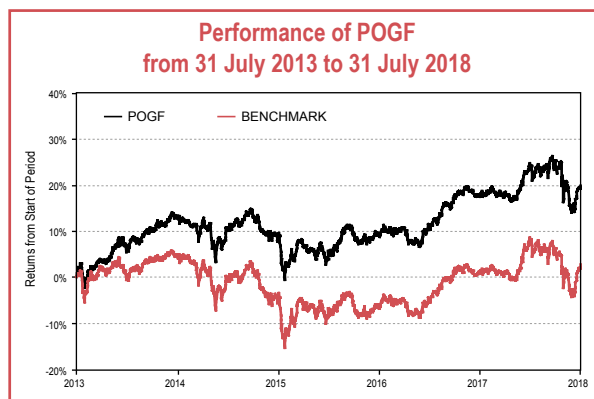
### Overview

This Annual Report covers the financial year from 1 August 2017 to 31 July 2018.

Public Optimal Growth Fund (POGF or the Fund) aims to provide income and capital growth by investing in stocks which offer attractive dividend yields and growth stocks in the domestic market.

For the financial year under review, the Fund registered a return of +1.97% as compared to its Benchmark's return of +1.84%. The Fund's equity portfolio registered a return of +3.82% while its money market portfolio registered a return of +3.17% during the financial year under review. A detailed performance attribution analysis is provided in the sections below.

For the five financial years ended 31 July 2018, the Fund registered a total cumulative return of +19.90% and outperformed its Benchmark's return of +2.77% over the same period. The Fund has also made distributions in the previous and current financial years. Consequently, it is the opinion of the Manager that the Fund has met its objective to provide income and capital growth over the said period.



The Benchmark of the Fund is the FTSE Bursa Malaysia Top 100 Index (FBM 100) which comprises the top 100 large and mid-cap companies by full market capitalisation listed on the Bursa Malaysia Main Market.

### Income Distribution and Impact on NAV Arising from Distribution

The gross distribution of 0.75 sen per unit (net distribution of 0.75 sen per unit) for the financial year ended 31 July 2018 had the effect of reducing the Net Asset Value (NAV) of the Fund after distribution. As a result, the NAV per unit of the Fund was reduced to RM0.3075 from RM0.3150 after distribution.

### Effect of Distribution Reinvestment on Portfolio Exposures

	31-Jul-18	
	Before Distribution Reinvestment*	After Distribution Reinvestment*
Equities & Related Securities	83.8%	81.8%
Money Market	16.2%	18.2%

\* Assumes full reinvestment.

## Manager's Report

### Change in Portfolio Exposures from 31-Jul-17 to 31-Jul-18

	31-Jul-17	31-Jul-18	Change	Average Exposure
Equities & Related Securities	92.8%	81.8%	-11.0%	93.37%
Money Market	7.2%	18.2%	+11.0%	6.63%

### Returns Breakdown by Asset Class

	Returns On Investments	Market / Benchmark Returns	Benchmark Index Used	Average Exposure	Attributed Returns
Equities & Related Securities	3.82%	1.84%	FBM 100 Overnight Rate	93.37%	3.57%
Money Market	3.17%	3.08%		6.63%	0.21%
less: Expenses					-1.81%
Total Net Return for the Year					1.97%

FBM 100 = FTSE Bursa Malaysia Top 100 Index

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 +3.82% as compared to the Benchmark's return of +1.84%. The Fund's equity portfolio outperformed the Benchmark as the Fund's selected holdings within the Energy and Consumer sectors outperformed the broader market during the financial year under review.

The Fund commenced the financial year under review with an equity exposure of 92.8% and its equity weight was increased to above 95% in October 2017 to capitalise on investment opportunities in the domestic market. The Fund subsequently reduced its equity weight to weather the consolidation phase in the domestic market and ended the financial year under review with an equity exposure of 81.8%. Based on an average equity exposure of 93.37%, the Fund's equity portfolio is deemed to have registered a return of +3.57% 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 67.8% of the NAV of the Fund and 80.9% of the Fund's equity portfolio. The weightings of the top 5 sectors are in the following order: Financial (34.0%), Consumer, Non-cyclical (13.7%), Industrial (7.3%), Utilities (6.8%) and Communications (6.0%).

## Manager's Report

### Money Market Portfolio Review

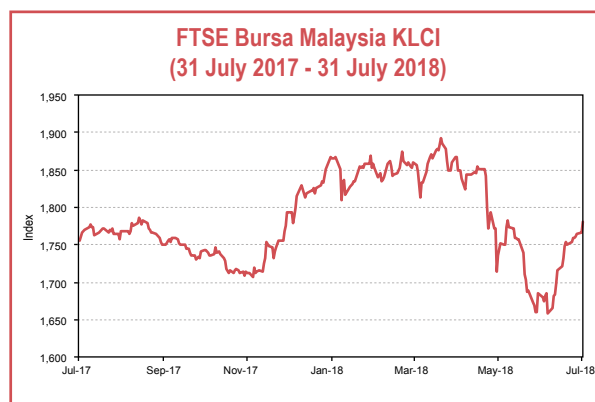
During the financial year under review, the Fund's money market portfolio, which was invested primarily in deposits, yielded a return of +3.17%. In comparison, the Bank Negara Weighted Average Overnight Interbank Rate (Overnight Rate) registered a return of +3.08% over the same period.

During the financial year under review, the Fund's exposure to money market investments increased from 7.2% to 18.2% following the disposal of selected equity investments. Based on an average exposure of 6.63%, the money market portfolio is estimated to have contributed +0.21% to the Fund's overall return for the financial year under review.

### Stock Market Review

Starting the financial year under review at 1,760.03 points, the FTSE Bursa Malaysia KLCI (FBM KLCI) traded in a tight range from August to September 2017 due to a lack of fresh leads. The Index retraced in October and November 2017 as market sentiment was dampened by a selldown in selected blue chips before subsequently rebounding in December 2017 and January 2018 on the back of firmer oil prices and buying interest from foreign investors. In early February 2018, the Index fell in tandem with global markets on concerns over the prospect of higher-than-expected interest rates in the U.S.

The FBM KLCI subsequently rebounded to an all-time closing high of 1,895.18 points on 19 April 2018 amid net foreign inflows before easing in early May 2018 ahead of Malaysia's 14th General Election. Post-election, the local market moved in a trading range before trending lower from late May to June 2018, weighed by foreign selling amid the outflow of funds from the emerging markets. The FBM KLCI subsequently posted a strong rebound in July 2018 amid renewed buying interest and closed at 1,784.25 points to register a gain of 1.38% for the financial year under review.



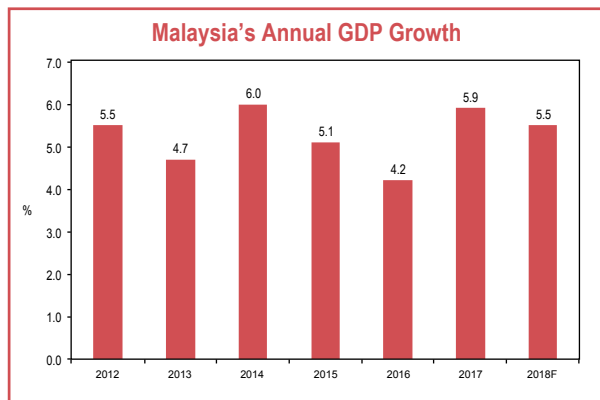
### Money Market Review

The Overnight Rate commenced the financial year under review at 2.99% and ended the financial year under review higher at 3.24%.

## Manager's Report

### Economic Review

Malaysia's GDP growth eased from 5.9% in 2017 to 5.4% in 1Q 2018 on the back of slower investment spending and export growth. Growth in manufacturing activities moderated from 6.0% in 2017 to 5.3% in 1Q 2018. Meanwhile, growth in the services sector rose from 6.2% to 6.5% over the same period.



Source: Bloomberg

Malaysia's export growth softened to 6.9% in the first five months of 2018 compared to 18.9% for the whole of 2017 due mainly to slower exports of electrical and electronic products. Import growth decelerated to 1.3% from 19.9% over the same period on the back of lower imports of capital and intermediate goods. Malaysia's cumulative trade surplus widened to RM54.5 billion in the first five months of 2018 compared to RM33.0 billion in the corresponding period of the prior year. Due to capital inflows, Malaysia's foreign reserves increased to US\$104.7 billion as at end-June 2018 compared to US\$98.9 billion a year ago.

Malaysia's inflation rate slowed to 1.6% in 1H 2018 from 3.7% in 2017 amid moderating food prices and transportation costs. On 25 January 2018, Bank Negara Malaysia (BNM) raised the Overnight Policy Rate (OPR) by 25 basis points (bps) from 3.00% to 3.25% on the back of resilient economic growth. Loans growth climbed to 5.0% in 1H 2018 from 4.1% in 2017 due to higher demand from the household sector.

The Ministry of Finance (MOF) announced a new Sales and Services Tax (SST) effective 1 September 2018. The sales tax is set at two rates of 5% and 10% for selected manufactured and imported products while the services tax is fixed at 6% for selected services. The MOF projects the SST to bring in revenues amounting to RM4.0 billion for 4Q 2018.

## Manager's Report

Led by higher investment spending and export growth, U.S. GDP growth rose from 2.2% in 2017 to 2.7% in 1H 2018. Investment spending increased from 4.8% in 2017 to 5.4% in 1H 2018 due to higher non-residential investment. Likewise, export growth expanded from 3.0% to 5.0% over the same period. At the Federal Open Market Committee (FOMC) meeting on 12-13 June 2018, the Federal Reserve raised the Federal funds rate target range by 25 bps from 1.50%-1.75% to 1.75%-2.00%.

Eurozone GDP growth inched down from 2.5% in 2017 to 2.3% in 1H 2018 amid slower economic growth in France. At its monetary policy meeting on 26 July 2018, the European Central Bank (ECB) kept its main refinancing and deposit rates at 0.00% and -0.40% respectively. The ECB will continue its quantitative easing program at a monthly pace of €30 billion until end-September 2018. Thereafter, the monthly pace of bond-buying will be reduced to €15 billion until the end of the program in end-December 2018, subject to the medium-term inflation outlook.

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 that commences a 2-year process of trade negotiations with the EU.

### Outlook and Investment Strategy

Global and regional equity markets experienced volatile trading conditions in 1H 2018 on concerns over the prospect of higher U.S. interest rates and the U.S. government's proposed protectionist measures. Fund outflows from emerging markets to developed markets were seen in 2Q 2018 on the back of weaker local currencies. However, selected equity markets closed the month of July on a positive note as foreign selling subsided. While concerns over rising interest rates in the U.S. as well as U.S.-China trade tensions may result in volatile market conditions in the near term, the performance of equity markets over the longer term 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 strengthen from 2.2% in 2017 to 2.9% 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 a moderation in consumer and investment spending.

On the domestic front, Malaysia's GDP growth is estimated to ease from 5.9% in 2017 to 5.5% in 2018 amid moderating export growth. However, domestic demand is projected to be supported by sustained consumer spending.

As at end-July 2018, the local stock market was trading at a prospective P/E ratio of 17.1x, which was above its 10-year average of 16.5x. The market's dividend yield was 3.18%.

## Manager's Report

Given the above factors, the Fund will continue to rebalance its investment portfolio accordingly with the objective of providing income and capital growth by investing in stocks which offer attractive dividend yields and growth stocks in the domestic market.

Notes: Q = Quarter  
H = Half

### 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, POGF has not received goods or services by way of soft commissions.

## Statement Of Assets And Liabilities

As at 31 July 2018

	2018 MYR'000	2017 MYR'000
<b>Assets</b>		
Investments	289,629	360,261
Due from the Manager, net	532	-
Other receivables	269	255
Deposits with financial institutions	63,527	29,329
Cash at bank	131	62
	354,088	389,907
<b>Liabilities</b>		
Due to the Manager, net	-	1,545
Due to the Trustee	18	21
Other payables	14	33
Distribution payable	8,431	9,205
	8,463	10,804
<b>Total net assets</b>	<b>345,625</b>	<b>379,103</b>
<b>Net asset value ("NAV") attributable to unitholders (Total equity)</b>	<b>345,625</b>	<b>379,103</b>
<b>Units in circulation (in '000)</b>	<b>1,124,105</b>	<b>1,227,290</b>
<b>NAV per unit, ex-distribution (in sen)</b>	<b>30.75</b>	<b>30.89</b>

## Statement Of Income And Expenditure

For the Financial Year Ended 31 July 2018

	2018 MYR'000	2017 MYR'000
<b>Income</b>		
Interest income	732	1,050
Distribution income	701	985
Dividend income	11,640	11,301
Net gain from investments	653	22,849
	13,726	36,185
<b>Less: Expenses</b>		
Trustee's fee	229	244
Management fee	5,710	6,100
Audit fee	7	7
Tax agent's fee	3	3
Brokerage fee	589	769
Administrative fees and expenses	21	44
	6,559	7,167
<b>Net income before taxation</b>	7,167	29,018
<b>Taxation</b>	(68)	(94)
<b>Net income after taxation</b>	7,099	28,924
<b>Net income after taxation is made up as follows:</b>		
Realised	8,935	9,648
Unrealised	(1,836)	19,276
	7,099	28,924
<b>Final distribution for the financial year</b>	8,431	9,205

## Statement Of Changes In Net Asset Value

For the Financial Year Ended 31 July 2018

	Unitholders' capital MYR'000	Retained earnings MYR'000	Total MYR'000
As at 1 August 2016	392,904	(14,565)	378,339
Creation of units	15,671	-	15,671
Cancellation of units	(34,626)	-	(34,626)
Net income after taxation	-	28,924	28,924
Distribution	-	(9,205)	(9,205)
<b>As at 31 July 2017</b>	<b>373,949</b>	<b>5,154</b>	<b>379,103</b>
As at 1 August 2017	373,949	5,154	379,103
Creation of units	26,626	-	26,626
Cancellation of units	(58,772)	-	(58,772)
Net income after taxation	-	7,099	7,099
Distribution	-	(8,431)	(8,431)
<b>As at 31 July 2018</b>	<b>341,803</b>	<b>3,822</b>	<b>345,625</b>

## Statement Of Cash Flows

For the Financial Year Ended 31 July 2018

	2018 MYR'000	2017 MYR'000
<b>Cash flows from operating activities</b>		
Proceeds from sale of investments	137,787	125,476
Purchase of investments	(66,716)	(155,039)
Subscription of rights	(375)	-
Capital distribution received	-	120
Maturity of deposits	5,696,006	7,395,345
Placement of deposits	(5,730,204)	(7,352,220)
Interest income received	729	1,065
Net distribution income received	633	891
Net dividend income received	11,629	11,303
Trustee's fee paid	(232)	(243)
Management fee paid	(5,802)	(6,079)
Audit fee paid	(7)	(7)
Tax agent's fee paid	(3)	(3)
Payment of other fees and expenses	(40)	(44)
<b>Net cash inflow from operating activities</b>	<b>43,405</b>	<b>20,565</b>
<b>Cash flows from financing activities</b>		
Cash proceeds from units created	25,655	16,448
Cash paid on units cancelled	(59,786)	(33,776)
Distribution paid	(9,205)	(3,225)
<b>Net cash outflow from financing activities</b>	<b>(43,336)</b>	<b>(20,553)</b>
<b>Net increase in cash and cash equivalents</b>	<b>69</b>	<b>12</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>62</b>	<b>50</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>131</b>	<b>62</b>