

# Fund Information

## Fund Name

Public Australia Equity Fund (PAUEF)

## Fund Category

Equity

## Fund Investment Objective

To achieve capital growth over the medium to long-term period by investing in the Australian market with the balance invested in the New Zealand and domestic markets.

## Fund Performance Benchmark

The benchmark of the Fund is the S&P/ASX 200 Index.

## Fund Distribution Policy

Incidental

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

Size of holdings	No. of unitholders	% of unitholders	No. of units held (million)
5,000 and below	1,050	6.28	3
5,001 to 10,000	1,936	11.57	13
10,001 to 50,000	7,722	46.17	200
50,001 to 500,000	5,832	34.87	709
500,001 and above	185	1.11	183
<b>Total</b>	<b>16,725</b>	<b>100.00</b>	<b>1,108</b>

*Note: Excluding Manager's Stock.*

## Fund Performance

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

	Average Total Return of PAUEF (%)
1 Year	-1.54
3 Years	5.44
5 Years	6.14

## 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
PAUEF (%)	-1.54	13.33	4.27	-4.09	17.14

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	0.2826	0.2970	0.2699
Lowest NAV per unit for the year	0.2514	0.2437	0.2273
<b>Net Asset Value (NAV) and Units in Circulation (UIC) as at the End of the Year</b>			
Total NAV (MYR'000)	292,460	326,829	243,968
UIC (in '000)	1,108,434	1,167,118	946,922
NAV per unit (MYR)	0.2638	0.2800	0.2576
<b>Total Return for the Year (%)</b>	<b>-1.54</b>	<b>13.33</b>	<b>4.27</b>
Capital growth (%)	-4.06	11.16	1.70
Income (%)	2.63	1.95	2.53
<b>Management Expense Ratio (%)</b>	<b>1.71</b>	<b>1.69</b>	<b>1.73</b>
<b>Portfolio Turnover Ratio (time)</b>	<b>0.31</b>	<b>0.56</b>	<b>0.46</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 0.31 time from 0.56 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	2018	2017	2016
Date of distribution	31.7.18	31.7.17	29.7.16
<b>Distribution per unit</b>			
Gross (sen)	1.20	1.20	1.00
Net (sen)	1.20	1.20	1.00
Unit split	-	-	-

### 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	27.58	29.20	26.76
Less: Net distribution per unit	(1.20)	(1.20)	(1.00)
Net asset value after distribution	26.38	28.00	25.76

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>			
Australia			
Basic Materials	17.0	14.9	8.1
Communications	4.8	3.7	10.9
Consumer, Cyclical	7.2	2.4	2.4
Consumer, Non-cyclical	16.5	16.0	18.4
Energy	2.1	4.0	4.6
Financial	37.0	41.8	39.9
Industrial	4.6	6.0	5.8
Technology	2.2	2.0	2.0
Utilities	4.0	1.6	-
	95.4	92.4	92.1
<b>TOTAL QUOTED EQUITY SECURITIES</b>	<b>95.4</b>	<b>92.4</b>	<b>92.1</b>
<b>COLLECTIVE INVESTMENT FUNDS</b>			
<b>Quoted</b>			
Australia			
Financial	4.3	7.2	7.8
<b>TOTAL QUOTED COLLECTIVE INVESTMENT FUNDS</b>	<b>4.3</b>	<b>7.2</b>	<b>7.8</b>

## Fund Performance

For the Financial Year Ended 31 July 2018

### Asset Allocation for the Past Three Financial Years (cont'd)

	As at 31 July (Percent of NAV)		
	2018 %	2017 %	2016 %
DEPOSITS WITH FINANCIAL INSTITUTIONS	3.8	4.2	3.4
OTHER ASSETS & LIABILITIES	-3.5	-3.8	-3.3

## Statement Of Distribution Of Returns

For the Financial Year Ended 31 July 2018

	Sen Per Unit
Gross Distribution	1.2000
Net Distribution	1.2000
Total Returns	-0.4200

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

	Before Distribution	After Distribution
NAV per unit (MYR)	0.2758	0.2638

## Manager's Report

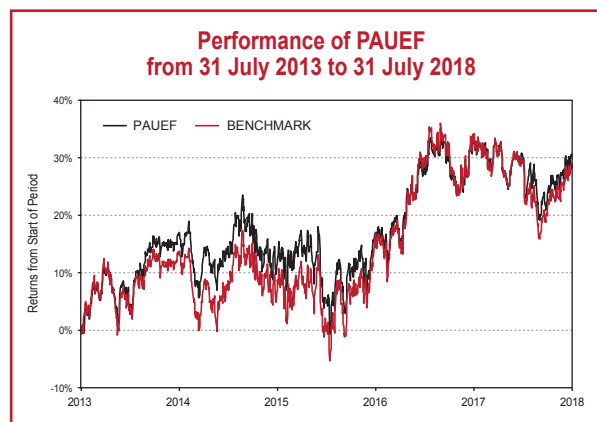
### Overview

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

Public Australia Equity Fund (PAUEF or the Fund) aims to achieve capital growth over the medium to long-term period by investing in the Australian market with the balance invested in the New Zealand and domestic markets.

For the financial year under review, the Fund registered a return of -1.54% as compared to its Benchmark's return of -2.94%. The Fund's equity portfolio registered a return of +0.30% while its money market portfolio registered a return of +3.14% 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 return of +30.71% and outperformed the Benchmark's return of +29.03% over the same period. Consequently, it is the opinion of the Manager that the Fund has met its objective of achieving capital growth over the said period.



The Benchmark of the Fund is the S&P/ASX 200 Index. The S&P/ASX 200 Index measures the performance of the 200 largest index-eligible stocks listed on the ASX by float-adjusted market capitalisation.

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

The gross distribution of 1.20 sen per unit (tax-exempt) 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 RM0.2638 from RM0.2758 after distribution.

## Manager's Report

### Effect of Distribution Reinvestment on Portfolio Exposures

	31-Jul-18	
	Before Distribution Reinvestment*	After Distribution Reinvestment*
Equities & Related Securities	99.7%	95.4%
Money Market	0.3%	4.6%

\* Assumes full reinvestment.

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

	31-Jul-17	31-Jul-18	Change	Average Exposure
Equities & Related Securities	95.5%	95.4%	-0.1%	95.71%
Money Market	4.5%	4.6%	+0.1%	4.29%

### Returns Breakdown by Asset Class

	Returns On Investments	Market / Benchmark Returns	Benchmark Index Used	Average Exposure	Attributed Returns
Equities & Related Securities	0.30%	-2.94%	S&P/ ASX 200	95.71%	0.29%
Money Market	3.14%	3.08%	Overnight Rate	4.29%	0.13%
less: Expenses					-1.96%
<b>Total Net Return for the Year</b>					<b>-1.54%</b>

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 +0.30% as compared to the Benchmark's return of -2.94%. The Fund's equity portfolio outperformed the Benchmark as the Fund's selected holdings in the Financial, Consumer and Technology sectors outperformed the broader market during the financial year under review.

The Fund commenced the financial year under review with an equity exposure of 95.5% and maintained an equity weight of above 90% throughout the financial year under review to capitalise on investment opportunities in the Australian equity market. The Fund ended the financial year under review with an equity exposure of 95.4%. Based on an average equity exposure of 95.71%, the equity portfolio is deemed to have registered a return of +0.29% 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.

## Manager's Report

### Sector Allocation

In terms of sector allocation within the equity portfolio, the top 5 sectors accounted for 86.8% of the NAV of the Fund and 87.1% of the Fund's equity portfolio. The weightings of the top 5 sectors are in the following order: Financial (41.3%), Basic Materials (17.0%), Consumer, Non-cyclical (16.5%), Consumer, Cyclical (7.2%) and Communications (4.8%).

### 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 +3.14%. 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 marginally from 4.5% to 4.6%. Based on an average exposure of 4.29%, the money market portfolio is estimated to have contributed +0.13% to the Fund's overall return for the financial year under review.

### Stock Market Review

Commencing the financial year under review at 5,720.59 points, the Australian equity market, as proxied by the Standard & Poor's/Australian Securities Exchange 200 (S&P/ASX 200) Index, staged a rally from mid-September 2017 to early January 2018, led by the basic materials and energy sectors amid higher metal and oil prices. Stronger-than-expected economic data arising from improved business confidence and employment growth also helped to bolster the Index.

The S&P/ASX 200 Index retraced from late January to March 2018 amid the weaker global equity markets and concerns over regulatory inquisitions on the Australian banking sector. The Index subsequently rallied from April to July 2018 on easing concerns surrounding the banking sector's inquisitions as well as the strong performances of selected commodity stocks. The S&P/ASX 200 Index registered a 10-year high of 6,300.23 on 27 July 2018 before closing at 6,280.20 points to register a gain of +9.78% (-2.94% in Ringgit terms) for the financial year under review.



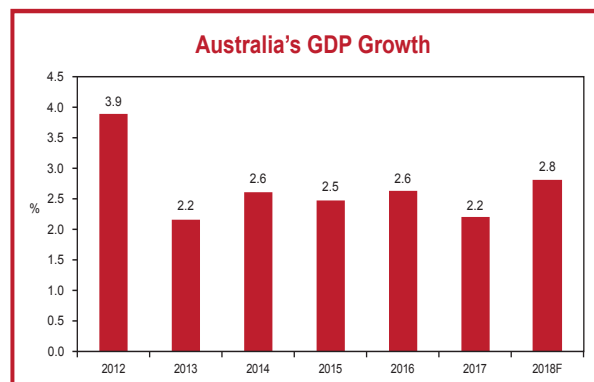
## Manager's Report

### 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%.

### Economic Review

Australia's GDP growth gained pace from 2.2% in 2017 to 3.1% in 1Q 2018 amid higher consumer and government spending. To support domestic demand, the Reserve Bank of Australia (RBA) maintained its cash rate at 1.50%.



Source: Bloomberg

Endowed with rich natural resources, Australia has been a major exporter of agricultural and mining commodities. Australia's export growth moderated to 6.4% in the first five months of 2018 from 15.3% in 2017 on the back of slower commodity and non-commodity exports. Meanwhile, import growth firmed to 9.5% from 7.5% over the same period. Australia's cumulative trade surplus narrowed to A\$4.9 billion in the first five months of 2018 from A\$9.1 billion in the corresponding period of the prior year.

The RBA commodity price index (in Australian Dollar terms) increased to 108.6 points in June 2018 from 105.1 points as at end-December 2017.

Australia's house price index, which measures average house prices in eight major Australian cities, expanded by 2.0% in 1Q 2018 compared to an 8.3% growth in 2017, as property prices in Sydney and Melbourne grew at a slower pace. Loans growth in Australia's banking system was sustained at 4.8% in the first five months of 2018 compared to a similar rate in 2017 amid resilient household loans. Australia's unemployment rate inched down to 5.4% in June 2018 from 5.5% in December 2017.

The RBA noted, in its July 2018 meeting, that inflation is expected to increase gradually as the economy strengthens. Driven by higher housing and transportation costs, Australia's inflation rate climbed to 2.0% in 1H 2018 from 1.9% in 2017.

## 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 basis points (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.

Down under, Australia's economic growth is expected to rise from 2.2% in 2017 to 2.8% in 2018 due to higher consumer spending. The financial and insurance services sector should maintain its current growth trajectory as low interest rates continue to underpin housing demand. After growing by 6.2% in 2017, household loans expanded by 5.2% in the first five months of 2018.

Going forward, the Australian central bank is expected to maintain an accommodative monetary policy following a 25 bps cut in its policy rate to 1.50% in August 2016. Meanwhile, Australia's inflation rate is projected to gain pace from 1.9% in 2017 to 2.2% in 2018.

## Manager's Report

At the closing level of 6,280.2 points as at end-July 2018, the S&P/ASX 200 Index was trading at a prospective P/E ratio of 16.1x on 2018 earnings, which was above its 10-year average of 14.6x. Meanwhile, the Australian market's dividend yield is estimated at about 4.4%.

Given the above factors, the Fund will continue to rebalance its investment portfolio accordingly with the objective of achieving capital growth over the medium to long-term period by investing in the Australian market with the balance invested in the New Zealand and domestic markets.

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, PAUEF has received data and quotation services by way of soft commissions. These services were used to provide financial data on securities and price quotation information to the Fund Manager during the financial year under review.

## Statement Of Assets And Liabilities

As at 31 July 2018

	2018 MYR'000	2017 MYR'000
<b>Assets</b>		
Investments	291,580	325,578
Due from brokers/financial institutions, net	1,035	1,745
Other receivables	394	649
Deposits with financial institutions	11,068	13,819
Cash at banks	2,440	680
	306,517	342,471
<b>Liabilities</b>		
Due to the Manager, net	698	1,549
Due to the Trustee	15	18
Other payables	43	70
Distribution payable	13,301	14,005
	14,057	15,642
<b>Total net assets</b>	292,460	326,829
<b>Net asset value ("NAV") attributable to unitholders (Total equity)</b>	292,460	326,829
<b>Units in circulation (in '000)</b>	1,108,434	1,167,118
<b>NAV per unit, ex-distribution (in sen)</b>	26.38	28.00

## Statement Of Income And Expenditure

For the Financial Year Ended 31 July 2018

	2018 MYR'000	2017 MYR'000
<b>Income</b>		
Interest income	311	425
Distribution income	663	847
Dividend income	12,602	10,344
Net (loss)/gain from investments	(12,418)	29,409
Net realised/unrealised foreign exchange (loss)/gain	(620)	1,650
	538	42,675
<b>Less: Expenses</b>		
Trustee's fee	200	180
Management fee	5,414	4,777
Audit fee	7	7
Tax agent's fee	3	3
Brokerage fee	521	831
Administrative fees and expenses	98	118
	6,243	5,916
<b>Net (loss)/income before taxation</b>	(5,705)	36,759
<b>Taxation</b>	(170)	(127)
<b>Net (loss)/income after taxation</b>	(5,875)	36,632
<b>Net (loss)/income after taxation is made up as follows:</b>		
Realised	13,910	10,328
Unrealised	(19,785)	26,304
	(5,875)	36,632
<b>Final distribution for the financial year</b>	13,301	14,005

## 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	221,166	22,802	243,968
Creation of units	101,208	-	101,208
Cancellation of units	(40,974)	-	(40,974)
Net income after taxation	-	36,632	36,632
Distribution	-	(14,005)	(14,005)
As at 31 July 2017	281,400	45,429	326,829
As at 1 August 2017	281,400	45,429	326,829
Creation of units	37,064	-	37,064
Cancellation of units	(52,257)	-	(52,257)
Net loss after taxation	-	(5,875)	(5,875)
Distribution	-	(13,301)	(13,301)
As at 31 July 2018	266,207	26,253	292,460

## 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	110,586	130,674
Purchase of investments	(88,917)	(185,609)
Subscription of rights	-	(998)
Maturity of deposits	2,463,328	3,397,585
Placement of deposits	(2,460,577)	(3,403,110)
Interest income received	311	426
Net distribution income received	682	511
Net dividend income received	12,403	10,384
Trustee's fee paid	(203)	(176)
Management fee paid	(5,487)	(4,654)
Audit fee paid	(7)	(7)
Tax agent's fee paid	(3)	(3)
Payment of other fees and expenses	(121)	(96)
<b>Net cash inflow/(outflow) from operating activities</b>	31,995	(55,073)
<b>Cash flows from financing activities</b>		
Cash proceeds from units created	37,862	100,264
Cash paid on units cancelled	(53,833)	(43,119)
Distribution paid	(14,005)	(9,469)
<b>Net cash (outflow)/inflow from financing activities</b>	(29,976)	47,676
<b>Net increase/(decrease) in cash and cash equivalents</b>	2,019	(7,397)
<b>Effect of changes in foreign exchange rates</b>	(259)	1,607
<b>Cash and cash equivalents at the beginning of the financial year</b>	680	6,470
<b>Cash and cash equivalents at the end of the financial year</b>	2,440	680