

# 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.

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## Fund Distribution Policy

Incidental

## Breakdown of Unitholdings of PFSF as at 30 June 2018

Size of holdings	No. of unitholders	% of unitholders	No. of units held (million)
5,000 and below	1,871	4.80	7
5,001 to 10,000	3,332	8.54	25
10,001 to 50,000	19,047	48.83	502
50,001 to 500,000	14,439	37.02	1,735
500,001 and above	316	0.81	267
<b>Total</b>	<b>39,005</b>	<b>100.00</b>	<b>2,536</b>

*Note: Excluding Manager's Stock.*

## Fund Performance

### Average Total Return for the Following Years Ended 30 June 2018

	Average Total Return of PFSF (%)
1 Year	-0.83
3 Years	3.52
5 Years	2.81

## 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
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:

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
<b>Unit Prices (MYR)</b>			
Highest NAV per unit for the period	0.3031	0.2900	0.2697
Lowest NAV per unit for the period	0.2728	0.2579	0.2584
<b>Net Asset Value (NAV) and Units in Circulation (UIC) as at the End of the Period</b>			
Total NAV (MYR'000)	706,345	811,958	791,016
UIC (in '000)	2,536,158	2,842,224	3,001,198
NAV per unit (MYR)	0.2785	0.2857	0.2636
<b>Total Return for the Period (%)</b>	<b>-3.95</b>	<b>11.08</b>	<b>-1.17</b>
Capital growth (%)	-4.53	10.38	-1.92
Income (%)	0.61	0.63	0.76
<b>Management Expense Ratio (%)</b>	<b>1.54</b>	<b>1.57</b>	<b>1.57</b>
<b>Portfolio Turnover Ratio (time)</b>	<b>0.09</b>	<b>0.18</b>	<b>0.08</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 0.18 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 30 June 2018

### Asset Allocation for the Past Three Financial Periods

	As at 30 June (Percent of NAV)		
	2018 %	2017 %	2016 %
<b>EQUITY SECURITIES</b>			
<b>Quoted</b>			
<b>Malaysia</b>			
<b>Ordinary Shares</b>			
Basic Materials	2.6	1.4	-
Communications	2.1	6.6	7.0
Consumer, Cyclical	4.7	5.0	4.8
Consumer, Non-cyclical	19.9	15.1	21.9
Diversified	1.2	1.7	6.7
Energy	9.9	11.4	3.5
Financial	18.0	20.7	11.7
Industrial	26.6	25.2	21.3
Technology	4.0	2.3	0.9
Utilities	-	0.4	-
	<b>89.0</b>	<b>89.8</b>	<b>77.8</b>
<b>Preference Shares</b>			
Financial	0.3	0.3	-
<b>Outside Malaysia</b>			
<b>Hong Kong</b>			
Financial	-	0.1	0.4
Industrial	-	0.5	0.5
	<b>-</b>	<b>0.6</b>	<b>0.9</b>
<b>Korea</b>			
Consumer, Cyclical	-	-	0.7
<b>Singapore</b>			
Consumer, Non-cyclical	0.2	0.3	1.2
<b>Thailand</b>			
Consumer, Non-cyclical	-	-	0.6
<b>TOTAL QUOTED EQUITY SECURITIES</b>	<b>89.5</b>	<b>91.0</b>	<b>81.2</b>
<b>COLLECTIVE INVESTMENT FUNDS</b>			
<b>Quoted</b>			
<b>Malaysia</b>			
Financial	1.6	1.5	5.3
<b>TOTAL QUOTED COLLECTIVE INVESTMENT FUNDS</b>	<b>1.6</b>	<b>1.5</b>	<b>5.3</b>

## 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 %
<b>WARRANTS</b>			
<b>Quoted</b>			
<b>Malaysia</b>			
Warrants	-	-	0.2
<b>TOTAL QUOTED WARRANTS</b>	<b>-</b>	<b>-</b>	<b>0.2</b>
<b>COLLECTIVE INVESTMENT SCHEMES</b>			
<b>Unquoted</b>			
Funds	1.1	0.9	-
<b>TOTAL UNQUOTED COLLECTIVE INVESTMENT SCHEMES</b>	<b>1.1</b>	<b>0.9</b>	<b>-</b>
<b>DEPOSITS WITH FINANCIAL INSTITUTIONS</b>	<b>6.3</b>	<b>3.9</b>	<b>10.2</b>
<b>OTHER ASSETS &amp; LIABILITIES</b>	<b>1.5</b>	<b>2.7</b>	<b>3.1</b>

## Manager's Report

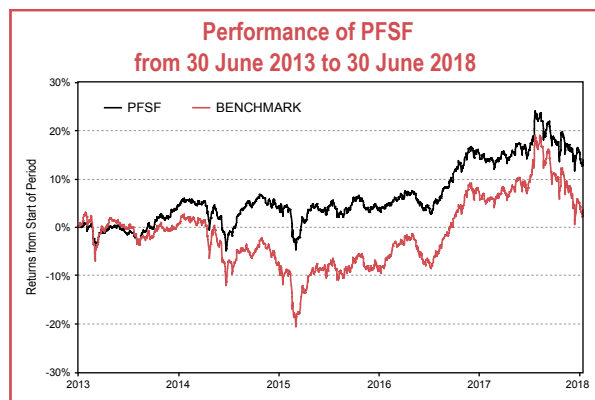
### Overview

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

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 period under review, the Fund registered a return of -3.95% as compared to its Benchmark's return of -9.07%. The Fund's equity portfolio registered a return of -3.60% while its money market portfolio registered a return of +1.62% 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 registered a total return of +14.07% and outperformed its Benchmark's return of +3.68% over the same 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).

### 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	94.0%	91.1%	-2.9%	90.25%
Money Market	6.0%	8.9%	+2.9%	9.75%

## Manager's Report

### Returns Breakdown by Asset Class

	Returns On Investments	Market / Benchmark Returns	Benchmark Index Used	Average Exposure	Attributed Returns
Equities & Related Securities	-3.60%	-9.07%	FBM 70 Overnight Rate	90.25%	-3.25%
Money Market	1.62%	1.57%		9.75%	0.16%
less: Expenses					-0.86%
Total Net Return for the Period					-3.95%

FBM 70 = FTSE Bursa Malaysia Mid 70 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 -3.60% as compared to its Benchmark's return of -9.07%. The Fund's equity portfolio outperformed its Benchmark as its investments in the Industrial, Diversified and Consumer sectors outperformed the broad market during the financial period under review.

The Fund commenced the financial period under review with an equity exposure of 94.0% and the Fund reduced its equity exposure to below 90% in January 2018 to lock in profits on selected equity investments in the domestic and regional markets. The Fund subsequently increased its equity weight and ended the financial period under review with an equity exposure of 91.1%. Based on an average equity exposure of 90.25%, the Fund's equity portfolio is deemed to have registered a return of -3.25% 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 81.0% of the Net Asset Value (NAV) of the Fund and 88.9% of the Fund's equity portfolio. The weightings of the top 5 sectors in Malaysia (unless otherwise stated) are in the following order: Industrial (26.6%), Consumer, Non-cyclical (19.9%), Financial (19.9%), Energy (9.9%) and Consumer, Cyclical (4.7%).

### Money Market Portfolio Review

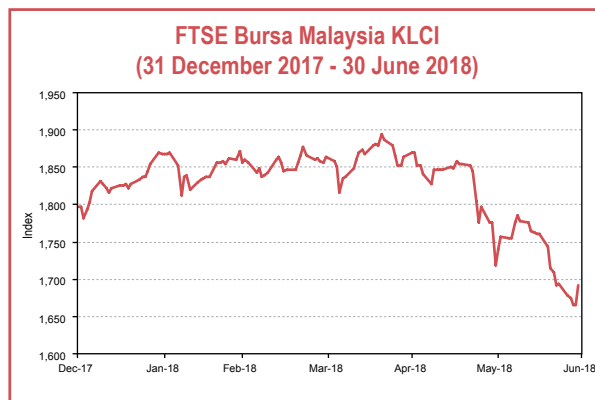
During the financial period under review, the Fund's money market portfolio, which was invested primarily in deposits, yielded a return of +1.62%. In comparison, the Bank Negara Weighted Average Overnight Interbank Rate (Overnight Rate) registered a return of +1.57% over the same period.

## Manager's Report

During the financial period under review, the Fund's exposure to money market investments increased from 6.0% to 8.9% following the disposal of selected equity investments. Based on an average exposure of 9.75%, the money market portfolio is estimated to have contributed +0.16% 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 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 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 Hong Kong and Singapore markets, registered returns of -3.75% and -6.03% (in Ringgit terms) respectively for the financial period under review.

## Manager's Report

### Money Market Review

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 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 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.

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.

## Manager's Report

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 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 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.

In South-East Asia, Singapore's GDP growth is envisaged to edge down 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 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-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.

## Manager's Report

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.

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, PFSF 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 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
<b>Assets</b>		
Investments	651,047	735,576
Due from brokers/financial institutions, net	-	2,993
Other receivables	1,229	651
Deposits with financial institutions	44,625	27,376
Cash at banks	12,288	10,325
	709,189	776,921
<b>Liabilities</b>		
Due to brokers/financial institutions, net	1,558	-
Due to the Manager, net	1,218	2,158
Due to the Trustee	35	41
Other payables	33	88
Distribution payable	-	13,130
	2,844	15,417
<b>Total net assets</b>	706,345	761,504
<b>Net asset value ("NAV") attributable to unitholders (Total equity)</b>	706,345	761,504
<b>Units in circulation (in '000)</b>	2,536,158	2,625,927
<b>NAV per unit (in sen)</b>	27.85	29.00

## 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
<b>Income</b>		
Interest income	841	544
Distribution income	369	384
Dividend income	9,080	10,798
Net (loss)/gain from investments	(33,071)	79,670
Net realised/unrealised foreign exchange loss	(73)	(952)
	(22,854)	90,444
<b>Less: Expenses</b>		
Trustee's fee	234	252
Management fee	5,771	6,299
Audit fee	3	3
Tax agent's fee	1	1
Brokerage fee	421	866
Administrative fees and expenses	21	44
	6,451	7,465
<b>Net (loss)/income before taxation</b>	(29,305)	82,979
<b>Taxation</b>	(16)	(61)
<b>Net (loss)/income after taxation</b>	(29,321)	82,918
<b>Net (loss)/income after taxation is made up as follows:</b>		
Realised	(24,169)	(9,807)
Unrealised	(5,152)	92,725
	(29,321)	82,918

## 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	730,717	16,530	747,247
Creation of units	19,025	-	19,025
Cancellation of units	(37,232)	-	(37,232)
Net income after taxation	-	82,918	82,918
As at 30 June 2017	712,510	99,448	811,958
As at 1 January 2018	650,706	110,798	761,504
Creation of units	20,434	-	20,434
Cancellation of units	(46,272)	-	(46,272)
Net loss after taxation	-	(29,321)	(29,321)
As at 30 June 2018	624,868	81,477	706,345

## Extracts Of Financial Statements (cont'd)

### Statement of Cash Flows

For the Financial Period Ended 30 June 2018

	<b>1.1.2018 to 30.6.2018 MYR'000</b>	<b>1.1.2017 to 30.6.2017 MYR'000</b>
<b>Cash flows from operating activities</b>		
Proceeds from sale of investments	99,347	149,269
Purchase of investments	(43,767)	(156,519)
Subscription of rights	-	(1,435)
Maturity of deposits	6,376,148	4,339,919
Placement of deposits	(6,393,397)	(4,306,858)
Interest income received	840	551
Net distribution income received	353	332
Net dividend income received	8,504	9,106
Trustee's fee paid	(240)	(250)
Management fee paid	(5,925)	(6,265)
Audit fee paid	(4)	(4)
Payment of other fees and expenses	(75)	(48)
<b>Net cash inflow from operating activities</b>	<b>41,784</b>	<b>27,798</b>
<b>Cash flows from financing activities</b>		
Cash proceeds from units created	20,434	19,575
Cash paid on units cancelled	(47,058)	(36,198)
Distribution paid	(13,130)	(14,526)
<b>Net cash outflow from financing activities</b>	<b>(39,754)</b>	<b>(31,149)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,030</b>	<b>(3,351)</b>
<b>Effect of changes in foreign exchange rates</b>	<b>(67)</b>	<b>(983)</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>	<b>10,325</b>	<b>24,736</b>
<b>Cash and cash equivalents at the end of the financial period</b>	<b>12,288</b>	<b>20,402</b>