

# Fund Information

## Fund Name

Public Emerging Opportunities Fund (PEMOF)

## Fund Category

Equity

## Fund Investment Objective

To achieve capital growth through investments in companies with mid and small market capitalisation.

## Fund Performance Benchmark

The benchmarks of the Fund and their respective percentages are 60% FTSE Bursa Malaysia Mid 70 Index, 30% 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 PEMOF as at 31 July 2018

Size of holdings	No. of unitholders	% of unitholders	No. of units held (million)
5,000 and below	524	10.91	2
5,001 to 10,000	561	11.67	4
10,001 to 50,000	2,517	52.37	62
50,001 to 500,000	1,167	24.28	143
500,001 and above	37	0.77	35
<b>Total</b>	<b>4,806</b>	<b>100.00</b>	<b>246</b>

*Note: Excluding Manager's Stock.*

## Fund Performance

### Average Total Return for the Following Year Ended 31 July 2018

	Average Total Return of PEMOF (%)
1 Year	0.07

## Fund Performance

For the Financial Period Ended 31 July 2018

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

Year	2018	2017
PEMOF (%)	13.60	1.80*

\* The figure shown is for period since Fund commencement (19 April 2016).

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 Two Financial Periods Ended 31 July

	2018	2017
<b>Unit Prices (MYR)</b>		
Highest NAV per unit for the period	0.2893	0.2830
Lowest NAV per unit for the period	0.2657	0.2554
<b>Net Asset Value (NAV) and Units in Circulation (UIC) as at the End of the Period</b>		
Total NAV (MYR'000)	68,740	69,073
UIC (in '000)	246,531	247,906
NAV per unit (MYR)	0.2788	0.2786
<b>Total Return for the Period (%)</b>	<b>-3.56</b>	<b>9.47</b>
Capital growth (%)	-4.04	9.08
Income (%)	0.50	0.36
<b>Management Expense Ratio (%)</b>	<b>1.70</b>	<b>1.75</b>
<b>Portfolio Turnover Ratio (time)</b>	<b>0.09</b>	<b>0.24</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 0.09 time from 0.24 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 July 2018

### Asset Allocation for the Past Two Financial Periods

	As at 31 July (Percent of NAV)	
	2018 %	2017 %
<b>EQUITY SECURITIES</b>		
<b>Quoted</b>		
Malaysia		
Basic Materials	2.9	1.7
Communications	2.1	5.0
Consumer, Cyclical	5.4	6.7
Consumer, Non-cyclical	12.0	9.1
Diversified	2.8	3.9
Energy	5.6	5.0
Financial	12.4	13.9
Industrial	27.9	26.0
Technology	5.5	4.2
Utilities	-	0.6
<b>TOTAL QUOTED EQUITY SECURITIES</b>	<b>76.6</b>	<b>76.1</b>
<b>COLLECTIVE INVESTMENT FUNDS</b>		
<b>Quoted</b>		
Financial	0.7	0.7
<b>TOTAL QUOTED COLLECTIVE INVESTMENT FUNDS</b>	<b>0.7</b>	<b>0.7</b>
<b>DEPOSITS WITH FINANCIAL INSTITUTIONS</b>	<b>23.5</b>	<b>23.5</b>
<b>OTHER ASSETS &amp; LIABILITIES</b>	<b>-0.8</b>	<b>-0.3</b>

## Manager's Report

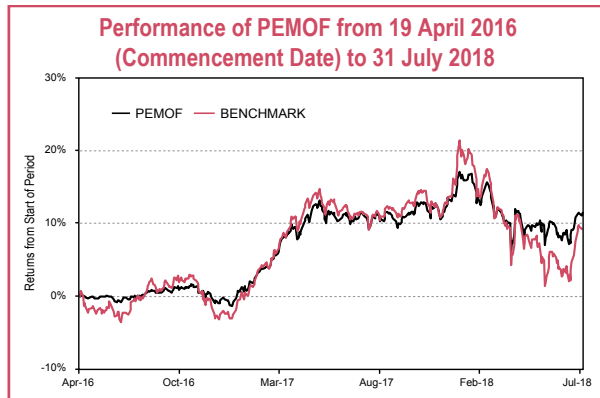
### Overview

This Interim Report covers the financial period from 1 February 2018 to 31 July 2018.

Public Emerging Opportunities Fund (PEMOF or the Fund) aims to achieve capital growth through investments in companies with mid and small market capitalisation.

For the financial period under review, the Fund registered a return of -3.56% as compared to its Benchmark's return of -7.38%. The Fund's equity portfolio registered a return of -3.95% while its money market portfolio registered a return of +1.63% during the financial period under review. A detailed performance attribution analysis is provided in the sections below.

From its commencement on 19 April 2016 (being the last day of the initial offer period) to 31 July 2018, the Fund registered a return of +11.52% and outperformed its Benchmark's return of +9.32% over the same period.



The Fund's Benchmark is a composite index of 60% FTSE Bursa Malaysia Mid 70 Index, 30% FTSE Bursa Malaysia Small Cap Index 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 31 July 2018.

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

	31-Jan-18	31-Jul-18	Change	Average Exposure
Equities & Related Securities	76.4%	77.3%	+0.9%	76.31%
Money Market	23.6%	22.7%	-0.9%	23.69%

## Manager's Report

### Returns Breakdown by Asset Class

	Returns On Investments	Market / Benchmark Returns	Benchmark Index Used	Average Exposure	Attributed Returns
Equities & Related Securities	-3.95%	-8.40%	Equity Benchmark Overnight Rate	76.31%	-3.01%
Money Market	1.63%	1.58%		23.69%	0.38%
less: Expenses					-0.93%
Total Net Return for the Period					-3.56%

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 -3.95% as compared to the equity Benchmark's return of -8.40%. The Fund's equity portfolio outperformed the equity Benchmark as its selected holdings within the Consumer, Industrial 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 76.4% and its equity weight declined to below 75% in March 2018 as the Fund locked in profits on selected equity investments. The Fund subsequently increased its equity exposure to capitalise on investment opportunities in the domestic market and ended the financial period under review with an equity exposure of 77.3%. Based on an average equity exposure of 76.31%, the Fund's equity portfolio is deemed to have registered a return of -3.01% 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 64.1% of the Net Asset Value (NAV) of the Fund and 82.9% of the Fund's equity portfolio. The weightings of the top 5 sectors in Malaysia (unless otherwise indicated) are in the following order: Industrial (27.9%), Financial (13.1%), Consumer, Non-Cyclical (12.0%), Energy (5.6%) and Technology (5.5%).

### Money Market Portfolio Review

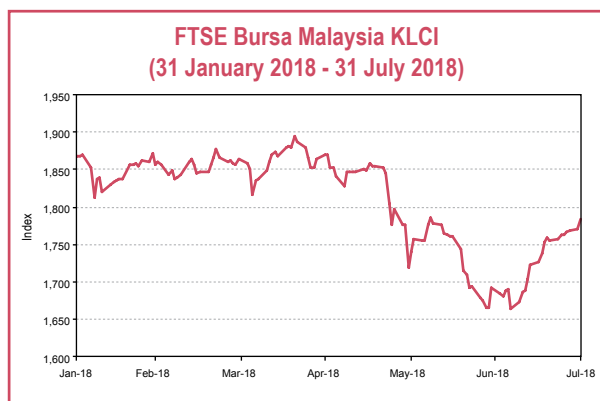
During the financial period under review, the Fund's money market portfolio, which was invested primarily in deposits, yielded a return of +1.63%. In comparison, the Bank Negara Weighted Average Overnight Interbank Rate (Overnight Rate) registered a return of +1.58% over the same period.

During the financial period under review, the Fund's exposure to money market investments decreased from 23.6% to 22.7% as funds were mobilised into equity investments. Based on an average exposure of 23.69%, the money market portfolio is estimated to have contributed +0.38% 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 1,868.58 points, the FTSE Bursa Malaysia KLCI (FBM KLCI) fell in February 2018 in tandem with the 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 ahead of 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 posted a strong rebound in July 2018 amid renewed buying interest and closed at 1,784.25 points to register a decline of 4.51% for the financial period under review.



### Money Market Review

The Overnight Rate commenced the financial period under review at 3.17% and ended the financial period under review higher at 3.24%.

### 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 6.9% in the first five 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 1.3% 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 RM54.5 billion in the first five months of 2018 compared to RM33.0 billion in the corresponding period of the prior year. Due to capital inflows, Malaysia's foreign reserves increased to US\$104.7 billion as at end-June 2018 compared to US\$98.9 billion a year ago.

## Manager's Report

Malaysia's inflation rate slowed to 1.6% in 1H 2018 from 3.7% in 2017 amid moderating food prices and transportation costs. 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% on the back of resilient economic growth. Loans growth climbed to 5.0% in 1H 2018 from 4.1% in 2017 due to higher demand from the household sector.

The Ministry of Finance (MOF) announced a new Sales and Services Tax (SST) effective 1 September 2018. The sales tax is set at two rates of 5% and 10% for selected manufactured and imported products while the services tax is fixed at 6% for selected services. The MOF projects the SST to bring in revenues amounting to RM4.0 billion for 4Q 2018.

Led by higher investment spending and export growth, U.S. GDP growth rose from 2.2% in 2017 to 2.7% in 1H 2018. Investment spending increased from 4.8% in 2017 to 5.4% in 1H 2018 due to higher non-residential investment. Likewise, export growth expanded from 3.0% to 5.0% 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 2.5% in 2017 to 2.3% in 1H 2018 amid slower economic growth in France. At its monetary policy meeting on 26 July 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 a monthly pace of €30 billion until end-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 that 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. Fund outflows from emerging markets to developed markets were seen in 2Q 2018 on the back of weaker local currencies. However, selected equity markets closed the month of July on a positive note as foreign selling subsided. 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 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 strengthen from 2.2% 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 2.5% in 2017 to 2.2% in 2018 on expectations of a moderation in consumer and investment spending.

## Manager's Report

On the domestic front, Malaysia's GDP growth is estimated 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-July 2018, the local stock market was trading at a prospective P/E ratio of 17.1x, which was above its 10-year average of 16.5x. The market's dividend yield was 3.18%.

Given the above factors, the Fund will continue to rebalance its investment portfolio accordingly with the objective of achieving capital growth through investments in companies with mid and small market capitalisation.

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

## Extracts Of Financial Statements

The following pages are extracts of the audited financial statements of the Fund for the financial period ended 31 July 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 July 2018

	31.7.2018 MYR'000	31.1.2018 MYR'000
<b>Assets</b>		
Investments	53,104	54,668
Due from the Manager, net	-	43
Other receivables	32	38
Deposits with financial institutions	16,158	17,165
Cash at banks	91	59
	69,385	71,973
<b>Liabilities</b>		
Due to brokers/financial institutions, net	429	390
Due to the Manager, net	203	-
Due to the Trustee	3	4
Other payables	10	23
	645	417
<b>Total net assets</b>	68,740	71,556
<b>Net asset value ("NAV") attributable to unitholders (Total equity)</b>	68,740	71,556
<b>Units in circulation (in '000)</b>	246,531	247,552
<b>NAV per unit (in sen)</b>	27.88	28.91

## Extracts Of Financial Statements (cont'd)

### Statement of Income and Expenditure

For the Financial Period Ended 31 July 2018

	1.2.2018 to 31.7.2018 MYR'000	1.2.2017 to 31.7.2017 MYR'000
<b>Income</b>		
Interest income	254	199
Distribution income	13	17
Dividend income	668	550
Net (loss)/gain from investments	(2,801)	3,994
	(1,866)	4,760
<b>Less: Expenses</b>		
Trustee's fee	21	17
Management fee	566	477
Audit fee	3	3
Tax agent's fee	1	1
Brokerage fee	36	96
Administrative fees and expenses	4	7
	631	601
<b>Net (loss)/income before taxation</b>	(2,497)	4,159
<b>Taxation</b>	(1)	(2)
<b>Net (loss)/income after taxation</b>	(2,498)	4,157
<b>Net (loss)/income after taxation is made up as follows:</b>		
Realised	96	199
Unrealised	(2,594)	3,958
	(2,498)	4,157

## Extracts Of Financial Statements (cont'd)

### Statement of Changes in Net Asset Value

For the Financial Period Ended 31 July 2018

	Unitholders' capital MYR'000	Retained earnings MYR'000	Total MYR'000
As at 1 February 2017	40,166	704	40,870
Creation of units	24,609	-	24,609
Cancellation of units	(563)	-	(563)
Net income after taxation	-	4,157	4,157
As at 31 July 2017	64,212	4,861	69,073
As at 1 February 2018	64,137	7,419	71,556
Creation of units	3,881	-	3,881
Cancellation of units	(4,199)	-	(4,199)
Net loss after taxation	-	(2,498)	(2,498)
As at 31 July 2018	63,819	4,921	68,740

## Extracts Of Financial Statements (cont'd)

### Statement of Cash Flows

For the Financial Period Ended 31 July 2018

	<b>1.2.2018 to 31.7.2018 MYR'000</b>	<b>1.2.2017 to 31.7.2017 MYR'000</b>
<b>Cash flows from operating activities</b>		
Proceeds from sale of investments	5,369	4,114
Purchase of investments	(6,603)	(21,749)
Subscription of rights	-	(141)
Capital distribution received	-	61
Maturity of deposits	1,931,729	1,603,811
Placement of deposits	(1,930,722)	(1,610,300)
Interest income received	255	198
Net distribution income received	12	15
Net dividend income received	673	542
Trustee's fee paid	(22)	(16)
Management fee paid	(577)	(435)
Audit fee paid	(4)	(4)
Payment of other fees and expenses	(17)	(10)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>93</b>	<b>(23,914)</b>
<b>Cash flows from financing activities</b>		
Cash proceeds from units created	4,073	24,456
Cash paid on units cancelled	(4,134)	(542)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(61)</b>	<b>23,914</b>
<b>Net increase in cash and cash equivalents</b>	<b>32</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>	<b>59</b>	<b>55</b>
<b>Cash and cash equivalents at the end of the financial period</b>	<b>91</b>	<b>55</b>