

Fund Information

Fund Name

Public Sector Select Fund (PSSF)

Fund Category

Equity

Fund Investment Objective

To seek long-term capital appreciation by investing in a portfolio of securities from selected market sectors in the domestic market.

Fund Performance Benchmark

The benchmark of the Fund is the FTSE Bursa Malaysia Top 100 Index (FBM 100).

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Fund Distribution Policy

Incidental

Breakdown of Unitholdings of PSSF as at 31 October 2017

Size of holdings	No. of unitholders	% of unitholders	No. of units held (million)
5,000 and below	1,089	3.84	4
5,001 to 10,000	2,687	9.47	20
10,001 to 50,000	14,203	50.04	376
50,001 to 500,000	10,205	35.95	1,224
500,001 and above	199	0.70	167
Total	28,383	100.00	1,791

Note: Excluding Manager's Stock.

Fund Performance

Average Total Return for the Following Years Ended 31 October 2017

	Average Total Return of PSSF (%)
1 Year	6.04
3 Years	3.28
5 Years	6.06

Fund Performance

For the Financial Year Ended 31 October 2017

Annual Total Return for the Financial Years Ended 31 October

Year	2017	2016	2015	2014	2013
PSSF (%)	6.04	5.46	-1.79	5.97	11.98

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 October

	2017	2016	2015
Unit Prices (MYR)*			
Highest NAV per unit for the year	0.3080	0.3015	0.3199
Lowest NAV per unit for the year	0.2752	0.2824	0.2825
Net Asset Value (NAV) and Units in Circulation (UIC) as at the End of the Year			
Total NAV (MYR'000)	514,363	510,808	463,695
UIC (in '000)	1,791,531	1,792,691	1,630,239
NAV per unit (MYR)	0.2871	0.2849	0.2844
Total Return for the Year (%)	6.04	5.46	-1.79
Capital growth (%)	4.36	3.96	-4.32
Income (%)	1.61	1.44	2.64
Management Expense Ratio (%)	1.57	1.57	1.57
Portfolio Turnover Ratio (time)	0.19	0.19	0.22

* All prices quoted are ex-distribution.

Notes: Management Expense Ratio is calculated by taking the total management expenses expressed as an annual percentage of the Fund's average net asset value.

Portfolio Turnover Ratio is calculated by taking the average of the total acquisitions and disposals of the investments in the Fund for the year over the average net asset value of the Fund calculated on a daily basis.

Fund Performance

For the Financial Year Ended 31 October 2017

Distribution and Unit Split

Financial year	2017	2016	2015
Date of distribution	31.10.17	31.10.16	30.10.15
Distribution per unit			
Gross (sen)	1.50	1.50	2.00
Net (sen)	1.50	1.50	2.00
Unit split	-	-	-

Impact on NAV Arising from Distribution (Final) for the Financial Years

	2017 Sen per unit	2016 Sen per unit	2015 Sen per unit
Net asset value before distribution	30.21	29.99	30.44
Less: Net distribution per unit	(1.50)	(1.50)	(2.00)
Net asset value after distribution	28.71	28.49	28.44

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 October (Per Cent of Net Asset Value)		
	2017 %	2016 %	2015 %
EQUITY SECURITIES			
Quoted			
Malaysia			
Communications	10.3	14.1	16.8
Consumer, Cyclical	7.2	8.1	7.4
Consumer, Non-cyclical	15.2	14.1	5.5
Financial	37.5	32.9	33.4
Industrial	6.3	3.3	11.5
Utilities	9.0	10.4	5.5
TOTAL QUOTED EQUITY SECURITIES	85.5	82.9	80.1
COLLECTIVE INVESTMENT FUNDS			
Quoted			
Malaysia			
Financial	2.1	5.7	5.4
TOTAL QUOTED COLLECTIVE INVESTMENT FUNDS	2.1	5.7	5.4
WARRANTS			
Quoted			
Malaysia			
Warrants	0.1	-	-
TOTAL QUOTED WARRANTS	0.1	-	-

Fund Performance

For the Financial Year Ended 31 October 2017

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

	As at 31 October (Per Cent of Net Asset Value)		
	2017 %	2016 %	2015 %
COLLECTIVE INVESTMENT SCHEMES			
Unquoted Funds	3.4	-	-
TOTAL UNQUOTED COLLECTIVE INVESTMENT SCHEMES	3.4	-	-
FIXED INCOME SECURITIES			
Unquoted Ringgit- denominated Redeemable Non-convertible Bonds	-	1.1	1.2
TOTAL UNQUOTED FIXED INCOME SECURITIES	-	1.1	1.2
DEPOSITS WITH FINANCIAL INSTITUTIONS	16.1	16.1	20.8
OTHER ASSETS & LIABILITIES	-7.2	-5.8	-7.5

Statement Of Distribution Of Returns

For the Financial Year Ended 31 October 2017

	Sen Per Unit
Gross Distribution	1.5000
Net Distribution	1.5000
Total Returns	1.7200

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

	Before Distribution	After Distribution
NAV per unit (MYR)	0.3021	0.2871

Manager's Report

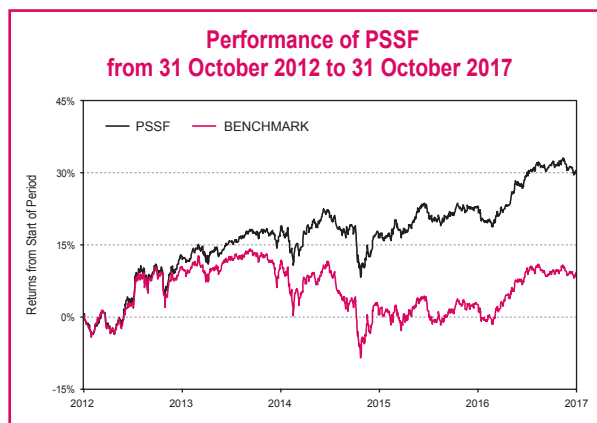
Overview

This Annual Report covers the financial year from 1 November 2016 to 31 October 2017.

Public Sector Select Fund (PSSF or the Fund) aims to seek long-term capital appreciation by investing in a portfolio of securities from selected market sectors in the domestic market.

For the financial year under review, the Fund registered a return of +6.04% as compared to its Benchmark's return of +6.46%. The Fund's equity portfolio registered a return of +8.43% while its bond and money market portfolios registered returns of +2.02% and +3.05% respectively during the financial year under review. A detailed performance attribution analysis is provided in the sections below.

For the five financial years ended 31 October 2017, the Fund registered a total cumulative return of +30.33% and outperformed its Benchmark's return of +9.20% over the same period. Consequently, it is the opinion of the Manager that the Fund has met its objective of seeking long-term capital appreciation over the said period.



The Benchmark of the Fund is the FTSE Bursa Malaysia Top 100 Index (FBM 100) which comprises the top 100 large and mid-cap companies by full market capitalisation listed on the Bursa Malaysia Main Market.

Income Distribution and Impact on NAV Arising from Distribution

The gross distribution of 1.50 sen per unit (net distribution of 1.50 sen per unit) for the financial year ended 31 October 2017 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 RM0.2871 from RM0.3021 after distribution.

Manager's Report

Effect of Distribution Reinvestment on Portfolio Exposures

	31-Oct-17	
	Before Distribution Reinvestment*	After Distribution Reinvestment*
Equities & Related Securities	87.7%	83.4%
Bonds & Other Fixed Income Securities	0.0%	0.0%
Money Market	12.3%	16.6%

* Assumes full reinvestment.

Change in Portfolio Exposures from 31-Oct-16 to 31-Oct-17

	31-Oct-16	31-Oct-17	Change	Average Exposure
Equities & Related Securities	84.2%	83.4%	-0.8%	88.60%
Bonds & Other Fixed Income Securities	1.0%	0.0%	-1.0%	0.52%
Money Market	14.8%	16.6%	+1.8%	10.88%

Returns Breakdown by Asset Class

	Returns On Investments	Market / Benchmark Returns	Benchmark Index Used	Average Exposure	Attributed Returns
Equities & Related Securities	8.43%	6.46%	FBM 100	88.60%	7.47%
Bonds & Other Fixed Income Securities	2.02%	0.36%	Bond Index	0.52%	0.01%
Money Market	3.05%	2.99%	Overnight Rate	10.88%	0.33%
less: Expenses					-1.77%
Total Net Return for the Year					6.04%
FBM 100	= FTSE Bursa Malaysia Top 100 Index				
Bond Index	= Quant Shop MGS All Index (Since Fixed Income Investment from 31 October 2016 to 4 May 2017)				
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 +8.43% and outperformed the Benchmark's return of +6.46%. The Fund's equity portfolio outperformed the Benchmark as its investments in the Financial and Utilities sectors performed strongly during the financial year under review.

Manager's Report

The Fund commenced the financial year under review with an equity exposure of 84.2% and this was subsequently increased to above 90% in May 2017 to capitalise on investment opportunities in the domestic market. The Fund subsequently reduced its equity exposure to lock-in profits for distribution and ended the financial year under review with an equity exposure of 83.4%. Based on an average equity exposure of 88.60%, the Fund's equity portfolio is deemed to have registered a return of +7.47% to the Fund as a whole for the financial year under review. A full review of the performance of the equity market is tabled in the following sections.

Sector Allocation

In terms of sector allocation within the equity portfolio, the top 5 sectors accounted for 81.3% of the NAV of the Fund and 92.7% of the Fund's equity portfolio. The weightings of the top 5 sectors in Malaysia are in the following order: Financial (39.6%), Consumer, Non-cyclical (15.2%), Communications (10.3%), Utilities (9.0%) and Consumer, Cyclical (7.2%).

Bonds and Other Fixed Income Securities Portfolio Review

During the financial year under review, the Fund's bond exposure was zeroed in May 2017 following the maturity of the bond investment. Based on the 6-month holding period of its bond investment, the Fund's bond portfolio registered a return of +2.02%. 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 +0.36% over the same period. The outperformance of the Fund's bond portfolio was attributable to the firm prices of corporate bonds amid improving economic conditions during the financial year under review.

Based on an average exposure of 0.52%, the bond portfolio is estimated to have contributed +0.01% to the Fund's overall return for the financial year 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 year under review, the Fund's money market portfolio, which was invested primarily in deposits, yielded a return of +3.05%. In comparison, the Bank Negara Weighted Average Overnight Interbank Rate (Overnight Rate) registered a return of +2.99% over the same period.

During the financial year under review, the Fund's exposure to money market investments increased from 14.8% to 16.6% following the disposal of selected equity investments as well as the maturity of the Fund's bond investment. Based on an average exposure of 10.88%, the money market portfolio is estimated to have contributed +0.33% to the Fund's overall return for the financial year under review.

Stock Market Review

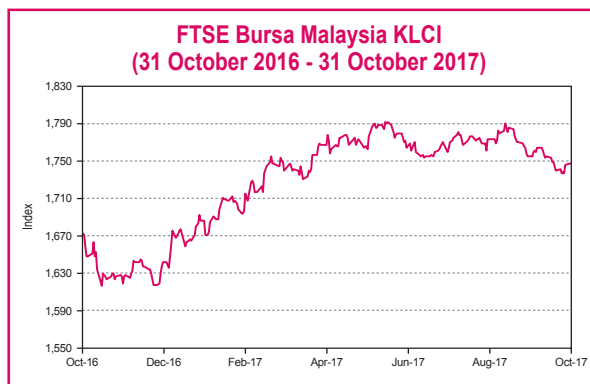
Starting the financial year under review at 1,672.46 points, the FTSE Bursa Malaysia KLCI (FBM KLCI) trended lower in November 2016 due to foreign fund outflows amid anticipation of a rising interest rate environment in the U.S. going forward. The Malaysian equity market rebounded in December in tandem with rising oil prices and the stronger U.S. market. Despite initial concerns over a Trump presidency, the U.S. market rallied on expectations that the new president would deliver on his pledges of fiscal stimulus and deregulation of the financial market.

Manager's Report

The Index moved higher in January 2017, largely due to positive sentiment arising from the new U.S. president's pro-growth policies. The positive sentiment continued with the FBM KLCI surpassing the psychological level of 1,700 points in mid-February. After some profit-taking activities towards the end of February, the Index rebounded and resumed its uptrend from March to mid-May, underpinned by strong buying interest from foreign investors. The FBM KLCI traded range-bound in late May on the back of softer global energy prices.

The market rose in early June amid sustained buying interest in selected blue chips but moved lower in late June on softer oil prices. In July, the Index remained in a tight trading range due to a lack of fresh catalysts to draw further buying interest from foreign investors. The FBM KLCI rose in August amid buying support for selected blue chips.

The Index continued its uptrend in early September before easing lower on the back of profit-taking activities. The Index fell in October as market sentiment was dampened by a lack of fresh catalysts and a sell-down in selected blue chips. The FBM KLCI closed at 1,747.92 points to register a gain of 4.51% for the financial year under review.



Bond Market and Money Market Review

Commencing the financial year under review, the domestic bond market traded in a cautious tone in November 2016 in tandem with a weaker Ringgit and higher U.S. Treasury yields as expectations of a Federal funds rate hike in December 2016 heightened. Aided by a rebound in crude oil prices, the domestic bond market staged a mild recovery in December, which was sustained through February 2017 alongside a firmer Ringgit and lower U.S. Treasury yields.

Buying interest in the domestic bond market eased towards the end of March following the release of the domestic inflation rate which touched a high of 4.5% in February. However, buying interest returned in April and was sustained through May on the back of a firmer Ringgit as well as the release of a better-than-expected economic growth of 5.6% for 1Q 2017 and a lower inflation rate of 4.4% for April.

Manager's Report

Domestic bond yields edged up in June in tandem with higher global bond yields following the announcement of the second U.S. interest rate hike for this year coupled with the hawkish comments made by selected major central banks. There were also growing concerns that the U.S. Federal Reserve may reduce its holdings of government and mortgage bonds (also known as balance sheet reduction).

Nevertheless, buying interest returned to the domestic bond market in August on firmer U.S. Treasuries, a broadly weaker U.S. Dollar as well as accelerating economic growth and lower inflation in Malaysia. The domestic bond market subsequently retreated following the Federal Open Market Committee (FOMC) meeting in September, where the Federal Reserve announced that it would start its balance sheet reduction program in October while affirming the likelihood of a 25 basis points (bps) rate hike in December.

Domestic bond yields inched up in October amid higher global bond yields and a stronger U.S. Dollar, driven by increased probability of a U.S. rate hike in December.

For the financial year under review, the yields of 3-year and 10-year MGS rose by 51 bps and 33 bps respectively to 3.45% and 3.94%. The Overnight Rate commenced the financial year under review at 2.92% and ranged between 2.90% to 3.00% over the 12-month period, before ending the financial year under review at 2.92%.

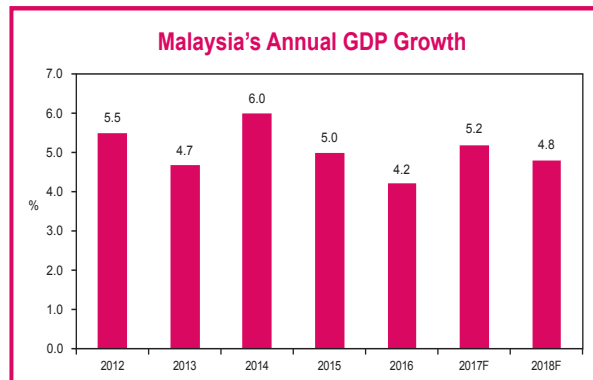
Economic Review

Malaysia's GDP growth gained pace from 4.2% in 2016 to 5.7% in 1H 2017 on the back of higher domestic demand and export growth. Growth in the services sector rose from 5.6% in 2016 to 6.1% in 1H 2017. Meanwhile, growth in manufacturing activities increased from 4.4% to 5.8% over the same period.

Malaysia's export growth accelerated to 22.2% in the first eight months of 2017 from 1.2% in 2016 due mainly to higher exports of electrical and electronic products. Import growth surged to 23.0% from 1.9% over the same period. Malaysia's cumulative trade surplus widened to RM60.8 billion in the first eight months of 2017 compared to RM52.5 billion for the corresponding period of the prior year. Due to capital inflows, Malaysia's foreign reserves rose to US\$101.2 billion as at end-September 2017 compared to US\$97.7 billion a year ago.

Malaysia's inflation rate climbed to 4.0% in the first nine months of 2017 from 2.1% in 2016 amid higher transportation costs arising from elevated fuel prices. Bank Negara Malaysia (BNM) maintained the Overnight Policy Rate (OPR) at 3.00% to support economic activities. Loans growth inched lower to 5.2% in the first nine months of 2017 from 5.3% in 2016 on the back of slower demand from the household sector.

Manager's Report



Source: Bloomberg

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 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 2.2% in the first three quarters of 2017 on the back of higher growth in 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 10 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 2.4% in 2018, driven by higher investment spending.

Manager's Report

In the Eurozone, economic growth is envisaged to ease from 2.2% in 2017 to 1.8% in 2018 on expectations of slower export growth.

On the domestic front, Malaysia's GDP growth is projected to ease from 5.2% in 2017 to 4.8% 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-October 2017, the local stock market was trading at a prospective P/E ratio of 16.6x, which was above its 10-year average of 16.4x. The market's dividend yield was 3.33%.

Given the above factors, the Fund will continue to rebalance its investment portfolio accordingly with the objective of seeking long-term capital appreciation by investing in a portfolio of securities from selected market sectors in the domestic market.

Notes: Q = Quarter

H = Half

Cross-Trade Transactions

Cross-trade transactions were undertaken by PSSF during portfolio rebalancing activities over the financial year under review.

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, PSSF has not received goods or services by way of soft commissions.

Statement Of Assets And Liabilities

As at 31 October 2017

	2017 MYR'000	2016 MYR'000
Assets		
Investments	468,828	458,145
Due from brokers/financial institutions, net	1,135	-
Other receivables	1,540	132
Deposits with financial institutions	82,566	82,042
Cash at bank	50	51
	554,119	540,370
Liabilities		
Due to brokers/financial institutions, net	11,459	2,362
Due to the Manager, net	1,355	238
Due to the Trustee	29	29
Other payables	40	43
Distribution payable	26,873	26,890
	39,756	29,562
Total net assets	514,363	510,808
Net asset value ("NAV") attributable to unitholders (Total equity)	514,363	510,808
Units in circulation (in '000)	1,791,531	1,792,691
NAV per unit, ex-distribution (in sen)	28.71	28.49

Statement Of Income And Expenditure

For the Financial Year Ended 31 October 2017

	2017 MYR'000	2016 MYR'000
Income		
Interest income	1,793	3,149
Distribution income	108	-
Dividend income	15,535	13,033
Net gain from investments	24,351	20,375
	41,787	36,557
Less: Expenses		
Trustee's fee	347	329
Management fee	8,654	8,234
Audit fee	7	7
Tax agent's fee	3	5
Brokerage fee	582	514
Administrative fees and expenses	51	59
	9,644	9,148
Net income before taxation	32,143	27,409
Taxation	(100)	(140)
Net income after taxation	32,043	27,269
Net income after taxation is made up as follows:		
Realised	20,719	28,300
Unrealised	11,324	(1,031)
	32,043	27,269
Final distribution for the financial year	26,873	26,890

Statement Of Changes In Net Asset Value

For the Financial Year Ended 31 October 2017

	Unitholders' capital MYR'000	Retained earnings MYR'000	Total MYR'000
As at 1 November 2015	406,457	57,238	463,695
Creation of units	55,980	-	55,980
Cancellation of units	(9,246)	-	(9,246)
Net income after taxation	-	27,269	27,269
Distribution	-	(26,890)	(26,890)
As at 31 October 2016	453,191	57,617	510,808
As at 1 November 2016	453,191	57,617	510,808
Creation of units	36,884	-	36,884
Cancellation of units	(38,499)	-	(38,499)
Net income after taxation	-	32,043	32,043
Distribution	-	(26,873)	(26,873)
As at 31 October 2017	451,576	62,787	514,363

Statement Of Cash Flows

For the Financial Year Ended 31 October 2017

	2017 MYR'000	2016 MYR'000
Cash flows from operating activities		
Proceeds from sale/redemption of investments	118,296	79,171
Purchase of investments	(97,973)	(116,786)
Capital distribution received	611	-
Maturity of deposits	13,558,696	22,193,609
Placement of deposits	(13,559,220)	(22,179,054)
Interest income received	1,907	3,161
Distribution income received	108	-
Net dividend income received	14,027	13,641
Trustee's fee paid	(347)	(327)
Management fee paid	(8,642)	(8,180)
Audit fee paid	(7)	(7)
Tax agent's fee paid	(3)	(5)
Taxation recovered	-	193
Payment of other fees and expenses	(54)	(63)
Net cash inflow/(outflow) from operating activities	27,399	(14,647)
Cash flows from financing activities		
Cash proceeds from units created	37,305	56,499
Cash paid on units cancelled	(37,815)	(9,246)
Distribution paid	(26,890)	(32,605)
Net cash (outflow)/inflow from financing activities	(27,400)	14,648
Net (decrease)/increase in cash and cash equivalents	(1)	1
Cash and cash equivalents at the beginning of the financial year	51	50
Cash and cash equivalents at the end of the financial year	50	51