

# Fund Information

## Fund Name

Public Australia Equity Fund (PAUEF)

## Fund Category

Equity

## Fund Investment Objective

To achieve capital growth over the medium to long-term period by investing in the Australian market with the balance invested in the New Zealand and domestic markets.

## Fund Performance Benchmark

The benchmark of the Fund is the S&P/ASX 200 Index.

## Fund Distribution Policy

Incidental

## Breakdown of Unitholdings of PAUEF as at 31 January 2018

Size of holdings	No. of unitholders	% of unitholders	No. of units held (million)
5,000 and below	1,026	5.90	3
5,001 to 10,000	1,999	11.50	14
10,001 to 50,000	8,057	46.36	210
50,001 to 500,000	6,077	34.96	751
500,001 and above	222	1.28	205
<b>Total</b>	<b>17,381</b>	<b>100.00</b>	<b>1,183</b>

*Note: Excluding Manager's Stock.*

## Fund Performance

### Average Total Return for the Following Years Ended 31 January 2018

	Average Total Return of PAUEF (%)
1 Year	2.12
3 Years	5.08
5 Years	4.68

## Fund Performance

For the Financial Period Ended 31 January 2018

### Annual Total Return for the Financial Years Ended 31 July

Year	2017	2016	2015	2014	2013
PAUEF (%)	13.33	4.27	-4.09	17.14	7.81

The calculation of the above returns is based on computation methods of Lipper.

Notes:

- Total return** of the Fund is derived by this formulae:

$$\left( \frac{\text{End of Period FY}_{\text{Current Year}} \text{ NAV per unit}}{\text{End of Period FY}_{\text{Previous Year}} \text{ NAV per unit}} \right) - 1$$

*(Adjusted for unit split and distribution paid out for the period)*

The above total return of the Fund was sourced from Lipper.

- Average total return is derived by this formulae:

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

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

### Other Performance Data for the Past Three Financial Periods Ended 31 January

	2018	2017	2016
<b>Unit Prices (MYR)</b>			
Highest NAV per unit for the period	0.2826	0.2858	0.2699
Lowest NAV per unit for the period	0.2627	0.2437	0.2377
<b>Net Asset Value (NAV) and Units in Circulation (UIC) as at the End of the Period</b>			
Total NAV (MYR'000)	325,069	278,811	228,520
UIC (in '000)	1,182,864	996,528	954,777
NAV per unit (MYR)	0.2748	0.2798	0.2393
<b>Total Return for the Period (%)</b>	<b>-2.14</b>	<b>8.59</b>	<b>-6.76</b>
Capital growth (%)	-3.41	7.57	-8.02
Income (%)	1.32	0.95	1.37
<b>Management Expense Ratio (%)</b>	<b>1.70</b>	<b>1.65</b>	<b>1.75</b>
<b>Portfolio Turnover Ratio (time)</b>	<b>0.13</b>	<b>0.32</b>	<b>0.21</b>

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 dropped to 0.13 time from 0.32 time in the previous financial period on account of lower level of rebalancing activities performed by the Fund during the period.

## Fund Performance

For the Financial Period Ended 31 January 2018

### Asset Allocation for the Past Three Financial Periods

	As at 31 January (Per Cent of Net Asset Value)		
	2018 %	2017 %	2016 %
<b>EQUITY SECURITIES</b>			
<b>Quoted</b>			
<b>Australia</b>			
Basic Materials	14.0	12.9	5.2
Communications	4.1	3.9	5.6
Consumer, Cyclical	4.7	1.3	-
Consumer, Non-cyclical	16.2	13.2	16.5
Energy	1.7	2.3	5.9
Financial	38.6	41.6	38.7
Industrial	5.7	2.4	3.4
Technology	2.4	1.5	2.2
Utilities	4.5	-	-
	91.9	79.1	77.5
<b>TOTAL QUOTED EQUITY SECURITIES</b>	<b>91.9</b>	<b>79.1</b>	<b>77.5</b>
<b>COLLECTIVE INVESTMENT FUNDS</b>			
<b>Quoted</b>			
<b>Australia</b>			
Financial	5.3	5.3	6.5
<b>TOTAL QUOTED COLLECTIVE INVESTMENT FUNDS</b>	<b>5.3</b>	<b>5.3</b>	<b>6.5</b>
<b>DEPOSITS WITH FINANCIAL INSTITUTIONS</b>	<b>3.0</b>	<b>6.1</b>	<b>11.7</b>
<b>OTHER ASSETS &amp; LIABILITIES</b>	<b>-0.2</b>	<b>9.5</b>	<b>4.3</b>

## Manager's Report

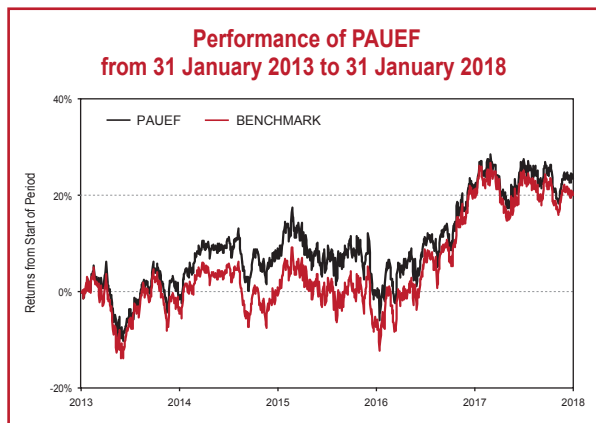
### Overview

This Interim Report covers the financial period from 1 August 2017 to 31 January 2018.

Public Australia Equity Fund (PAUEF or the Fund) seeks to achieve capital growth over the medium to long-term period by investing in the Australian market with the balance invested in the New Zealand and domestic markets.

For the financial period under review, the Fund registered a return of -2.14% as compared to its Benchmark's return of -2.88%. The Fund's equity portfolio registered a return of -1.29% while its money market portfolio registered a return of +1.53% during the financial period under review. A detailed performance attribution analysis is provided in the sections below.

For the five financial years ended 31 January 2018, the Fund registered a total cumulative return of +23.41% and outperformed the Benchmark's return of +20.11% over the same period.



The Benchmark of the Fund is the S&P/ASX 200 Index. The S&P/ASX 200 Index measures the performance of the 200 largest index-eligible stocks listed on the ASX by float-adjusted market capitalisation.

### Effect of Distribution Reinvestment on Portfolio Exposures

There were no distributions declared for the period ended 31 January 2018.

### Change in Portfolio Exposures from 31-Jul-17 to 31-Jan-18

	31-Jul-17	31-Jan-18	Change	Average Exposure
Equities & Related Securities	95.5%	97.2%	+1.7%	95.57%
Money Market	4.5%	2.8%	-1.7%	4.43%

## Manager's Report

### Returns Breakdown by Asset Class

	Returns On Investments	Market / Benchmark Returns	Benchmark Index Used	Average Exposure	Attributed Returns
Equities & Related Securities	-1.29%	-2.88%	S&P / ASX 200 Overnight Rate	95.57%	-1.23%
Money Market	1.53%	1.47%		4.43%	0.07%
less: Expenses					-0.98%
Total Net Return for the Period					-2.14%

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 -1.29% and outperformed the Benchmark's return of -2.88%. The Fund's equity portfolio outperformed the Benchmark as the Fund's selected holdings in the Utilities and Technology sectors outperformed the broader market during the financial period under review.

The Fund commenced the financial period under review with an equity exposure of 95.5% and this was maintained at above 90% over the financial period under review to capitalise on investment opportunities in the Australian equity market. The Fund ended the financial period under review with an equity exposure of 97.2%. Based on an average equity exposure of 95.57%, the equity portfolio is deemed to have registered a return of -1.23% to the Fund as a whole for the financial period 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 84.5% of the Net Asset Value (NAV) of the Fund and 86.9% of the Fund's equity portfolio. The weightings of the top 5 sectors are in the following order: Financial (43.9%), Consumer, Non-cyclical (16.2%), Basic Materials (14.0%), Industrial (5.7%) and Consumer, Cyclical (4.7%).

### Money Market Portfolio Review

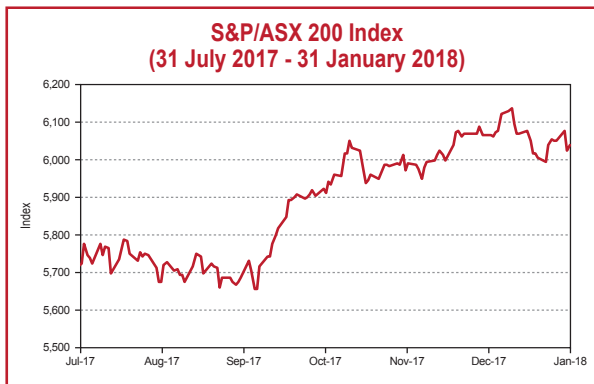
During the financial period under review, the Fund's money market portfolio, which was invested primarily in deposits, yielded a return of +1.53%. In comparison, the Bank Negara Weighted Average Overnight Interbank Rate (Overnight Rate) registered a return of +1.47% over the same period.

During the financial period under review, the Fund's exposure to money market investments decreased from 4.5% to 2.8% as funds were mobilised into equity investments. Based on an average exposure of 4.43%, the money market portfolio is estimated to have contributed +0.07% 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 5,720.59 points, the Australian equity market, as proxied by the Standard & Poor's/Australian Securities Exchange 200 (S&P/ASX 200) Index, staged a rally from mid-September 2017 to January 2018, led by the basic materials and energy sectors amid higher metal and oil prices. Stronger-than-expected economic data arising from improved business confidence and employment growth also helped to bolster the Index. The S&P/ASX 200 Index closed at 6,037.68 points to register a gain of 5.54% (-2.54% in Ringgit terms) for the financial period under review.

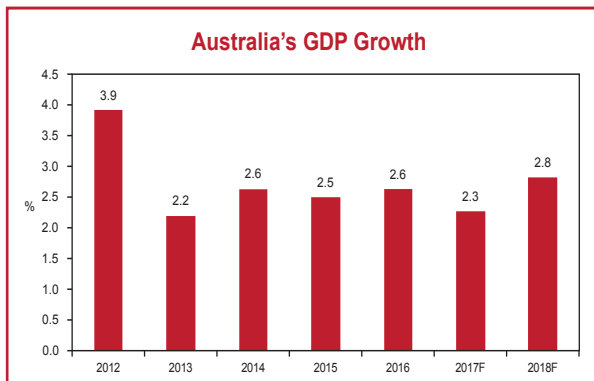


### Money Market Review

The Overnight Rate in Malaysia commenced the financial period under review at 2.99% and ended the financial period under review higher at 3.17%.

### Economic Review

Australia's GDP growth eased from 2.6% in 2016 to 2.2% in the first three quarters of 2017 due to moderating consumer spending and export growth. To support domestic demand, the Reserve Bank of Australia (RBA) maintained its cash rate at 1.50%.



Source: Bloomberg

## Manager's Report

Endowed with natural resources, Australia has been a major exporter of agricultural and mining commodities. Australia's export growth accelerated to 18.1% in the first 11 months of 2017 from 3.7% in 2016 on the back of higher commodity and non-commodity exports. Meanwhile, imports expanded by 7.3% compared to a contraction of 2.7% over the same period. Australia registered a cumulative trade surplus of A\$12.2 billion in the first 11 months of 2017 compared to a trade deficit of A\$19.0 billion for the corresponding period of the prior year.

The RBA commodity price index (in Australian Dollar terms) decreased to 129.4 points in December 2017 compared to 136.3 points as at end-December 2016.

Australia's house price index, which measures average house prices in eight major Australian cities, rose by 9.5% in the first three quarters of 2017 following an increase of 5.5% in 2016 as property prices in Sydney and Melbourne rose at a faster pace. Loans growth in Australia's banking system climbed to 5.9% in the first 11 months of 2017 from 5.7% in 2016 amid higher housing loans. Australia's unemployment rate declined to 5.5% in December 2017 from 5.8% in December 2016.

The RBA noted in its December 2017 meeting that inflation is expected to increase gradually as the economy strengthens. Driven by higher housing and transportation costs, Australia's inflation rate rose to 1.9% in 2017 from 1.3% in 2016.

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 3.1% 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.

### Outlook and Investment Strategy

Global and regional equity markets traded on a positive note in January 2018 amid an improved outlook for the global economy. However, concerns over inflationary pressures in the U.S. may result in volatile market conditions in the near term. Looking ahead, the performance of equity markets 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 2.6% in 2018, driven by higher investment spending on the back of tax reform measures.

## Manager's Report

In the Eurozone, economic growth is envisaged to ease from 2.5% in 2017 to 2.2% in 2018 on expectations of slower export growth.

Down under, Australia's economic growth is expected to rise from 2.3% in 2017 to 2.8% in 2018 due to higher investment spending. The financial and insurance services sector should maintain its current growth trajectory as low interest rates continue to underpin housing demand. After growing by 6.4% in 2016, household loans expanded by 6.9% in the first 11 months of 2017.

Going forward, the Australian central bank is expected to maintain a accommodative monetary policy following a cut of 25 basis points (bps) for its policy rate to 1.50% in August 2016. Meanwhile, Australia's inflation rate is projected to gain pace from 1.9% in 2017 to 2.2% in 2018.

At the closing level of 6,037.7 points as at 31 January 2018, the S&P/ASX 200 Index was trading at a prospective P/E ratio of 16.3x on 2018 earnings, which was above its 10-year average of 14.6x. Meanwhile, the Australian market's dividend yield is estimated at about 4.3%.

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 the Australian market with the balance invested in the New Zealand and domestic markets.

### 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, PAUEF 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 31 January 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 31 January 2018

	31.1.2018 MYR'000	31.7.2017 MYR'000
<b>Assets</b>		
Investments	316,009	325,578
Due from brokers/financial institutions, net	-	1,745
Other receivables	516	649
Deposits with financial institutions	9,656	13,819
Cash at banks	1,472	680
	327,653	342,471
<b>Liabilities</b>		
Due to brokers/financial institutions, net	1,093	-
Due to the Manager, net	1,425	1,549
Due to the Trustee	18	18
Other payables	48	70
Distribution payable	-	14,005
	2,584	15,642
<b>Total net assets</b>	325,069	326,829
<b>Net asset value ("NAV") attributable to unitholders (Total equity)</b>	325,069	326,829
<b>Units in circulation (in '000)</b>	1,182,864	1,167,118
<b>NAV per unit (in sen)</b>	27.48	28.00

## Extracts Of Financial Statements (cont'd)

### Statement of Income and Expenditure

For the Financial Period Ended 31 January 2018

	1.8.2017 to 31.1.2018 MYR'000	1.8.2016 to 31.1.2017 MYR'000
<b>Income</b>		
Interest income	171	152
Dividend income	7,200	4,880
Net (loss)/gain from investments	(9,902)	18,592
Net realised/unrealised foreign exchange (loss)/gain	(430)	1,504
	(2,961)	25,128
<b>Less: Expenses</b>		
Trustee's fee	107	83
Management fee	2,873	2,149
Audit fee	3	3
Tax agent's fee	1	1
Brokerage fee	223	431
Administrative fees and expenses	50	51
	3,257	2,718
<b>Net (loss)/income before taxation</b>	(6,218)	22,410
<b>Taxation</b>	(101)	(89)
<b>Net (loss)/income after taxation</b>	(6,319)	22,321
<b>Net (loss)/income after taxation is made up as follows:</b>		
Realised	5,703	2,535
Unrealised	(12,022)	19,786
	(6,319)	22,321

## Extracts Of Financial Statements (cont'd)

### Statement of Changes in Net Asset Value

For the Financial Period Ended 31 January 2018

	Unitholders' capital MYR'000	Retained earnings MYR'000	Total MYR'000
As at 1 August 2016	221,166	22,802	243,968
Creation of units	37,784	-	37,784
Cancellation of units	(25,262)	-	(25,262)
Net income after taxation	-	22,321	22,321
As at 31 January 2017	233,688	45,123	278,811
As at 1 August 2017	281,400	45,429	326,829
Creation of units	31,290	-	31,290
Cancellation of units	(26,731)	-	(26,731)
Net loss after taxation	-	(6,319)	(6,319)
As at 31 January 2018	285,959	39,110	325,069

## Extracts Of Financial Statements (cont'd)

### Statement of Cash Flows

For the Financial Period Ended 31 January 2018

	1.8.2017 to 31.1.2018 MYR'000	1.8.2016 to 31.1.2017 MYR'000
<b>Cash flows from operating activities</b>		
Proceeds from sale of investments	43,831	95,837
Purchase of investments	(41,624)	(70,206)
Maturity of deposits	1,395,542	1,199,926
Placement of deposits	(1,391,379)	(1,208,631)
Interest income received	170	153
Net dividend income received	7,065	5,041
Trustee's fee paid	(107)	(82)
Management fee paid	(2,885)	(2,109)
Audit fee paid	(4)	(4)
Payment of other fees and expenses	(69)	(44)
<b>Net cash inflow from operating activities</b>	<b>10,540</b>	<b>19,881</b>
<b>Cash flows from financing activities</b>		
Cash proceeds from units created	32,234	36,729
Cash paid on units cancelled	(27,787)	(29,404)
Distribution paid	(14,005)	(9,469)
<b>Net cash outflow from financing activities</b>	<b>(9,558)</b>	<b>(2,144)</b>
<b>Net increase in cash and cash equivalents</b>	<b>982</b>	<b>17,737</b>
<b>Effect of change in foreign exchange rates</b>	<b>(190)</b>	<b>1,560</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>	<b>680</b>	<b>6,470</b>
<b>Cash and cash equivalents at the end of the financial period</b>	<b>1,472</b>	<b>25,767</b>