

Fund Information

Fund Name

Public Select Treasures Equity Fund (PSTEF)

Fund Category

Equity

Fund Investment Objective

To achieve capital growth over the medium to long-term period by investing in a portfolio of investments comprising small and medium-sized companies in terms of market capitalisation from diversified economic sectors.

Fund Performance Benchmark

The benchmarks of the Fund and their respective percentages are 70% FTSE Bursa Malaysia Mid 70 Index, 20% 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 PSTEF as at 28 February 2018

Size of holdings	No. of unitholders	% of unitholders	No. of units held (million)
5,000 and below	995	9.89	4
5,001 to 10,000	1,139	11.33	8
10,001 to 50,000	5,214	51.84	131
50,001 to 500,000	2,637	26.22	333
500,001 and above	72	0.72	66
Total	10,057	100.00	542

Note: Excluding Manager's Stock.

Fund Performance

Average Total Return for the Following Year Ended 28 February 2018

	Average Total Return of PSTEF (%)
1 Year	15.19

Fund Performance

For the Financial Period Ended 28 February 2018

Annual Total Return for the Financial Years Ended 31 August

Year	2017	2016
PSTEF (%)	14.93	4.52*

* The figure shown is for period since Fund commencement (11 August 2015).

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:

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

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

	28.2.2018	28.2.2017	29.2.2016
Unit Prices (MYR)			
Highest NAV per unit for the period	0.3078	0.2735	0.2735
Lowest NAV per unit for the period	0.2857	0.2594	0.2499
Net Asset Value (NAV) and Units in Circulation (UIC) as at the End of the Period			
Total NAV (MYR'000)	162,998	128,445	111,604
UIC (in '000)	542,756	472,125	430,035
NAV per unit (MYR)	0.3003	0.2721	0.2595
Total Return for the Period (%)	4.37	4.13	3.80
Capital growth (%)	4.27	3.45	3.41
Income (%)	0.10	0.66	0.38
Management Expense Ratio (%)	1.59	1.59	1.62
Portfolio Turnover Ratio (time)	0.23	0.13	0.48

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.

The Portfolio Turnover Ratio for the financial period 2018 rose to 0.23 time from 0.13 time in the previous financial period on account of higher level of rebalancing activities performed by the Fund during the period.

Fund Performance

For the Financial Period Ended 28 February 2018

Asset Allocation for the Past Three Financial Periods

	As at (Percent of NAV)		
	28.2.2018 %	28.2.2017 %	29.2.2016 %
EQUITY SECURITIES			
Quoted			
Malaysia			
Basic Materials	3.1	1.0	-
Communications	4.1	5.1	3.8
Consumer, Cyclical	4.2	3.9	1.2
Consumer, Non-cyclical	28.7	25.5	16.7
Diversified	-	2.8	2.1
Energy	5.6	2.0	-
Financial	8.2	9.9	7.8
Industrial	20.4	25.6	15.2
Technology	3.8	4.9	3.2
	78.1	80.7	50.0
Outside Malaysia			
Hong Kong			
Communications	-	1.6	1.6
Singapore			
Consumer, Non-cyclical	2.8	4.0	2.0
Industrial	2.2	2.6	1.8
	5.0	6.6	3.8
Taiwan			
Consumer, Cyclical	-	-	0.9
Thailand			
Consumer, Non-cyclical	1.2	-	-
TOTAL QUOTED EQUITY SECURITIES	84.3	88.9	56.3
COLLECTIVE INVESTMENT FUNDS			
Quoted			
Malaysia			
Financial	1.4	1.9	0.9
TOTAL QUOTED COLLECTIVE INVESTMENT FUNDS	1.4	1.9	0.9
DEPOSITS WITH FINANCIAL INSTITUTIONS	10.9	9.6	40.1
OTHER ASSETS & LIABILITIES	3.4	-0.4	2.7

Manager's Report

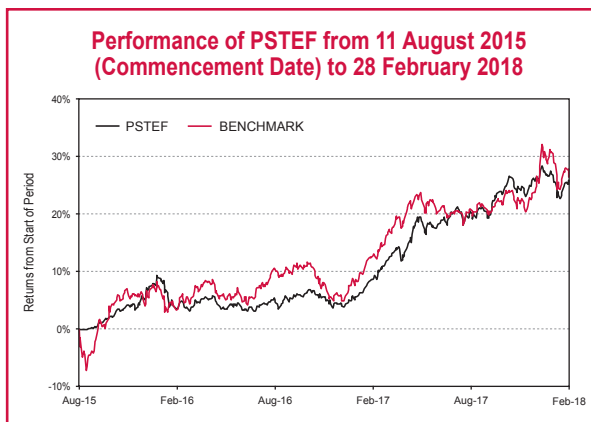
Overview

This Interim Report covers the financial period from 1 September 2017 to 28 February 2018.

Public Select Treasures Equity Fund (PSTEF or the Fund) seeks to achieve capital growth over the medium to long-term period by investing in a portfolio of investments comprising small and medium-sized companies in terms of market capitalisation from diversified economic sectors.

For the financial period under review, the Fund registered a return of +4.37% as compared to its Benchmark's return of +5.05%. The Fund's equity portfolio registered a return of +5.81% while its money market portfolio registered a return of +1.55% during the financial period under review. A detailed performance attribution analysis is provided in the sections below.

From its commencement on 11 August 2015 (being the last day of the initial offer period) to 28 February 2018, the Fund registered a total cumulative return of +25.37% as compared to its Benchmark's return of +26.50% over the same period.



The Fund's Benchmark is a composite index of 70% FTSE Bursa Malaysia Mid 70 Index, 20% FTSE Bursa Malaysia Small Cap Index (FBMSC) and 10% 3-Month Kuala Lumpur Interbank Offered Rate (KLIBOR).

Effect of Distribution Reinvestment on Portfolio Exposures

There were no distributions declared for the period ended 28 February 2018.

Change in Portfolio Exposures from 31-Aug-17 to 28-Feb-18

	31-Aug-17	28-Feb-18	Change	Average Exposure
Equities & Related Securities	92.3%	85.7%	-6.6%	89.20%
Money Market	7.7%	14.3%	+6.6%	10.80%

Manager's Report

Returns Breakdown by Asset Class

	Returns On Investments	Market / Benchmark Returns	Benchmark Index Used	Average Exposure	Attributed Returns
Equities & Related Securities	5.81%	5.40%	Equity Benchmark	89.20%	5.18%
Money Market	1.55%	1.48%	Overnight Rate	10.80%	0.17%
less: Expenses					-0.98%
Total Net Return for the Period					4.37%

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 +5.81% and outperformed the equity Benchmark's return of +5.40%. The Fund's equity portfolio outperformed the equity Benchmark as its investments in selected Industrial, Basic Materials and Energy stocks outperformed the broad market during the financial period under review.

The Fund commenced the financial period under review with an equity exposure of 92.3% and this was subsequently reduced to below 90% in November 2017 as the Fund locked in profits on selected equity investments. The Fund ended the financial period under review with an equity exposure of 85.7%. Based on an average equity exposure of 89.20%, the Fund's equity portfolio is deemed to have registered a return of +5.18% 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.

Sector Allocation

In terms of sector allocation within the equity portfolio, the top 5 sectors accounted for 68.5% of the Net Asset Value (NAV) of the Fund and 79.9% of the Fund's equity portfolio. The weightings of the top 5 sectors in Malaysia (unless otherwise indicated) are in the following order: Consumer, Non-cyclical (28.7%), Industrial (20.4%), Financial (9.6%), Energy (5.6%) and Consumer, Cyclical (4.2%).

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 +1.55%. In comparison, the Bank Negara Weighted Average Overnight Interbank Rate (Overnight Rate) registered a return of +1.48% over the same period.

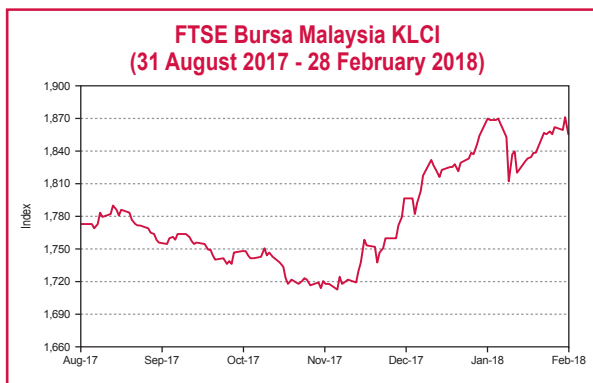
During the financial period under review, the Fund's exposure to money market investments increased from 7.7% to 14.3% following the disposal of selected equity investments. Based on an average exposure of 10.80%, the money market portfolio is estimated to have contributed +0.17% to the Fund's overall return for the financial period under review.

Manager's Report

Stock Market Review

Commencing the financial period under review at 1,773.16 points, the FTSE Bursa Malaysia KLCI (FBM KLCI) rose in early September 2017 before retracing 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 on the back of firmer oil prices and buying interest from foreign investors. In February 2018, the Index fell in tandem with global markets amid concerns over the prospect of higher-than-expected interest rates in the U.S. The FBM KLCI closed at 1,856.20 points to register a gain of 4.68% 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 624.47 points. The MSCI FExJ Index continued to move higher from September to December 2017, driven by improving liquidity conditions in China, an improving global economic outlook, robust corporate earnings as well as the strengthening of regional currencies against the U.S. Dollar.

The Index started 2018 on a strong note before falling in February 2018, weighed by concerns over the prospect of faster-than-expected interest rate hikes in the U.S. The MSCI FExJ Index closed at 691.00 points to register a gain of 10.65% (+1.49% in Ringgit terms) for the financial period under review.

Regional markets, namely the Thailand, Hong Kong, Singapore and Taiwan markets registered returns of +9.87%, +1.16%, +1.07% and -3.35% (in Ringgit terms) respectively for the financial period under review.

Money Market Review

The Overnight Rate commenced the financial period under review at 2.97% and ended the financial period under review higher at 3.24%.

Manager's Report

Economic Review

Malaysia's GDP growth gained pace from 4.2% in 2016 to 5.9% in 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 2017. Meanwhile, growth in manufacturing activities increased from 4.4% to 6.0% over the same period.

Malaysia's export growth accelerated to 18.9% in 2017 from 1.2% in 2016 due mainly to higher exports of electrical and electronic products. Import growth surged to 19.9% from 1.9% over the same period. Malaysia's cumulative trade surplus widened to RM97.2 billion in 2017 from RM88.1 billion in 2016. Due to capital inflows, Malaysia's foreign reserves rose to US\$103.7 billion as at end-January 2018 compared to US\$95.0 billion a year ago.

Malaysia's inflation rate rose 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 Overnight Policy Rate (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.

On the regional front, Singapore's GDP growth expanded from 2.4% in 2016 to 3.6% in 2017, helped by robust growth in the services sector. Led by resilient consumer spending and higher export growth, Thailand's GDP growth increased from 3.3% in 2016 to 3.9% in 2017.

In North Asia, China's GDP growth expanded from 6.7% in 2016 to 6.9% in 2017, driven by firmer growth in the services sector. Hong Kong's GDP growth gained pace from 2.1% in 2016 to 3.8% in 2017 due to higher consumer spending and export growth.

Taiwan's GDP growth strengthened from 1.4% in 2016 to 2.9% in 2017 amid higher export growth.

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 3.4% 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 but retraced in early February 2018 on concerns over the prospect of faster-than-anticipated interest rate hikes in the U.S. However, most equity markets subsequently rebounded and recouped part of their losses in late February 2018. While concerns over inflationary pressures in the U.S. 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 2.7% 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 slower export growth.

In North Asia, 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. Meanwhile, China's inflation rate is projected to increase from 1.6% in 2017 to 2.4% in 2018.

Hong Kong's GDP growth is expected to ease from 3.8% in 2017 to 2.8% 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.

Taiwan's GDP growth is envisaged to edge down from 2.9% in 2017 to 2.5% 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. Meanwhile, Thailand's GDP growth is envisaged to edge up from 3.9% in 2017 to 4.0% in 2018 amid higher investment spending.

On the domestic front, Malaysia's GDP growth is projected to ease from 5.9% 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-February 2018, the local stock market was trading at a prospective P/E ratio of 16.5x, which was in line with its 10-year average. The market's dividend yield was 3.22%.

Manager's Report

Among the regional markets, South-East Asian markets were trading at premiums while North Asian markets were trading at discounts to their historical averages following their respective performances over the same period.

Given the above factors, the Fund will continue to rebalance its investment portfolio according to its objective of achieving capital growth over the medium to long-term period by investing in a portfolio of investments comprising small and medium-sized companies in terms of market capitalisation from diversified economic sectors.

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, PSTEF 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 28 February 2018. 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 28 February 2018

	28.2.2018 MYR'000	31.8.2017 MYR'000
Assets		
Investments	139,746	141,291
Due from brokers/financial institutions, net	379	-
Due from the Manager, net	267	-
Other receivables	20	367
Deposits with financial institutions	17,740	10,464
Cash at banks	5,883	2,477
	164,035	154,599
Liabilities		
Due to brokers/financial institutions, net	979	1,426
Due to the Manager, net	-	90
Due to the Trustee	8	8
Other payables	50	35
Distribution payable	-	6,370
	1,037	7,929
Total net assets	162,998	146,670
Net asset value ("NAV") attributable to unitholders (Total equity)	162,998	146,670
Units in circulation (in '000)	542,756	509,631
NAV per unit (in sen)	30.03	28.78

Extracts Of Financial Statements (cont'd)

Statement of Income and Expenditure

For the Financial Period Ended 28 February 2018

	1.9.2017 to 28.2.2018 MYR'000	1.9.2016 to 28.2.2017 MYR'000
Income		
Interest income	191	468
Dividend income	1,343	1,447
Net gain from investments	7,192	4,087
Net realised/unrealised foreign exchange (loss)/gain	(322)	259
	8,404	6,261
Less: Expenses		
Trustee's fee	51	40
Management fee	1,273	1,003
Audit fee	3	3
Tax agent's fee	1	2
Brokerage fee	230	108
Administrative fees and expenses	20	17
	1,578	1,173
Net income before taxation	6,826	5,088
Taxation	(7)	(6)
Net income after taxation	6,819	5,082
Net income after taxation is made up as follows:		
Realised	6,261	757
Unrealised	558	4,325
	6,819	5,082

Extracts Of Financial Statements (cont'd)

Statement of Changes in Net Asset Value

For the Financial Period Ended 28 February 2018

	Unitholders' capital MYR'000	Retained earnings MYR'000	Total MYR'000
As at 1 September 2016	124,143	2,530	126,673
Creation of units	4,376	-	4,376
Cancellation of units	(7,686)	-	(7,686)
Net income after taxation	-	5,082	5,082
As at 28 February 2017	120,833	7,612	128,445
As at 1 September 2017	131,408	15,262	146,670
Creation of units	16,615	-	16,615
Cancellation of units	(7,106)	-	(7,106)
Net income after taxation	-	6,819	6,819
As at 28 February 2018	140,917	22,081	162,998

Extracts Of Financial Statements (cont'd)

Statement of Cash Flows

For the Financial Period Ended 28 February 2018

	1.9.2017 to 28.2.2018 MYR'000	1.9.2016 to 28.2.2017 MYR'000
Cash flows from operating activities		
Proceeds from sale of investments	40,363	5,638
Purchase of investments	(32,691)	(24,741)
Subscription of rights	-	(588)
Maturity of deposits	1,495,751	3,307,553
Placement of deposits	(1,503,027)	(3,285,195)
Interest income received	191	473
Net dividend income received	1,683	1,051
Trustee's fee paid	(51)	(41)
Management fee paid	(1,282)	(1,017)
Audit fee paid	(4)	(4)
Payment of other fees and expenses	(4)	(20)
Net cash inflow from operating activities	929	3,109
Cash flows from financing activities		
Cash proceeds from units created	16,230	4,392
Cash paid on units cancelled	(7,069)	(7,424)
Distribution paid	(6,370)	-
Net cash inflow/(outflow) from financing activities	2,791	(3,032)
Net increase in cash and cash equivalents	3,720	77
Effect of change in foreign exchange rates	(314)	260
Cash and cash equivalents at the beginning of the financial period	2,477	2,221
Cash and cash equivalents at the end of the financial period	5,883	2,558