

Fund Information

Fund Name

Public Savings Fund (PSF)

Fund Category

Equity

Fund Investment Objective

To achieve long-term capital appreciation while at the same time producing a reasonable level of income.

Fund Performance Benchmark

The benchmark of the Fund is the FTSE Bursa Malaysia KLCI (FBM KLCI).

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Fund Distribution Policy

Annual

Breakdown of Unitholdings of PSF as at 30 June 2018

Size of holdings	No. of unitholders	% of unitholders	No. of units held (million)
5,000 and below	12,891	15.98	38
5,001 to 10,000	12,173	15.09	90
10,001 to 50,000	39,021	48.36	942
50,001 to 500,000	16,329	20.24	1,821
500,001 and above	265	0.33	238
Total	80,679	100.00	3,129

Note: Excluding Manager's Stock.

Fund Performance

Average Total Return for the Following Years Ended 30 June 2018

	Average Total Return of PSF (%)
1 Year	-3.62
3 Years	1.86
5 Years	2.33

Fund Performance

For the Financial Period Ended 30 June 2018

Annual Total Return for the Financial Years Ended 31 December

Year	2017	2016	2015	2014	2013
PSF (%)	13.32	-0.47	-1.71	-1.06	12.39

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 Ended 30 June

	2018	2017	2016
Unit Prices (MYR)			
Highest NAV per unit for the period	0.5638	0.5521	0.5180
Lowest NAV per unit for the period	0.5043	0.4897	0.4807
Net Asset Value (NAV) and Units in Circulation (UIC) as at the End of the Period			
Total NAV (MYR'000)	1,597,682	1,875,084	1,811,034
UIC (in '000)	3,128,567	3,442,717	3,610,445
NAV per unit (MYR)	0.5107	0.5447	0.5016
Total Return for the Period (%)	-5.58	11.01	-1.66
Capital growth (%)	-6.46	10.02	-2.44
Income (%)	0.94	0.90	0.80
Management Expense Ratio (%)	1.49	1.51	1.51
Portfolio Turnover Ratio (time)	0.14	0.11	0.17

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 June 2018

Asset Allocation for the Past Three Financial Periods

	As at 30 June (Percent of NAV)		
	2018 %	2017 %	2016 %
EQUITY SECURITIES			
Quoted			
Malaysia			
Ordinary Shares			
Basic Materials	2.2	2.0	1.6
Communications	7.2	8.7	10.0
Consumer, Cyclical	9.7	9.0	8.2
Consumer, Non-cyclical	11.4	8.5	11.9
Diversified	1.6	8.1	4.1
Energy	1.6	1.6	3.6
Financial	36.7	36.6	27.8
Industrial	3.5	3.1	4.0
Utilities	4.5	7.1	10.2
	78.4	84.7	81.4
Preference Shares			
Financial	0.4	-	-
Outside Malaysia			
Hong Kong			
Communications	1.5	-	-
Consumer, Cyclical	-	-	0.3
Financial	-	1.0	1.0
	1.5	1.0	1.3
Korea			
Technology	-	0.7	-
Singapore			
Consumer, Non-cyclical	-	0.3	0.3
Financial	0.6	-	-
	0.6	0.3	0.3
Taiwan			
Technology	0.3	1.6	0.5
United States			
Communications	-	-	0.9
Consumer, Cyclical	0.1	-	-
Financial	1.3	1.2	0.9
Technology	1.9	-	-
	3.3	1.2	1.8
TOTAL QUOTED EQUITY SECURITIES	84.5	89.5	85.3

Fund Performance

For the Financial Period Ended 30 June 2018

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

	As at 30 June (Percent of NAV)		
	2018 %	2017 %	2016 %
COLLECTIVE INVESTMENT FUNDS			
Quoted			
Malaysia			
Financial	2.6	2.4	2.9
Outside Malaysia			
Hong Kong			
Funds	-	-	2.3
TOTAL QUOTED COLLECTIVE INVESTMENT FUNDS	2.6	2.4	5.2
WARRANTS			
Quoted			
Malaysia			
Warrants	-	0.1	0.1
TOTAL QUOTED WARRANTS	-	0.1	0.1
COLLECTIVE INVESTMENT SCHEMES			
Unquoted			
Funds	2.7	2.7	1.8
TOTAL UNQUOTED COLLECTIVE INVESTMENT SCHEMES	2.7	2.7	1.8
FIXED INCOME SECURITIES			
Unquoted			
Ringgit-denominated			
Redeemable Non-convertible			
Bonds	0.6	0.8	0.5
TOTAL UNQUOTED FIXED INCOME SECURITIES	0.6	0.8	0.5
DEPOSITS WITH FINANCIAL INSTITUTIONS	5.7	4.4	7.8
OTHER ASSETS & LIABILITIES	3.9	0.1	-0.7

Manager's Report

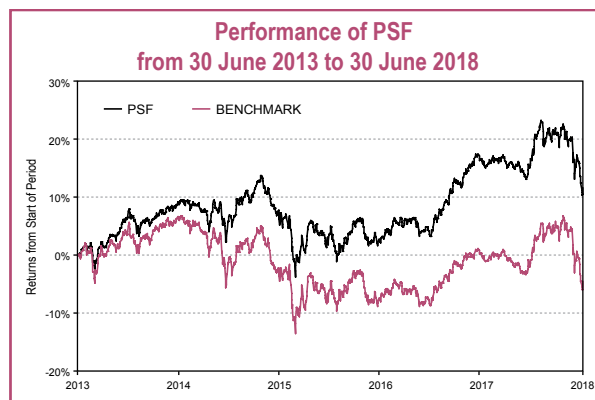
Overview

This Interim Report covers the financial period from 1 January 2018 to 30 June 2018.

Public Savings Fund (PSF or the Fund) aims to achieve long-term capital appreciation while at the same time producing a reasonable level of income.

For the financial period under review, the Fund registered a return of -5.58% as compared to its Benchmark's return of -5.86%. The Fund's equity portfolio registered a return of -5.27% while its bond and money market portfolios registered returns of +2.98% and +1.61% respectively during the financial period under review. A detailed performance attribution analysis is provided in the sections below.

For the five financial years ended 30 June 2018, the Fund generated a total return of +11.68% and outperformed its Benchmark's return of -4.63% over the same period.



The Benchmark of the Fund is the FTSE Bursa Malaysia KLCI (FBM KLCI) which comprises the 30 largest companies by full market capitalisation listed on the Bursa Malaysia Main Market.

Effect of Distribution Reinvestment on Portfolio Exposures

There were no distributions declared for the period ended 30 June 2018.

Change in Portfolio Exposures from 31-Dec-17 to 30-Jun-18

	31-Dec-17	30-Jun-18	Change	Average Exposure
Equities & Related Securities	92.2%	89.8%	-2.4%	92.26%
Bonds & Other Fixed Income Securities	0.8%	0.6%	-0.2%	0.81%
Money Market	7.0%	9.6%	+2.6%	6.93%

Manager's Report

Returns Breakdown by Asset Class

	Returns On Investments	Market / Benchmark Returns	Benchmark Index Used	Average Exposure	Attributed Returns
Equities & Related Securities	-5.27%	-5.86%	FBM KLCI	92.26%	-4.86%
Bonds & Other Fixed Income Securities	2.98%	0.64%	Bond Index Overnight Rate	0.81%	0.02%
Money Market	1.61%	1.57%		6.93%	0.11%
less: Expenses					-0.85%
Total Net Return for the Period					-5.58%

FBM KLCI = FTSE Bursa Malaysia KLCI
Bond Index = Quant Shop MGS All Index
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 -5.27% and outperformed its Benchmark's return of -5.86%. The Fund's equity portfolio outperformed its Benchmark as its selected holdings of foreign stocks outperformed the domestic market during the financial period under review.

The Fund commenced the financial period under review with an equity weight of 92.2% and its equity weight was reduced to 89.8% at the end of the financial period under review as the Fund locked in profits on selected equity investments. Based on an average equity exposure of 92.26%, the Fund's equity portfolio is deemed to have registered a return of -4.86% 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 72.5% of the Net Asset Value (NAV) of the Fund and 80.7% of the Fund's equity portfolio. The weightings of the top 5 sectors in Malaysia (unless otherwise indicated) are in the following order: Financial (39.7%), Consumer, Non-cyclical (11.4%), Consumer, Cyclical (9.7%), Communications (7.2%) and Utilities (4.5%).

Manager's Report

Bonds and Other Fixed Income Securities Portfolio Review

For the financial period under review, the Fund's bond portfolio which comprises corporate bonds registered a return of +2.98%. In comparison, the Quant Shop MGS All Index which tracks the performance of all Malaysian Government Securities (MGS) with maturities of 1 year and above, registered a return of +0.64% over the same period. The Fund's bond portfolio outperformed the Quant Shop MGS All Index as MGS yields moved higher relative to corporate bond yields during the financial period under review.

During the financial period under review, the Fund's bond exposure decreased from 0.8% to 0.6% due to the disposal of selected bond investments. Based on an average exposure of 0.81%, the bond portfolio is estimated to have contributed +0.02% to the Fund's overall return for the financial period under review. For a full review of the bond market, please refer to the following sections of this report.

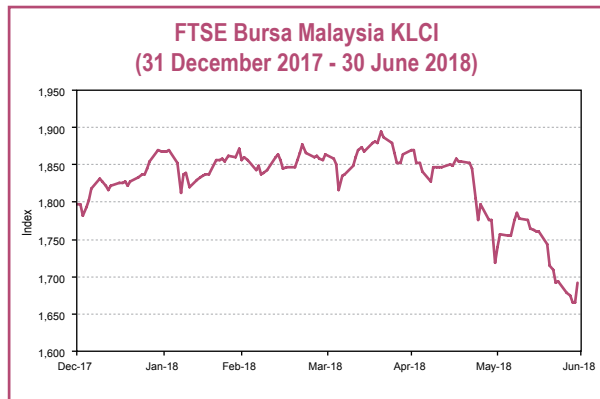
Money Market Portfolio Review

During the financial period under review, the Fund's money market portfolio, which was invested primarily in deposits, yielded a return of +1.61%. In comparison, the Bank Negara Weighted Average Overnight Interbank Rate (Overnight Rate) registered a return of +1.57% over the same period.

During the financial period under review, the Fund's exposure to money market investments increased from 7.0% to 9.6% following the disposal of selected equity and bond investments. Based on an average exposure of 6.93%, the money market portfolio is estimated to have contributed +0.11% to the Fund's overall return for the financial period under review.

Stock Market Review

Commencing the financial period under review at 1,796.81 points, the FBM KLCI strengthened in 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 Index 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 on cautious sentiment in the run-up to 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 closed at 1,691.50 points to register a decline of 5.86% 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 FEExJ) Index, commenced the financial period under review at 672.44 points. The Index moved higher in January 2018, driven by the improving global economic outlook and robust corporate earnings. The Index subsequently retreated from February to June 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 FEExJ Index closed at 635.55 points to register a decline of 5.49% (-5.66% in Ringgit terms) for the financial period under review.

Regional markets, namely the Taiwan, Hong Kong, Singapore and Korea markets, registered returns of -0.80%, -3.75%, -6.03% and -10.09% (in Ringgit terms) respectively for the financial period under review.

The U.S. equity market, as proxied by the Standard & Poor's (S&P) 500 Index, commenced the financial period under review at 2,673.61 points. Optimism over the impact of the new tax legislation as well as upward corporate earnings revisions bolstered the Index to a record high of 2,872.87 points on 26 January 2018 before concerns over inflationary pressures and the prospect of faster-than-expected interest rate hikes in the U.S. caused the Index to consolidate in February 2018. The Index slid further in March 2018 amid escalating trade tensions between the U.S. and China before rebounding in April and May 2018 as trade tensions eased and corporate earnings remained robust. President Trump's threat to impose tariffs on another US\$200 billion of Chinese goods as well as a ban on Chinese investments in U.S. technology companies reignited fears of a trade war, causing the Index to retrace in June 2018. The S&P 500 Index closed at 2,718.37 points to register a gain of 1.67% (+1.49% in Ringgit terms) for the financial period under review.

Bond Market and Money Market Review

Domestic bond yields edged up in January 2018 amid higher U.S. Treasury yields and the increase in the Overnight Policy Rate (OPR) by 25 basis points (bps) to 3.25% on 25 January 2018.

Domestic bond yields climbed further in February 2018 as higher U.S. Treasury yields and the easing of the Ringgit weighed on market sentiment. In March 2018, the domestic bond market rebounded in tandem with a rally in U.S. Treasuries amid concerns over rising trade tensions between the U.S. and China.

The domestic bond market softened in April through June 2018, mainly on concerns over higher U.S. interest rates as the 10-year U.S. Treasury yield breached the 3.0% mark and the U.S. Dollar continued to strengthen against the Ringgit.

For the financial period under review, the yields of 3-year and 10-year MGS rose by 30 bps and 29 bps respectively to 3.62% and 4.20%. The Overnight Rate commenced the financial period under review at 2.91% and ended the financial period under review higher at 3.18%.

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.

Malaysia's export growth softened to 7.8% in the first four 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 1.6% 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 RM46.4 billion in the first four months of 2018 compared to RM27.5 billion in the corresponding period of the prior year. Due to capital inflows, Malaysia's foreign reserves increased to US\$108.5 billion as at end-May 2018 compared to US\$98.0 billion a year ago.

Malaysia's inflation rate slowed to 1.7% in the first five months of 2018 from 3.7% in 2017 amid moderating food prices and transportation costs. On 25 January 2018, Bank Negara Malaysia (BNM) raised the OPR by 25 bps from 3.00% to 3.25% on the back of resilient economic growth. Loans growth climbed to 4.9% in the first five months of 2018 from 4.1% in 2017 due to higher demand from the household sector.

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.

In North Asia, China's GDP growth inched down from 6.9% in 2017 to 6.8% in 1Q 2018 following a moderation in the services sector. 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.

Weighted by slower investment spending and export growth, South Korea's GDP growth eased from 3.1% in 2017 to 2.8% in 1Q 2018. Meanwhile, Taiwan's GDP growth edged up from 2.9% in 2017 to 3.0% in 1Q 2018 amid higher consumer and government spending.

Manager's Report

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 4.0% 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 2.6% in 2017 to 2.5% in 1Q 2018 amid a slowdown in consumer spending and export growth. At its monetary policy meeting on 14 June 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 the monthly pace of €30 billion until the end of 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, which 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. 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 2Q 2018 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 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 2.3% 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 2.6% in 2017 to 2.2% in 2018 on expectations of a moderation in consumer and investment spending.

In North Asia, China's GDP growth is estimated to moderate from 6.9% in 2017 to 6.5% in 2018, dragged by slower export growth and investment spending amid the ongoing trade tensions and the scaling back of infrastructure investment by the Chinese government. 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 3.6% in 2018 on the back of moderating export growth. Going forward, the Hong Kong government is anticipated to maintain its tightening stance on the residential property market. However, 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

South Korea's GDP growth is anticipated to edge lower from 3.1% in 2017 to 2.9% in 2018 due to a slowdown in investment spending. Meanwhile, Taiwan's GDP growth is envisaged to inch down from 2.9% in 2017 to 2.7% in 2018 on the back of slower export growth.

In South-East Asia, Singapore's GDP growth is estimated to ease from 3.6% in 2017 to 3.1% in 2018 on expectations of moderating domestic demand.

On the domestic front, Malaysia's GDP growth is projected 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-June 2018, the local stock market was trading at a prospective P/E ratio of 16.2x, which was below its 10-year average of 16.5x. The market's dividend yield was 3.38%.

Valuations of regional markets in North-East and South-East Asia were generally mixed relative 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 accordingly with the objective of achieving long-term capital appreciation while at the same time producing a reasonable level of income.

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 period under review, PSF 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 June 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 30 June 2018

	30.6.2018 MYR'000	31.12.2017 MYR'000
Assets		
Investments	1,443,858	1,681,145
Due from brokers/financial institutions, net	15,734	12,413
Other receivables	6,648	21
Deposits with financial institutions	90,821	83,234
Cash at banks	45,865	26,404
	1,602,926	1,803,217
Liabilities		
Due to the Manager, net	5,162	4,688
Other payables	82	195
Distribution payable	-	48,520
	5,244	53,403
Total net assets	1,597,682	1,749,814
Net asset value ("NAV") attributable to unitholders (Total equity)	1,597,682	1,749,814
Units in circulation (in '000)	3,128,567	3,234,689
NAV per unit (in sen)	51.07	54.10

Extracts Of Financial Statements (cont'd)

Statement of Income and Expenditure

For the Financial Period Ended 30 June 2018

	1.1.2018 to 30.6.2018 MYR'000	1.1.2017 to 30.6.2017 MYR'000
Income		
Interest income	1,421	1,373
Distribution income	1,857	1,124
Dividend income	25,687	29,312
Net (loss)/gain from investments	(105,897)	176,197
Net realised/unrealised foreign exchange (loss)/gain	(582)	374
	(77,514)	208,380
Less: Expenses		
Trustee's fee	313	315
Management fee	13,231	14,266
Audit fee	3	3
Tax agent's fee	1	1
Brokerage fee	1,262	1,035
Administrative fees and expenses	75	102
	14,885	15,722
Net (loss)/income before taxation	(92,399)	192,658
Taxation	(325)	(375)
Net (loss)/income after taxation	(92,724)	192,283
Net (loss)/income after taxation is made up as follows:		
Realised	29,474	23,559
Unrealised	(122,198)	168,724
	(92,724)	192,283

Extracts Of Financial Statements (cont'd)

Statement of Changes in Net Asset Value

For the Financial Period Ended 30 June 2018

	Unitholders' capital MYR'000	Retained earnings MYR'000	Total MYR'000
As at 1 January 2017	1,771,885	(45,916)	1,725,969
Creation of units	57,513	-	57,513
Cancellation of units	(100,681)	-	(100,681)
Net income after taxation	-	192,283	192,283
As at 30 June 2017	1,728,717	146,367	1,875,084
As at 1 January 2018	1,615,564	134,250	1,749,814
Creation of units	46,551	-	46,551
Cancellation of units	(105,959)	-	(105,959)
Net loss after taxation	-	(92,724)	(92,724)
As at 30 June 2018	1,556,156	41,526	1,597,682

Extracts Of Financial Statements (cont'd)

Statement of Cash Flows

For the Financial Period Ended 30 June 2018

	1.1.2018 to 30.6.2018 MYR'000	1.1.2017 to 30.6.2017 MYR'000
Cash flows from operating activities		
Proceeds from sale of investments	302,248	262,503
Purchase of investments	(182,854)	(163,627)
Capital distribution received	7,381	-
Maturity of deposits	8,204,826	8,692,026
Placement of deposits	(8,212,413)	(8,716,166)
Interest income received	1,448	1,323
Net distribution income received	1,687	1,013
Net dividend income received	19,048	26,734
Trustee's fee paid	(456)	(486)
Management fee paid	(13,563)	(14,191)
Audit fee paid	(4)	(4)
Payment of other fees and expenses	(183)	(104)
Net cash inflow from operating activities	127,165	89,021
Cash flows from financing activities		
Cash proceeds from units created	46,551	57,513
Cash paid on units cancelled	(105,153)	(98,564)
Distribution paid	(48,520)	(59,795)
Net cash outflow from financing activities	(107,122)	(100,846)
Net increase/(decrease) in cash and cash equivalents	20,043	(11,825)
Effect of changes in foreign exchange rates	(582)	429
Cash and cash equivalents at the beginning of the financial period	26,404	15,446
Cash and cash equivalents at the end of the financial period	45,865	4,050