

Fund Information

Fund Name

Public China Titans Fund (PCTF)

Fund Category

Equity

Fund Investment Objective

To achieve capital growth over the medium to long-term period by investing in companies with market capitalisation of RM10 billion and above in the greater China region namely China, Hong Kong and Taiwan markets and including China based companies listed on overseas markets.

Fund Performance Benchmark

The benchmarks of the Fund and their respective percentages are 40% Hang Seng China Enterprises Index (HSCEI), 30% Hang Seng Index (HSI) and 30% MSCI Taiwan Large Cap Index.

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Fund Distribution Policy

Incidental

Breakdown of Unitholdings of PCTF as at 30 November 2017

Size of holdings	No. of unitholders	% of unitholders	No. of units held (million)
5,000 and below	728	14.26	3
5,001 to 10,000	629	12.32	5
10,001 to 50,000	2,182	42.73	56
50,001 to 500,000	1,502	29.42	192
500,001 and above	65	1.27	66
Total	5,106	100.00	322

Note: Excluding Manager's Stock.

Fund Performance

Average Total Return for the Following Years Ended 30 November 2017

	Average Total Return of PCTF (%)
1 Year	19.25
3 Years	15.75
5 Years	16.10

Fund Performance

For the Financial Period Ended 30 November 2017

Annual Total Return for the Financial Years Ended 31 May

Year	2017	2016	2015	2014	2013
PCTF (%)	33.23	-17.44	34.79	7.23	9.49

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:

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

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

Other Performance Data for the Past Three Financial Periods Ended 30 November

	2017	2016	2015
Unit Prices (MYR)			
Highest NAV per unit for the period	0.3664	0.3101	0.3185
Lowest NAV per unit for the period	0.3143	0.2457	0.2667
Net Asset Value (NAV) and Units in Circulation (UIC) as at the End of the Period			
Total NAV (MYR'000)	112,075	75,588	74,902
UIC (in '000)	322,015	243,769	264,218
NAV per unit (MYR)	0.3480	0.3101	0.2835
Total Return for the Period (%)	9.89	22.78	-9.11
Capital growth (%)	8.73	21.25	-10.89
Income (%)	1.07	1.26	2.00
Management Expense Ratio (%)	1.71	1.75	1.72
Portfolio Turnover Ratio (time)	0.37	0.39	0.29

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 period over the average net asset value of the Fund calculated on a daily basis.

Fund Performance

For the Financial Period Ended 30 November 2017

Asset Allocation for the Past Three Financial Periods

	As at 30 November (Per Cent of Net Asset Value)		
	2017 %	2016 %	2015 %
EQUITY SECURITIES			
Quoted			
Hong Kong			
Basic Materials	-	-	0.5
Communications	8.0	7.0	12.3
Consumer, Cyclical	4.3	4.1	7.1
Consumer, Non-cyclical	0.8	1.6	1.8
Diversified	-	0.8	0.1
Energy	4.1	6.3	7.7
Financial	33.5	31.9	29.8
Industrial	2.8	1.0	2.0
Technology	0.9	-	1.3
Utilities	-	-	0.7
	54.4	52.7	63.3
Singapore			
Consumer, Non-cyclical	-	3.1	0.6
Taiwan			
Basic Materials	-	2.9	-
Communications	3.2	-	-
Consumer, Cyclical	0.6	-	-
Consumer, Non-cyclical	1.0	-	0.1
Energy	0.9	-	-
Financial	4.9	7.1	3.0
Industrial	1.4	4.7	4.1
Technology	10.8	12.6	10.6
	22.8	27.3	17.8
United States			
Communications	7.9	6.0	5.5
Consumer, Cyclical	0.4	-	-
Technology	1.6	-	-
	9.9	6.0	5.5
TOTAL QUOTED EQUITY SECURITIES	87.1	89.1	87.2
COLLECTIVE INVESTMENT FUNDS			
Quoted			
Hong Kong			
Financial	0.9	-	-

Fund Performance

For the Financial Period Ended 30 November 2017

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

	As at 30 November (Per Cent of Net Asset Value)		
	2017 %	2016 %	2015 %
Taiwan Funds	-	-	1.7
TOTAL QUOTED COLLECTIVE INVESTMENT FUNDS	0.9	-	1.7
DEPOSITS WITH FINANCIAL INSTITUTIONS	6.8	3.7	8.5
OTHER ASSETS & LIABILITIES	5.2	7.2	2.6

Manager's Report

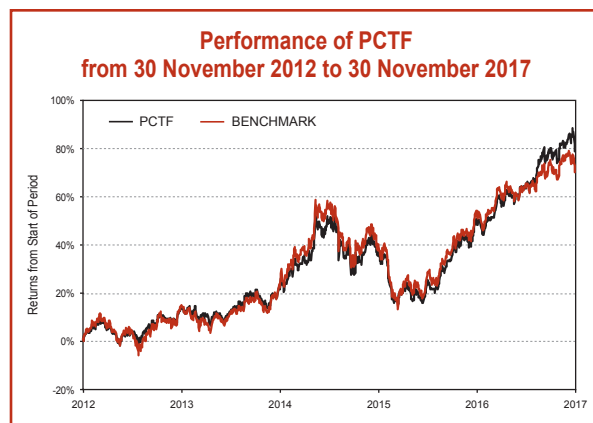
Overview

This Interim Report covers the financial period from 1 June 2017 to 30 November 2017.

Public China Titans Fund (PCTF or the Fund) aims to achieve capital growth over the medium to long-term period by investing in companies with market capitalisation of RM10 billion and above in the greater China region namely China, Hong Kong and Taiwan markets and including China based companies listed on overseas markets.

For the financial period under review, the Fund registered a return of +9.89% as compared to its Benchmark's return of +3.98%. The Fund's equity portfolio registered a return of +12.28% while its money market portfolio registered a return of +1.53% during the financial period under review. A detailed performance attribution analysis is provided in the sections below.

For the five financial years ended 30 November 2017, the Fund registered a return of +80.56% and outperformed the Benchmark's return of +71.35% over the same period.



Prior to 30 April 2016, the Fund's Benchmark was a composite index of 40% Hang Seng China Enterprises Index (HSCEI), 30% Hang Seng Index (HSI) and 30% FTSE TWSE Taiwan 50 Index.

Effective from 30 April 2016, the Fund's Benchmark has been replaced with 40% HSCEI, 30% HSI and 30% MSCI Taiwan Large Cap Index.

Effect of Distribution Reinvestment on Portfolio Exposures

There were no distributions declared for the period ended 30 November 2017.

Change in Portfolio Exposures from 31-May-17 to 30-Nov-17

	31-May-17	30-Nov-17	Change	Average Exposure
Equities & Related Securities	92.7%	88.0%	-4.7%	88.77%
Money Market	7.3%	12.0%	+4.7%	11.23%

Manager's Report

Returns Breakdown by Asset Class

	Returns On Investments	Market / Benchmark Returns	Benchmark Index Used	Average Exposure	Attributed Returns
Equities & Related Securities	12.28%	3.98%	Benchmark Overnight Rate	88.77%	10.90%
Money Market	1.53%	1.48%		11.23%	0.17%
less: Expenses					-1.18%
Total Net Return for the Period					9.89%

Overnight Rate = Bank Negara Weighted Average Overnight Interbank Rate

Equity Portfolio Review

For the financial period under review, the Fund's equity portfolio registered a return of +12.28% and outperformed the equity Benchmark's return of +3.98%. The Fund's equity portfolio outperformed the equity Benchmark as the Fund's selected holdings in the Communications and Consumer sectors outperformed the broader markets during the financial period under review.

The Fund commenced the financial period under review with an equity exposure of 92.7%. The Fund's equity exposure was subsequently reduced to below 85% in August 2017 to lock in profits on selected equity investments and the Fund ended the financial period under review with an equity exposure of 88.0%. Based on an average equity exposure of 88.77%, the Fund's equity portfolio is deemed to have registered a return of +10.90% to the Fund as a whole for the financial period under review. A full review of the performance of the equity markets is tabled in the following sections.

Country Allocation

In terms of country allocation within the equity portfolio, 3 countries accounted for 88.0% of the Net Asset Value (NAV) of the Fund and 100.0% of the Fund's equity portfolio. The weightings of the 3 countries are in the following order: Hong Kong (55.3%), Taiwan (22.8%) and the United States (9.9%).

Money Market Portfolio Review

During the financial period under review, the Fund's money market portfolio, which was invested primarily in deposits, yielded a return of +1.53%. In comparison, the Bank Negara Weighted Average Overnight Interbank Rate (Overnight Rate) registered a return of +1.48% over the same period.

During the financial period under review, the Fund's exposure to money market investments increased from 7.3% to 12.0% following the disposal of selected equity investments. Based on an average exposure of 11.23%, the money market portfolio is estimated to have contributed +0.17% to the Fund's overall return for the financial period under review.

Manager's Report

Stock Market Review

Commencing the financial period under review at 10,602.97 points, the Hang Seng China Enterprises Index (HSCEI) rose from June to September 2017, supported by improving liquidity conditions in China, a brighter global macroeconomic outlook as well as continuous upward corporate earnings revisions.

On 30 September 2017, the People's Bank of China (PBoC) announced a targeted reserve requirement ratio (RRR) cut in a bid to encourage more lending and stimulate economic growth. The Index retraced in mid-November in tandem with the rout in Chinese sovereign bonds amid concerns that the government would step up efforts to reduce leverage in the financial sector. The HSCEI closed at 11,475.72 points to register a gain of 8.23% (+3.18% in Ringgit terms) for the financial period under review.



Starting the financial period under review at 25,660.65 points, the Hong Kong equity market, as proxied by the Hang Seng Index (HSI), moved in tandem with the HSCEI and closed at 29,177.35 points to register an increase of 13.70% (+8.40% in Ringgit terms) for the financial period under review.

Commencing the financial period under review at 7,603.30 points, the FTSE TWSE Taiwan 50 Index (TW50) staged a strong rally from June to September 2017, driven by the technology sector amid expectations of strong demand for the iPhone X. However, the Index eased towards the end of November 2017 in tandem with the technology sell-down in regional markets. The TW50 closed at 7,931.58 points to register an increase of 4.32% (negative return of 0.04% in Ringgit terms) for the financial period under review.

The regional equity markets, as proxied by the Morgan Stanley Capital International All Country Far-East Ex-Japan (MSCI FExJ) Index, commenced the financial period under review at 581.26 points. Driven by improving liquidity conditions in China, an improving global economic outlook as well as robust corporate earnings, the Index strengthened for most of the financial period under review. The MSCI FExJ Index closed at 657.62 points to register a gain of 13.14% (+8.10% in Ringgit terms) for the financial period under review.

The Singapore market registered a return of +4.94% (in Ringgit terms) for the financial period under review.

Manager's Report

Money Market Review

The Overnight Rate commenced the financial period under review at 3.00% and ranged between 2.90% and 3.00% over the 6-month period, before ending the financial period under review at 2.99%.

Economic Review

China's GDP growth expanded from 6.7% in 2016 to 6.9% in the first three quarters of 2017, driven by firmer growth in the industrial sector. Industrial sector growth increased from 6.0% in 2016 to 6.4% in the first three quarters of 2017 as manufacturing activities picked up.

Led by higher new orders and production levels, China's manufacturing Purchasing Managers' Index (PMI) rose to 51.6 points in the first 11 months of 2017 compared to 50.3 points for the whole of 2016. Meanwhile, China's fixed-asset investment expanded by 7.3% in the first 10 months of 2017 versus the 8.1% growth registered in 2016.

China's exports grew by 7.4% in the first 10 months of 2017 compared to a contraction of 7.7% in 2016 due to higher demand from the U.S. and Asia. Likewise, imports rose by 17.2% on the back of higher commodity imports compared to a decline of 5.5% over the same period. China's cumulative trade surplus narrowed to US\$335 billion in the first 10 months of 2017 from US\$427 billion a year ago.

To support China's economic activities, the PBoC maintained its lending rate at 4.35%.

China's inflation rate softened to 1.5% in the first 10 months of 2017 from 2.0% in 2016 amid lower food prices. Residential property prices, as measured by average sales price indices of new homes in 70 large and medium-sized cities, rose by 8.9% in the first 10 months of 2017 following a 6.2% increase in 2016.

To prevent the overheating of property prices in selected cities such as Shanghai and Shenzhen, the Chinese government implemented tightening measures in March 2016. These tightening measures were further expanded to more provincial cities and other smaller cities from late August 2016 to May 2017.

The Chinese Renminbi was included in the International Monetary Fund's Special Drawing Rights (SDR) basket effective 1 October 2016.

Hong Kong's GDP growth gained pace from 2.0% in 2016 to 3.9% in the first three quarters of 2017 due to higher consumer spending and export growth. The inflation rate slowed to 1.4% in the first 10 months of 2017 from 2.4% in 2016 on the back of moderating food and housing costs. To curb elevated residential property prices, Hong Kong's government introduced additional tightening measures in May 2017.

Taiwan's GDP growth strengthened from 1.4% in 2016 to 2.7% in the first three quarters of 2017 amid higher export growth. Taiwan's inflation rate softened to 0.6% in the first 10 months of 2017 from 1.4% in 2016 on the back of lower food prices. Taiwan's central bank left its discount rate unchanged at 1.375% to support domestic demand.

Manager's Report

Singapore's GDP growth expanded from 2.0% in 2016 to 3.5% in the first three quarters of 2017 due to higher output from the manufacturing and services sectors. Singapore's inflation rate turned positive at +0.6% in the first 10 months of 2017 compared to -0.5% in 2016 amid higher transportation costs.

Led by higher investment spending and export growth, U.S. GDP growth rose from 1.5% in 2016 to 2.2% in the first three quarters of 2017. Investment spending increased by 3.1% in the first three quarters of 2017 compared to a contraction of 1.6% in 2016 due to higher investment in equipment. Meanwhile, exports expanded by 2.9% compared to a decline of 0.3% over the same period. At the Federal Open Market Committee (FOMC) meeting on 31 October – 1 November 2017, the Federal Reserve maintained the Federal funds rate target range at 1.00%-1.25%.

Eurozone GDP growth gained pace from 1.8% in 2016 to 2.3% in the first three quarters of 2017 on the back of higher growth in Germany and France. At its monetary policy meeting on 26 October 2017, the European Central Bank (ECB) kept its main refinancing and deposit rates at 0.00% and -0.40% respectively. The ECB has extended its quantitative-easing program from January 2018 until September 2018 or beyond, if necessary. However, it will reduce 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.

Outlook and Investment Strategy

After trading on a mixed note in 1H 2016, global and regional markets strengthened in 2H 2016 amid an improved outlook for the U.S. and global economies. Global and regional equity markets continued to trend higher in the first 11 months of 2017 on expectations that the global economy would grow at a resilient pace. Looking ahead, the performance of the equity markets will depend on the economic growth momentum and market valuations of the U.S., Europe and the Asia Pacific region.

U.S. economic growth is projected to edge up from 2.2% in 2017 to 2.5% in 2018, driven by higher investment spending.

In the Eurozone, economic growth is envisaged to ease from 2.2% in 2017 to 1.9% in 2018 on expectations of slower export growth.

China's GDP growth is estimated to moderate from 6.8% in 2017 to 6.4% in 2018 as China continues to transform from a manufacturing-driven and export-led economy to one underpinned by services and domestic consumption. Consumer spending is expected to be underpinned by the government's ongoing policies to boost household incomes, which include the lowering of import tariffs on popular consumer goods. Meanwhile, China's inflation rate is projected to increase from 1.6% in 2017 to 2.2% in 2018.

Hong Kong's GDP growth is expected to ease from 3.4% in 2017 to 2.5% in 2018 amid moderating export growth. Going forward, the Hong Kong government is anticipated to maintain its tightening stance on the residential property market. However, ample liquidity, demand for better living standards and resilient economic growth should lend support to Hong Kong's property market over the long term.

Manager's Report

Meanwhile, Taiwan's GDP growth is envisaged to inch up from 2.2% in 2017 to 2.3% in 2018, driven by higher investment spending. Singapore's GDP growth is estimated to edge down from 2.7% in 2017 to 2.4% in 2018 on expectations of moderating export growth.

Based on closing prices as at end-November 2017, the China 'H' Shares market was trading at an estimated P/E ratio of about 8.7x compared to its 10-year average of 10.8x. Meanwhile, the Singapore, Hong Kong and Taiwan markets were trading at prospective P/E ratios of 15.7x, 13.2x and 14.7x respectively versus their 10-year averages of 14.3x, 12.7x and 15.3x respectively.

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 companies with market capitalisation of RM10 billion and above in the greater China region namely China, Hong Kong and Taiwan markets and including China based companies listed on overseas markets.

Note: 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 period under review, PCTF 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 period under review.

Extracts Of Financial Statements

The following pages are extracts of the audited financial statements of the Fund for the financial period ended 30 November 2017. The full set of the audited financial statements together with the Independent Auditors' Report is available upon request without charge.

Statement of Assets and Liabilities

As at 30 November 2017

	30.11.2017 MYR'000	31.5.2017 MYR'000
Assets		
Investments	98,581	80,416
Due from brokers/financial institutions, net	-	352
Due from the Manager, net	39	2,212
Other receivables	36	149
Deposits with financial institutions	7,609	3,662
Cash at banks	5,866	1,039
	112,131	87,830
Liabilities		
Due to brokers/financial institutions, net	-	978
Due to the Trustee	6	5
Other payables	50	55
Distribution payable	-	5,158
	56	6,196
Total net assets	112,075	81,634
Net asset value ("NAV") attributable to unitholders (Total equity)	112,075	81,634
Units in circulation (in '000)	322,015	257,906
NAV per unit (in sen)	34.80	31.65

Extracts Of Financial Statements (cont'd)

Statement of Income and Expenditure

For the Financial Period Ended 30 November 2017

	1.6.2017 to 30.11.2017 MYR'000	1.6.2016 to 30.11.2016 MYR'000
Income		
Interest income	78	44
Dividend income	2,319	1,791
Net gain from investments	8,074	13,501
Net realised/unrealised foreign exchange (loss)/gain	(338)	129
	10,133	15,465
Less: Expenses		
Trustee's fee	32	22
Management fee	851	587
Audit fee	3	3
Tax agent's fee	1	1
Brokerage fee	274	204
Administrative fees and expenses	32	29
	1,193	846
Net income before taxation	8,940	14,619
Taxation	(286)	(231)
Net income after taxation	8,654	14,388
Net income after taxation is made up as follows:		
Realised	4,983	2,752
Unrealised	3,671	11,636
	8,654	14,388

Extracts Of Financial Statements (cont'd)

Statement of Changes in Net Asset Value

For the Financial Period Ended 30 November 2017

	Unitholders' capital MYR'000	Retained earnings MYR'000	Total MYR'000
As at 1 June 2016	63,413	1,713	65,126
Creation of units	3,736	-	3,736
Cancellation of units	(7,662)	-	(7,662)
Net income after taxation	-	14,388	14,388
As at 30 November 2016	59,487	16,101	75,588
As at 1 June 2017	64,296	17,338	81,634
Creation of units	26,844	-	26,844
Cancellation of units	(5,057)	-	(5,057)
Net income after taxation	-	8,654	8,654
As at 30 November 2017	86,083	25,992	112,075

Extracts Of Financial Statements (cont'd)

Statement of Cash Flows

For the Financial Period Ended 30 November 2017

	1.6.2017 to 30.11.2017 MYR'000	1.6.2016 to 30.11.2016 MYR'000
Cash flows from operating activities		
Proceeds from sale of investments	34,221	27,996
Purchase of investments	(45,245)	(27,693)
Capital distribution received	31	-
Maturity of deposits	642,233	346,743
Placement of deposits	(646,180)	(347,034)
Interest income received	78	44
Net dividend income received	2,136	1,690
Trustee's fee paid	(31)	(22)
Management fee paid	(813)	(578)
Audit fee paid	(4)	(4)
Payment of other fees and expenses	(35)	(36)
Net cash (outflow)/inflow from operating activities	(13,609)	1,106
Cash flows from financing activities		
Cash proceeds from units created	28,900	3,630
Cash paid on units cancelled	(4,978)	(7,560)
Distribution paid	(5,158)	(1,290)
Net cash inflow/(outflow) from financing activities	18,764	(5,220)
Net increase/(decrease) in cash and cash equivalents	5,155	(4,114)
Effect of change in foreign exchange rates	(328)	51
Cash and cash equivalents at the beginning of the financial period	1,039	9,649
Cash and cash equivalents at the end of the financial period	5,866	5,586