

Fund Information

Fund Name

Public Focus Select Fund (PFSF)

Fund Category

Equity

Fund Investment Objective

To achieve capital growth through investments in medium and small-sized companies in terms of market capitalisation from diversified economic sectors.

Fund Performance Benchmark

The benchmark of the Fund is the FTSE Bursa Malaysia Mid 70 Index.

The PFSF is not in any way sponsored, endorsed, sold or promoted by FTSE International Limited ("FTSE") or by Bursa Malaysia Berhad ("BURSA MALAYSIA") or by the London Stock Exchange Group companies (the "LSEG") and neither FTSE nor BURSA MALAYSIA nor LSEG makes any warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the FTSE BURSA MALAYSIA MID 70 INDEX ("the Index"), and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The Index is compiled and calculated by FTSE. However, neither FTSE nor BURSA MALAYSIA nor LSEG shall be liable (whether in negligence or otherwise) to any person for any error in the Index and neither FTSE nor BURSA MALAYSIA nor LSEG shall be under any obligation to advise any person of any error therein.

"FTSE®", "FT-SE®" and "Footsie®" are trade marks of LSEG and are used by FTSE under licence. "BURSA MALAYSIA" is a trade mark of BURSA MALAYSIA.

Fund Distribution Policy

Incidental

Breakdown of Unitholdings of PFSF as at 31 December 2017

Size of holdings	No. of unitholders	% of unitholders	No. of units held (million)
5,000 and below	1,873	4.65	7
5,001 to 10,000	3,502	8.68	26
10,001 to 50,000	19,710	48.88	518
50,001 to 500,000	14,914	36.98	1,796
500,001 and above	326	0.81	279
Total	40,325	100.00	2,626

Note: Excluding Manager's Stock.

Fund Performance

Average Total Return for the Following Years Ended 31 December 2017

	Average Total Return of PFSF (%)
1 Year	14.69
3 Years	6.62
5 Years	5.55

Fund Performance

For the Financial Year Ended 31 December 2017

Annual Total Return for the Financial Years Ended 31 December

Year	2017	2016	2015	2014	2013
PFSF (%)	14.69	-1.69	6.30	-0.07	6.65

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 December

	2017	2016	2015
Unit Prices (MYR)*			
Highest NAV per unit for the year	0.2950	0.2725	0.2806
Lowest NAV per unit for the year	0.2579	0.2584	0.2507
Net Asset Value (NAV) and Units in Circulation (UIC) as at the End of the Year			
Total NAV (MYR'000)	761,504	747,247	785,326
UIC (in '000)	2,625,927	2,905,167	2,943,012
NAV per unit (MYR)	0.2900	0.2572	0.2668
Total Return for the Year (%)	14.69	-1.69	6.30
Capital growth (%)	13.51	-2.75	4.48
Income (%)	1.04	1.09	1.74
Management Expense Ratio (%)	1.57	1.57	1.57
Portfolio Turnover Ratio (time)	0.24	0.23	0.19

* 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 December 2017

Distribution and Unit Split

Financial year	2017	2016	2015
Date of distribution	29.12.17	30.12.16	31.12.15
Distribution per unit			
Gross (sen)	0.50	0.50	1.00
Net (sen)	0.50	0.50	1.00
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	29.50	26.22	27.68
Less: Net distribution per unit	(0.50)	(0.50)	(1.00)
Net asset value after distribution	29.00	25.72	26.68

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 December (Per Cent of Net Asset Value)		
	2017 %	2016 %	2015 %
EQUITY SECURITIES			
Quoted			
Malaysia			
Ordinary Shares			
Basic Materials	3.5	-	-
Communications	6.4	6.5	5.5
Consumer, Cyclical	5.8	4.8	5.9
Consumer, Non-cyclical	16.1	17.6	22.6
Diversified	1.6	6.6	7.6
Energy	10.3	7.1	3.8
Financial	18.6	16.0	12.4
Industrial	26.8	25.3	23.0
Technology	3.9	1.0	0.7
Utilities	0.2	-	-
	93.2	84.9	81.5
Preference Shares			
Financial	0.3	0.3	-
Outside Malaysia			
Hong Kong			
Financial	-	0.5	0.5
Industrial	0.3	0.6	1.2
Utilities	-	-	0.6
	0.3	1.1	2.3

Fund Performance

For the Financial Year Ended 31 December 2017

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

	As at 31 December (Per Cent of Net Asset Value)		
	2017 %	2016 %	2015 %
Korea			
Consumer, Cyclical	-	0.6	1.0
Singapore			
Consumer, Non-cyclical	0.3	1.4	1.1
Thailand			
Consumer, Non-cyclical	-	-	0.5
TOTAL QUOTED EQUITY SECURITIES	94.1	88.3	86.4
COLLECTIVE INVESTMENT FUNDS			
Quoted			
Malaysia			
Financial	1.4	2.2	6.2
Outside Malaysia			
Singapore			
Financial	-	0.6	-
TOTAL QUOTED COLLECTIVE INVESTMENT FUNDS	1.4	2.8	6.2
WARRANTS			
Quoted			
Malaysia			
Warrants	0.1	-	0.1
TOTAL QUOTED WARRANTS	0.1	-	0.1
COLLECTIVE INVESTMENT SCHEMES			
Unquoted			
Funds	1.0	-	-
TOTAL UNQUOTED COLLECTIVE INVESTMENT SCHEMES	1.0	-	-
DEPOSITS WITH FINANCIAL INSTITUTIONS	3.6	8.7	5.5
OTHER ASSETS & LIABILITIES	-0.2	0.2	1.8

Statement Of Distribution Of Returns

For the Financial Year Ended 31 December 2017

	Sen Per Unit
Gross Distribution	0.5000
Net Distribution	0.5000
Total Returns	3.7800

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

	Before Distribution	After Distribution
NAV per unit (MYR)	0.2950	0.2900

Manager's Report

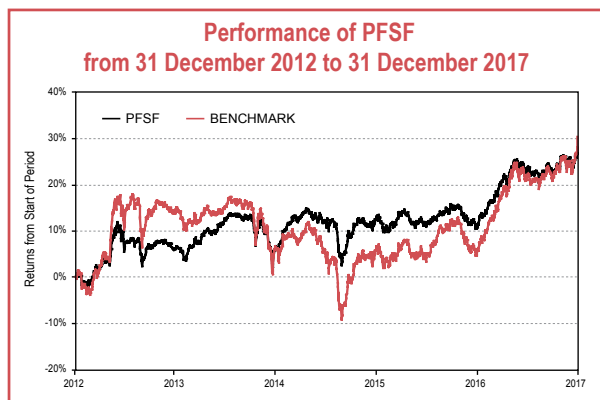
Overview

This Annual Report covers the financial year from 1 January 2017 to 31 December 2017.

Public Focus Select Fund (PFSF or the Fund) aims to achieve capital growth through investments in medium and small-sized companies in terms of market capitalisation from diversified economic sectors.

For the financial year under review, the Fund registered a return of +14.69% as compared to its Benchmark's return of +23.40%. The Fund's equity portfolio registered a return of +17.53% while its money market portfolio registered a return of +3.05% during the financial year under review. A detailed performance attribution analysis is provided in the sections below.

For the five financial years ended 31 December 2017, the Fund registered a total return of +27.74% as compared to its Benchmark's return of +30.41% over the same period. Consequently, it is the opinion of the Manager that the Fund has met its objective to achieve capital growth over the said period.



The Fund's Benchmark is the FTSE Bursa Malaysia Mid 70 Index which comprises the remaining 70 companies in the FTSE Bursa Malaysia EMAS Index ranked by full market capitalisation, excluding the 30 members in the FTSE Bursa Malaysia KLCI (FBM KLCI).

Income Distribution and Impact on NAV Arising from Distribution

The gross distribution of 0.50 sen per unit (net distribution of 0.50 sen per unit) for the financial year ended 31 December 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 RM0.2900 from RM0.2950 after distribution.

Effect of Distribution Reinvestment on Portfolio Exposures

	31-Dec-17	
	Before Distribution Reinvestment*	After Distribution Reinvestment*
Equities & Related Securities	95.6%	94.0%
Money Market	4.4%	6.0%

* Assumes full reinvestment.

Public Focus Select Fund

Manager's Report

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

	31-Dec-16	31-Dec-17	Change	Average Exposure
Equities & Related Securities	89.4%	94.0%	+4.6%	92.91%
Money Market	10.6%	6.0%	-4.6%	7.09%

Returns Breakdown by Asset Class

	Returns On Investments	Market / Benchmark Returns	Benchmark Index Used	Average Exposure	Attributed Returns
Equities & Related Securities	17.53%	23.40%	FBM 70 Overnight Rate	92.91%	16.28%
Money Market	3.05%	2.97%		7.09%	0.22%
less: Expenses					-1.81%
Total Net Return for the Year					14.69%
FBM 70	= FTSE Bursa Malaysia Mid 70 Index				
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 +17.53% as compared to the Benchmark's return of +23.40%. The Fund's equity portfolio registered a positive return which was lower than the Benchmark's return as the Benchmark was lifted by the rise in lower-liner stocks which the Fund does not focus on.

The Fund commenced the financial year under review with an equity exposure of 89.4% and gradually increased its equity exposure over the review period to 94.0% at the end of the financial year under review to capitalise on investment opportunities in the domestic and regional markets. Based on an average equity exposure of 92.91%, the Fund's equity portfolio is deemed to have registered a return of +16.28% 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.

Sector Allocation

In terms of sector allocation within the equity portfolio, the top 5 sectors accounted for 79.9% of the NAV of the Fund and 83.6% of the Fund's equity portfolio. The weightings of the top 5 sectors in Malaysia (unless otherwise stated) are in the following order: Industrial (26.8%), Financial (20.3%), Consumer, Non-cyclical (16.1%), Energy (10.3%) and Communications (6.4%).

Public Focus Select Fund

Manager's Report

Money Market Portfolio Review

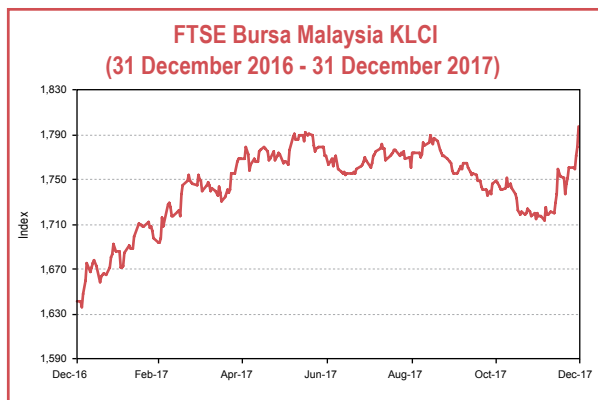
During the financial year under review, the Fund's money market portfolio, which was invested primarily in deposits, yielded a return of +3.05%. In comparison, the Bank Negara Weighted Average Overnight Interbank Rate (Overnight Rate) registered a return of +2.97% over the same period.

During the financial year under review, the Fund's exposure to money market investments was reduced from 10.6% to 6.0% as funds were mobilised into equity investments. Based on an average exposure of 7.09%, the money market portfolio is estimated to have contributed +0.22% to the Fund's overall return for the financial year under review.

Stock Market Review

Starting the financial year under review at 1,641.73 points, the FBM KLCI moved higher in January 2017 in tandem with firmer regional currencies and stable oil prices. The Index continued to strengthen until April 2017, largely due to positive sentiment arising from the new U.S. president's pro-growth policies. The Index traded range-bound in May 2017 on the back of softer global energy prices.

The market edged higher in early June 2017 amid sustained buying interest in selected blue chips before moving lower in mid-July 2017 due to softer oil prices and a lack of fresh leads. After rising in early September 2017 amid buying support for selected blue chips, the Index retraced in November 2017 as market sentiment was dampened by a lack of fresh catalysts and a sell-down in selected blue chips. The Index rebounded in December 2017 in tandem with firmer oil prices. The FBM KLCI closed at the year's high of 1,796.81 points to register a gain of 9.45% 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 FEExJ) Index, commenced the financial year under review at 483.68 points. The MSCI FEExJ Index started 2017 on a strong note, supported by the strengthening of regional currencies against the U.S. Dollar and better economic data from China. Driven by improving liquidity conditions in China, an improving global economic outlook as well as robust corporate earnings, the Index strengthened in 2017. The MSCI FEExJ Index closed at 672.44 points to register a gain of 39.03% (+25.42% in Ringgit terms) for the financial year under review.

Public Focus Select Fund

Manager's Report

Regional markets, namely the Korea, Hong Kong and Singapore markets registered returns of +24.63%, +21.68% and +15.20% (in Ringgit terms) respectively for the financial year under review.

Money Market Review

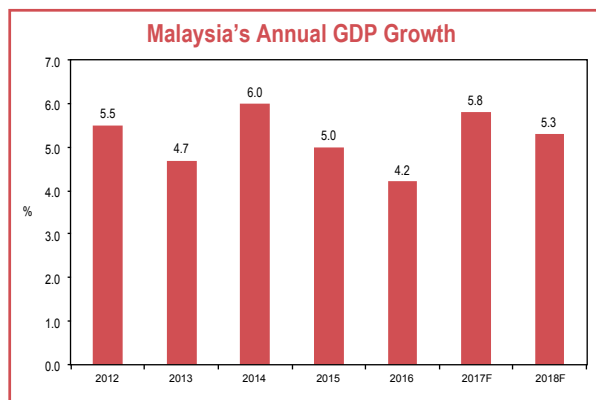
The Overnight Rate commenced the financial year under review at 3.00% and ranged between 2.90% and 3.00% over the 12-month period, before ending the financial year under review at 2.91%.

Economic Review

Malaysia's GDP growth gained pace from 4.2% in 2016 to 5.9% in the first three quarters of 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 the first three quarters of 2017. Meanwhile, growth in manufacturing activities increased from 4.4% to 6.2% over the same period.

Malaysia's export growth accelerated to 21.1% in the first ten months of 2017 from 1.2% in 2016 due mainly to higher exports of electrical and electronic products. Import growth surged to 21.9% from 1.9% over the same period. Malaysia's cumulative trade surplus widened to RM80.2 billion in the first ten months of 2017 compared to RM70.1 billion for the corresponding period of the prior year. Due to capital inflows, Malaysia's foreign reserves rose to US\$101.9 billion as at end-November 2017 compared to US\$96.4 billion a year ago.

Malaysia's inflation rate climbed to 3.9% in the first 11 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 eased to 3.9% in the first 11 months of 2017 from 5.3% in 2016 on the back of slower demand from the household sector.



Source: Bloomberg

On the regional front, Singapore's GDP growth increased from 2.0% in 2016 to 3.5% in the first three quarters of 2017 due to higher output from the manufacturing and services sectors.

Public Focus Select Fund

Manager's Report

In North Asia, China's GDP growth expanded from 6.7% in 2016 to 6.9% in the first three quarters of 2017, driven by firmer growth in the industrial sector. Hong Kong's GDP growth gained pace from 2.0% in 2016 to 3.9% in the first three quarters of 2017 due to higher consumer spending and export growth.

Driven by higher investment spending and export growth, South Korea's GDP growth rose to 3.1% in the first three quarters of 2017 from 2.8% in 2016.

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 3.2% 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 2.8% compared to a decline of 0.3% over the same period. At the Federal Open Market Committee (FOMC) meeting on 12 - 13 December 2017, the Federal Reserve raised the Federal funds rate target range by 25 basis points (bps) from 1.00%-1.25% to 1.25%-1.50%.

Eurozone GDP growth gained pace from 1.8% in 2016 to 2.3% in the first three quarters of 2017 on the back of higher exports. At its monetary policy meeting on 14 December 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 at least September 2018. 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

Global and regional equity markets trended higher in 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 2.3% in 2017 to 2.6% in 2018, driven by higher investment spending on the back of tax reform measures.

In the Eurozone, economic growth is envisaged to ease from 2.3% in 2017 to 2.1% in 2018 on expectations of slower export growth.

In North Asia, China's GDP growth is estimated to moderate from 6.8% 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 2.3% in 2018.

Hong Kong's GDP growth is expected to ease from 3.7% in 2017 to 2.9% 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.

Manager's Report

South Korea's GDP growth is anticipated to inch lower from 3.1% in 2017 to 3.0% in 2018 as investment spending eases.

In South-East Asia, Singapore's GDP growth is estimated to moderate from 3.3% in 2017 to 2.8% in 2018 on expectations of slower export growth.

On the domestic front, Malaysia's GDP growth is projected to ease from 5.8% 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-December 2017, the local stock market was trading at a prospective P/E ratio of 16.8x, which was above its 10-year average of 16.4x. The market's dividend yield was 3.18%.

Among the regional markets, South-East Asian markets were trading at premiums while North Asian markets were generally 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 accordingly with the objective of achieving capital growth through investments in medium and small-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 year under review, PFSF 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 December 2017

	2017 MYR'000	2016 MYR'000
Assets		
Investments	735,576	681,051
Due from brokers/financial institutions, net	2,993	-
Other receivables	651	568
Deposits with financial institutions	27,376	64,798
Cash at banks	10,325	24,736
	776,921	771,153
Liabilities		
Due to brokers/financial institutions, net	-	8,629
Due to the Manager, net	2,158	648
Due to the Trustee	41	41
Other payables	88	62
Distribution payable	13,130	14,526
	15,417	23,906
Total net assets	761,504	747,247
Net asset value ("NAV") attributable to unitholders (Total equity)	761,504	747,247
Units in circulation (in '000)	2,625,927	2,905,167
NAV per unit, ex-distribution (in sen)	29.00	25.72

Statement Of Income And Expenditure

For the Financial Year Ended 31 December 2017

	2017 MYR'000	2016 MYR'000
Income		
Interest income	1,036	2,164
Distribution income	152	-
Dividend income	20,037	19,371
Net gain/(loss) from investments	101,991	(21,336)
Net realised/unrealised foreign exchange (loss)/gain	(1,436)	996
	121,780	1,195
Less: Expenses		
Trustee's fee	502	505
Management fee	12,538	12,628
Audit fee	7	7
Tax agent's fee	3	3
Brokerage fee	1,155	963
Administrative fees and expenses	84	107
	14,289	14,213
Net income/(loss) before taxation	107,491	(13,018)
Taxation	(93)	(237)
Net income/(loss) after taxation	107,398	(13,255)
Net income/(loss) after taxation is made up as follows:		
Realised	3,704	18,159
Unrealised	103,694	(31,414)
	107,398	(13,255)
Final distribution for the financial year	13,130	14,526

Statement Of Changes In Net Asset Value

For the Financial Year Ended 31 December 2017

	Unitholders' capital MYR'000	Retained earnings MYR'000	Total MYR'000
As at 1 January 2016	741,015	44,311	785,326
Creation of units	39,640	-	39,640
Cancellation of units	(49,938)	-	(49,938)
Net loss after taxation	-	(13,255)	(13,255)
Distribution	-	(14,526)	(14,526)
As at 31 December 2016	730,717	16,530	747,247
As at 1 January 2017	730,717	16,530	747,247
Creation of units	19,178	-	19,178
Cancellation of units	(99,189)	-	(99,189)
Net income after taxation	-	107,398	107,398
Distribution	-	(13,130)	(13,130)
As at 31 December 2017	650,706	110,798	761,504

Statement Of Cash Flows

For the Financial Year Ended 31 December 2017

	2017 MYR'000	2016 MYR'000
Cash flows from operating activities		
Proceeds from sale of investments	215,883	193,472
Purchase of investments	(180,223)	(156,165)
Subscription of rights	(1,435)	(4,181)
Capital distribution received	472	-
Maturity of deposits	8,331,605	16,208,226
Placement of deposits	(8,294,183)	(16,230,002)
Interest income received	1,040	2,155
Distribution income received	152	-
Net dividend income received	19,860	19,028
Trustee's fee paid	(502)	(507)
Management fee paid	(12,541)	(12,678)
Audit fee paid	(7)	(7)
Tax agent's fee paid	(3)	(3)
Payment of other fees and expenses	(58)	(110)
Net cash inflow from operating activities	80,060	19,228
Cash flows from financing activities		
Cash proceeds from units created	19,728	40,829
Cash paid on units cancelled	(98,226)	(49,770)
Distribution paid	(14,526)	(29,430)
Net cash outflow from financing activities	(93,024)	(38,371)
Net decrease in cash and cash equivalents	(12,964)	(19,143)
Effect of change in foreign exchange rates	(1,447)	1,089
Cash and cash equivalents at the beginning of the financial year	24,736	42,790
Cash and cash equivalents at the end of the financial year	10,325	24,736