

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.

Source: MSCI. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

Fund Distribution Policy

Incidental

Breakdown of Unitholdings of PCTF as at 31 May 2018

Size of holdings	No. of unitholders	% of unitholders	No. of units held (million)
5,000 and below	779	15.13	3
5,001 to 10,000	647	12.56	5
10,001 to 50,000	2,189	42.50	57
50,001 to 500,000	1,481	28.76	192
500,001 and above	54	1.05	69
Total	5,150	100.00	326

Note: Excluding Manager's Stock.

Fund Performance

Average Total Return for the Following Years Ended 31 May 2018

	Average Total Return of PCTF (%)
1 Year	8.09
3 Years	6.28
5 Years	14.36

Fund Performance

For the Financial Year Ended 31 May 2018

Annual Total Return for the Financial Years Ended 31 May

Year	2018	2017	2016	2015	2014
PCTF (%)	8.09	33.23	-17.44	34.79	7.23

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 May

	2018	2017	2016
Unit Prices (MYR)*			
Highest NAV per unit for the year	0.3755	0.3383	0.3185
Lowest NAV per unit for the year	0.3143	0.2457	0.2405
Net Asset Value (NAV) and Units in Circulation (UIC) as at the End of the Year			
Total NAV (MYR'000)	105,003	81,634	65,126
UIC (in '000)	325,755	257,906	257,963
NAV per unit (MYR)	0.3223	0.3165	0.2525
Total Return for the Year (%)	8.09	33.23	-17.44
Capital growth (%)	7.32	32.34	-18.96
Income (%)	0.72	0.67	1.88
Management Expense Ratio (%)	1.70	1.75	1.74
Portfolio Turnover Ratio (time)	0.84	0.82	0.80

* 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.

The Management Expense Ratio for the financial year 2018 dropped to 1.70% from 1.75% in the previous financial year mainly due to Fund's higher 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.

Fund Performance

For the Financial Year Ended 31 May 2018

Distribution and Unit Split

Financial year	2018	2017	2016
Date of distribution	31.5.18	31.5.17	31.5.16
Distribution per unit			
Gross (sen)	2.00	2.00	0.50
Net (sen)	2.00	2.00	0.50
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	34.23	33.65	25.75
Less: Net distribution per unit	(2.00)	(2.00)	(0.50)
Net asset value after distribution	32.23	31.65	25.25

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 May (Percent of NAV)		
	2018 %	2017 %	2016 %
EQUITY SECURITIES			
Quoted			
Hong Kong			
Communications	3.5	7.6	6.1
Consumer, Cyclical	3.7	4.1	7.1
Consumer, Non-cyclical	1.6	3.1	-
Diversified	0.9	0.5	0.1
Energy	5.9	5.0	4.9
Financial	41.2	34.6	27.9
Industrial	2.0	3.4	2.0
Technology	-	1.6	0.9
	58.8	59.9	49.0
Singapore			
Consumer, Non-cyclical	-	2.6	1.3
Taiwan			
Basic Materials	3.2	1.3	-
Communications	4.6	-	1.1
Consumer, Cyclical	1.2	1.1	2.2
Consumer, Non-cyclical	1.6	1.0	1.1
Energy	0.5	-	-
Financial	5.3	3.6	2.1
Industrial	1.5	8.6	4.8
Technology	8.8	13.5	12.0
	26.7	29.1	23.3

Fund Performance

For the Financial Year Ended 31 May 2018

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

	As at 31 May (Percent of NAV)		
	2018 %	2017 %	2016 %
United States			
Communications	5.3	6.0	7.3
Consumer, Cyclical	0.4	-	-
Technology	-	0.9	-
	5.7	6.9	7.3
TOTAL QUOTED EQUITY SECURITIES	91.2	98.5	80.9
COLLECTIVE INVESTMENT FUNDS			
Quoted			
Taiwan			
Communications	-	-	1.1
TOTAL QUOTED COLLECTIVE INVESTMENT FUNDS	-	-	1.1
DEPOSITS WITH FINANCIAL INSTITUTIONS	7.0	4.5	3.8
OTHER ASSETS & LIABILITIES	1.8	-3.0	14.2

Statement Of Distribution Of Returns

For the Financial Year Ended 31 May 2018

	Sen Per Unit
Gross Distribution	2.0000
Net Distribution	2.0000
Total Returns	2.5800

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

	Before Distribution	After Distribution
NAV per unit (MYR)	0.3423	0.3223

Manager's Report

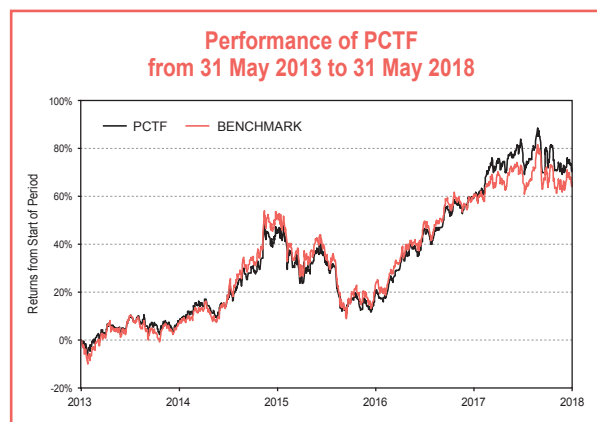
Overview

This Annual Report covers the financial year from 1 June 2017 to 31 May 2018.

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 year under review, the Fund registered a return of +8.09% as compared to its Benchmark's return of +4.16%. The Fund's equity portfolio registered a return of +11.34% while its money market portfolio registered a return of +3.12% during the financial year under review. A detailed performance attribution analysis is provided in the sections below.

For the five financial years ended 31 May 2018, the Fund registered a return of +71.84% and outperformed the Benchmark's return of +65.88% 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.



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.

Income Distribution and Impact on NAV Arising from Distribution

The gross distribution of 2.00 sen per unit (net distribution of 2.00 sen per unit) for the financial year ended 31 May 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 RM0.3223 from RM0.3423 after distribution.

Manager's Report

Effect of Distribution Reinvestment on Portfolio Exposures

	31-May-18	
	Before Distribution Reinvestment*	After Distribution Reinvestment*
Equities & Related Securities	91.2%	85.9%
Money Market	8.8%	14.1%

* Assumes full reinvestment.

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

	31-May-17	31-May-18	Change	Average Exposure
Equities & Related Securities	92.7%	85.9%	-6.8%	89.76%
Money Market	7.3%	14.1%	+6.8%	10.24%

Returns Breakdown by Asset Class

	Returns On Investments	Market / Benchmark Returns	Benchmark Index Used	Average Exposure	Attributed Returns
Equities & Related Securities	11.34%	4.16%	Benchmark	89.76%	10.18%
Money Market	3.12%	3.04%	Overnight Rate	10.24%	0.32%
less: Expenses					-2.41%
Total Net Return for the Year					8.09%

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 +11.34% and outperformed the Benchmark's return of +4.16%. The Fund's equity portfolio outperformed the Benchmark as the Fund's selected holdings in the Financials and Technology sectors outperformed the broader markets during the financial year under review.

The Fund commenced the financial year under review with an equity exposure of 92.7% and its equity weight was reduced to below 85% in August 2017 to weather the consolidation phase in the greater China markets. The Fund's equity weight was increased to above 90% in December 2017 before subsequently declining to below 85% in April 2018 as the Fund locked in profits on selected equity investments. The Fund ended the financial year under review with an equity exposure of 85.9%. Based on an average equity exposure of 89.76%, the Fund's equity portfolio is deemed to have registered a return of +10.18% to the Fund as a whole for the financial year under review. A full review of the performance of the equity markets is tabled in the following sections.

Manager's Report

Country Allocation

In terms of country allocation within the equity portfolio, 3 countries accounted for 91.2% of the 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 (58.8%), Taiwan (26.7%) and the United States (5.7%).

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 +3.12%. In comparison, the Bank Negara Weighted Average Overnight Interbank Rate (Overnight Rate) registered a return of +3.04% over the same period.

During the financial year under review, the Fund's exposure to money market investments increased from 7.3% to 14.1% following the disposal of selected equity investments. Based on an average exposure of 10.24%, the money market portfolio is estimated to have contributed +0.32% to the Fund's overall return for the financial year under review.

Stock Market Review

Commencing the financial year under review at 10,602.97 points, the Hang Seng China Enterprises Index (HSCEI) rallied from June to mid-November 2017, supported by improving liquidity conditions in China, a rosier economic outlook and continuous upward earnings revisions. On 30 September 2017, the People's Bank of China (PBoC) announced a targeted reserve requirement ratio (RRR) cut which signalled credit support to stimulate economic growth. The Index retraced in late November 2017 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.

Positive sentiment post the Central Economic Work Conference and the central bank's announcement to ease liquidity conditions in China helped the HSCEI to strengthen in December 2017 and January 2018. The Index subsequently corrected sharply alongside global equity markets in early February 2018 amid concerns over inflationary pressures and the prospect of faster-than-expected interest rate hikes in the U.S. After a brief rebound, the Index retraced in late March 2018 amid escalating trade tensions between the U.S. and China following President Trump's announcement that the U.S. would impose 25% tariffs on up to US\$60 billion of annual imports from China. The HSCEI traded range-bound in April and May 2018 and closed at 11,978.30 points to register a gain of 12.97% (+4.36% in Ringgit terms) for the financial year under review.

Manager's Report



Starting the financial year 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 30,468.56 points to register an increase of 18.74% (+9.69% in Ringgit terms) for the financial year under review.

Commencing the financial year under review at 7,603.30 points, the FTSE TWSE Taiwan 50 Index (TW50) strengthened from June to mid-September 2017 on optimism over the latest iPhone model releases as well as robust corporate earnings. After succumbing to profit-taking activities post the iPhone model launches, the Index strengthened in October 2017 in tandem with global technology stocks before easing towards the end of 2017 on the back of weaker-than-expected corporate earnings releases from selected blue chips.

The TW50 subsequently rallied in January 2018 and retraced in February 2018 in tandem with global equity markets on concerns over the prospect of faster-than-expected interest rate hikes in the U.S. After posting a brief rebound in early March 2018, the Index eased into end-April 2018 amid concerns over escalating trade tensions between the U.S. and China as well as softer corporate earnings. The TW50 subsequently staged a broad-based rebound in May 2018 and closed at 8,043.39 points to register an increase of 5.79% (-1.24% in Ringgit terms) for the financial year 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 year under review at 581.26 points. The Index moved higher over the remainder of 2017, driven by improving liquidity conditions in China, a rosier global economic outlook, robust corporate earnings as well as the strengthening of regional currencies against the U.S. Dollar.

The MSCI FExJ Index started 2018 on a strong note but retreated from February to May 2018, weighed by concerns over the prospect of faster-than-expected interest rate hikes in the U.S. as well as trade tensions between the U.S. and China. The MSCI FExJ Index closed at 673.29 points to register a gain of 15.83% (+7.71% in Ringgit terms) for the financial year under review.

The Singapore market registered a return of +2.70% (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 3.00% and ended the financial year under review higher at 3.22%.

Economic Review

China's GDP growth inched down from 6.9% in 2017 to 6.8% in 1Q 2018 following a moderation in the services sector. The services sector's growth eased from 8.0% in 2017 to 7.5% in 1Q 2018 amid softer growth in financial activities and trade.



Source: Bloomberg

Led by slower new orders and production levels, China's manufacturing Purchasing Managers' Index (PMI) eased to 51.3 points in the first five months of 2018 compared to 51.6 points for the whole of 2017. Meanwhile, growth in China's fixed-asset investment moderated to 7.0% in the first four months of 2018 versus the 7.2% growth registered in 2017.

China's export growth strengthened to 13.7% in the first four months of 2018 from 7.9% in 2017 amid higher demand from the U.S. and Japan. Meanwhile, import growth increased to 19.6% from 15.9% over the same period. China's cumulative trade surplus narrowed to US\$77 billion in the first four months of 2018 from US\$103 billion in the corresponding period of the prior year.

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

Driven by higher food prices, China's inflation rate climbed to 2.1% in the first four months of 2018 from 1.6% in 2017. Residential property prices, as measured by average sales price indices of new homes in 70 large and medium-sized cities, rose at a slower pace of 5.5% in the first four months of 2018 from an increase of 8.2% in 2017.

Manager's Report

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 until September 2017.

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

Hong Kong's GDP growth gained pace from 3.8% in 2017 to 4.7% in 1Q 2018 due to higher consumer and investment spending. The inflation rate firmed to 2.3% in the first four months of 2018 from 1.5% in 2017 on the back of higher food prices and housing costs. To curb elevated residential property prices, Hong Kong's government introduced additional tightening measures in May 2017.

Taiwan's GDP growth inched up from 2.9% in 2017 to 3.0% in 1Q 2018 amid higher consumer and government spending. Taiwan's inflation rate climbed to 1.7% in the first four months of 2018 from 0.6% in 2017 on the back of higher food prices and housing costs. Taiwan's central bank left its discount rate unchanged at 1.375% to support domestic demand.

In South-East Asia, Singapore's GDP growth strengthened from 3.6% in 2017 to 4.4% in 1Q 2018, helped by robust services activities. Singapore's inflation rate edged down to 0.2% in the first four months of 2018 from 0.6% in 2017 amid moderating transportation costs and food prices.

Led by higher investment spending and export growth, U.S. GDP growth rose from 2.3% in 2017 to 2.8% in 1Q 2018. Investment spending increased from 3.3% in 2017 to 5.8% in 1Q 2018 due to higher investment in equipment. Likewise, export growth expanded from 3.4% to 4.2% over the same period. At the Federal Open Market Committee (FOMC) meeting on 1-2 May 2018, the Federal Reserve maintained the Federal funds rate target range at 1.50%-1.75%.

Eurozone GDP growth was sustained at 2.5% in 1Q 2018 compared to a similar growth rate in 2017, backed by resilient economic activities in Germany and France. At its monetary policy meeting on 26 April 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 experienced volatile trading conditions in the first five months of 2018 on concerns over the prospect of higher U.S. interest rates and the U.S. government's proposed protectionist measures. This caused profit-taking across selected equity markets after a strong start to the year. Fund outflows from emerging markets to the developed markets were seen in April and May on the back of weaker local currencies. 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 edge up from 2.3% in 2017 to 2.8% 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 2.3% in 2018 on expectations of a moderation in consumer and investment spending.

China's GDP growth is estimated to moderate from 6.9% in 2017 to 6.5% 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. 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 slow from 3.8% in 2017 to 3.0% 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.

Meanwhile, Taiwan's GDP growth is envisaged to inch down from 2.9% in 2017 to 2.7% in 2018 due to slower export growth.

In South-East Asia, Singapore's GDP growth is estimated to ease from 3.6% in 2017 to 3.0% in 2018 on expectations of moderating export growth.

Based on closing prices as at end-May 2018, the MSCI China Index was trading at an estimated P/E ratio of about 13.2x compared to its 10-year average of 11.6x. Meanwhile, the Singapore, Hong Kong and Taiwan markets were trading at prospective P/E ratios of 13.6x, 11.8x and 14.0x respectively versus their 10-year averages of 14.1x, 12.3x and 15.1x respectively.

Manager's Report

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: Q = Quarter

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, 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 year under review.

Statement Of Assets And Liabilities

As at 31 May 2018

	2018 MYR'000	2017 MYR'000
Assets		
Investments	95,787	80,416
Due from brokers/financial institutions, net	-	352
Due from the Manager, net	248	2,212
Other receivables	403	149
Deposits with financial institutions	7,382	3,662
Cash at banks	7,734	1,039
	111,554	87,830
Liabilities		
Due to brokers/financial institutions, net	-	978
Due to the Trustee	6	5
Other payables	30	55
Distribution payable	6,515	5,158
	6,551	6,196
Total net assets	105,003	81,634
Net asset value ("NAV") attributable to unitholders (Total equity)	105,003	81,634
Units in circulation (in '000)	325,755	257,906
NAV per unit, ex-distribution (in sen)	32.23	31.65

Statement Of Income And Expenditure

For the Financial Year Ended 31 May 2018

	2018 MYR'000	2017 MYR'000
Income		
Interest income	151	92
Distribution income	18	17
Dividend income	2,819	2,046
Net gain from investments	6,760	20,670
Net realised/unrealised foreign exchange (loss)/gain	(312)	28
	9,436	22,853
Less: Expenses		
Trustee's fee	67	47
Management fee	1,768	1,251
Audit fee	7	7
Tax agent's fee	3	3
Brokerage fee	651	466
Administrative fees and expenses	62	63
	2,558	1,837
Net income before taxation	6,878	21,016
Taxation	(318)	(233)
Net income after taxation	6,560	20,783
Net income after taxation is made up as follows:		
Realised	10,716	5,924
Unrealised	(4,156)	14,859
	6,560	20,783
Final distribution for the financial year	6,515	5,158

Statement Of Changes In Net Asset Value

For the Financial Year Ended 31 May 2018

	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	14,224	-	14,224
Cancellation of units	(13,341)	-	(13,341)
Net income after taxation	-	20,783	20,783
Distribution	-	(5,158)	(5,158)
As at 31 May 2017	64,296	17,338	81,634
As at 1 June 2017	64,296	17,338	81,634
Creation of units	41,303	-	41,303
Cancellation of units	(17,979)	-	(17,979)
Net income after taxation	-	6,560	6,560
Distribution	-	(6,515)	(6,515)
As at 31 May 2018	87,620	17,383	105,003

Statement Of Cash Flows

For the Financial Year Ended 31 May 2018

	2018 MYR'000	2017 MYR'000
Cash flows from operating activities		
Proceeds from sale of investments	86,043	56,786
Purchase of investments	(95,855)	(61,913)
Subscription of rights	-	(49)
Capital distribution received	31	-
Maturity of deposits	1,182,689	727,740
Placement of deposits	(1,186,409)	(728,914)
Interest income received	151	91
Net distribution income received	17	17
Net dividend income received	2,237	1,793
Trustee's fee paid	(66)	(46)
Management fee paid	(1,728)	(1,221)
Audit fee paid	(7)	(7)
Tax agent's fee paid	(3)	(3)
Payment of other fees and expenses	(85)	(55)
Net cash outflow from operating activities	(12,985)	(5,781)
Cash flows from financing activities		
Cash proceeds from units created	43,073	11,941
Cash paid on units cancelled	(17,825)	(13,409)
Distribution paid	(5,158)	(1,290)
Net cash inflow/(outflow) from financing activities	20,090	(2,758)
Net increase/(decrease) in cash and cash equivalents	7,105	(8,539)
Effect of changes in foreign exchange rates	(410)	(71)
Cash and cash equivalents at the beginning of the financial year	1,039	9,649
Cash and cash equivalents at the end of the financial year	7,734	1,039