

# Fund Information

## Fund Name

Public China Select Fund (PCSF)

## Fund Category

Equity

## Fund Investment Objective

To achieve capital growth over the medium to long-term period by investing in a portfolio of investments in the greater China region namely in Hong Kong, China and Taiwan markets and including China based companies listed on overseas markets. The Fund may also invest in companies listed on Bursa Securities and other foreign markets which have significant or potentially significant business operations in the greater China region.

## Fund Performance Benchmark

The benchmark of the Fund is the MSCI Golden Dragon Index.

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## Fund Distribution Policy

Incidental

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

Size of holdings	No. of unitholders	% of unitholders	No. of units held (million)
5,000 and below	7,555	15.12	28
5,001 to 10,000	7,795	15.60	58
10,001 to 50,000	22,408	44.86	552
50,001 to 500,000	11,600	23.22	1,484
500,001 and above	598	1.20	651
<b>Total</b>	<b>49,956</b>	<b>100.00</b>	<b>2,773</b>

*Note: Excluding Manager's Stock.*

## Fund Performance

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

	Average Total Return of PCSF (%)
1 Year	28.40
3 Years	21.13
5 Years	23.66

## 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
PCSF (%)	37.15	2.60	23.97	13.72	16.88

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 31 January

	2018	2017	2016
<b>Unit Prices (MYR)</b>			
Highest NAV per unit for the period	0.3652	0.2785	0.2563
Lowest NAV per unit for the period	0.3259	0.2395	0.2091
<b>Net Asset Value (NAV) and Units in Circulation (UIC) as at the End of the Period</b>			
Total NAV (MYR'000)	1,000,692	743,680	666,859
UIC (in '000)	2,773,605	2,653,382	3,148,680
NAV per unit (MYR)	0.3608	0.2803	0.2118
<b>Total Return for the Period (%)</b>	<b>8.46</b>	<b>15.85</b>	<b>-9.60</b>
Capital growth (%)	8.86	16.09	-11.59
Income (%)	-0.37	-0.21	2.25
<b>Management Expense Ratio (%)</b>	<b>1.63</b>	<b>1.62</b>	<b>1.60</b>
<b>Portfolio Turnover Ratio (time)</b>	<b>0.38</b>	<b>0.23</b>	<b>0.37</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 rose to 0.38 time from 0.23 time in the previous financial period on account of higher 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>Outside Malaysia</b>			
<b>Hong Kong</b>			
Communications	11.9	13.4	13.3
Consumer, Cyclical	2.8	3.5	5.3
Consumer, Non-cyclical	0.3	-	1.5
Diversified	1.0	3.0	0.5
Energy	2.4	3.8	3.5
Financial	31.0	25.8	20.9
Industrial	2.1	4.1	3.0
Utilities	1.1	-	1.2
	<b>52.6</b>	<b>53.6</b>	<b>49.2</b>
<b>Singapore</b>			
Financial	-	1.3	0.5
<b>Taiwan</b>			
Communications	-	1.1	1.2
Consumer, Cyclical	-	1.0	2.3
Financial	2.8	4.5	1.4
Industrial	4.5	6.0	5.6
Technology	12.5	12.9	12.1
	<b>19.8</b>	<b>25.5</b>	<b>22.6</b>
<b>United States</b>			
Communications	13.5	8.7	4.4
Consumer, Cyclical	2.0	1.5	-
Consumer, Non-cyclical	1.0	-	-
Technology	2.4	1.4	0.7
	<b>18.9</b>	<b>11.6</b>	<b>5.1</b>
<b>TOTAL QUOTED EQUITY SECURITIES</b>	<b>91.3</b>	<b>92.0</b>	<b>77.4</b>
<b>COLLECTIVE INVESTMENT FUNDS</b>			
<b>Quoted</b>			
<b>Outside Malaysia</b>			
<b>Hong Kong</b>			
Communications	-	1.1	1.2
Financial	1.0	0.6	-
<b>TOTAL QUOTED COLLECTIVE INVESTMENT FUNDS</b>	<b>1.0</b>	<b>1.7</b>	<b>1.2</b>

## Fund Performance

For the Financial Period Ended 31 January 2018

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

	As at 31 January (Per Cent of Net Asset Value)		
	2018 %	2017 %	2016 %
<b>COLLECTIVE INVESTMENT SCHEMES</b>			
Unquoted Funds	2.6	2.6	4.5
<b>TOTAL UNQUOTED COLLECTIVE INVESTMENT SCHEMES</b>	<b>2.6</b>	<b>2.6</b>	<b>4.5</b>
<b>DEPOSITS WITH FINANCIAL INSTITUTIONS</b>	<b>2.7</b>	<b>3.3</b>	<b>3.4</b>
<b>OTHER ASSETS &amp; LIABILITIES</b>	<b>2.4</b>	<b>0.4</b>	<b>13.5</b>

## Manager's Report

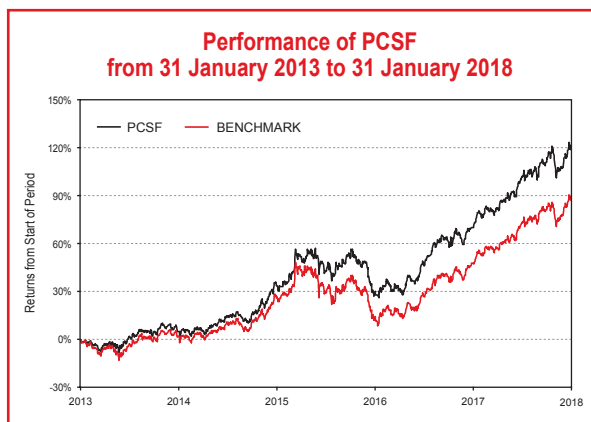
### Overview

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

Public China Select Fund (PCSF or the Fund) aims to achieve capital growth over the medium to long-term period by investing in a portfolio of investments in the greater China region namely in Hong Kong, China and Taiwan markets and including China based companies listed on overseas markets. The Fund may also invest in companies listed on Bursa Securities and other foreign markets which have significant or potentially significant business operations in the greater China region.

For the financial period under review, the Fund registered a return of +8.46% as compared to its Benchmark's return of +8.14%. The Fund's equity portfolio registered a return of +10.21% 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 +118.32% and outperformed the Benchmark's return of +86.66% over the same period.



The Fund's Benchmark is the MSCI Golden Dragon Index, which is a market capitalisation weighted index designed to represent the performance of the equity markets of China, Taiwan and Hong Kong.

### 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	94.7%	94.9%	+0.2%	93.01%
Money Market	5.3%	5.1%	-0.2%	6.99%

## Manager's Report

### Returns Breakdown by Asset Class

	Returns On Investments	Market / Benchmark Returns	Benchmark Index Used	Average Exposure	Attributed Returns
Equities & Related Securities	10.21%	8.14%	Benchmark Overnight Rate	93.01%	9.49%
Money Market	1.53%	1.47%		6.99%	0.11%
less: Expenses					-1.14%
Total Net Return for the Period					8.46%

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 +10.21% and outperformed the Benchmark's return of +8.14%. The Fund's equity portfolio outperformed the Benchmark as the Fund's selected holdings within the Financial and Technology sectors outperformed the broader markets during the financial period under review.

The Fund commenced the financial period under review with an equity exposure of 94.7% and this was reduced to below 85% in December 2017 to weather the volatility in the Greater China equity markets. The Fund subsequently increased its equity exposure to above 90% to capitalise on investment opportunities in the Greater China equity markets. The Fund ended the financial period under review with an equity exposure of 94.9%. Based on an average equity exposure of 93.01%, the Fund's equity portfolio is deemed to have registered a return of +9.49% 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.

### Country Allocation

In terms of country allocation within the equity portfolio, 3 countries accounted for 94.9% of the Net Asset Value (NAV) of the Fund and 100.0% of the Fund's equity portfolio. The weightings of the 3 countries are in the following order: Hong Kong / China (56.2%), Taiwan (19.8%) and the United States (18.9%).

### 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.

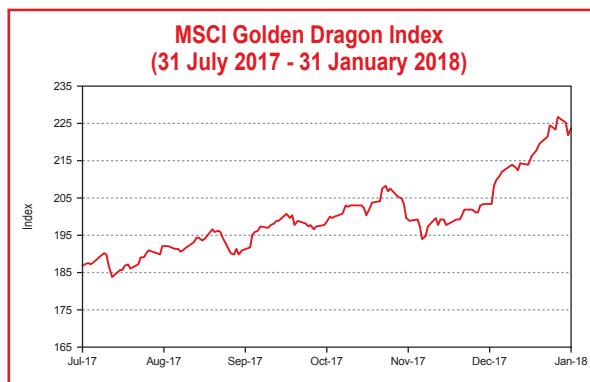
During the financial period under review, the Fund's exposure to money market investments decreased from 5.3% to 5.1% as funds were mobilised into equity investments. Based on an average exposure of 6.99%, the money market portfolio is estimated to have contributed +0.11% to the Fund's overall return for the financial period under review.

## Manager's Report

### Stock Market Review

Commencing the financial period under review at 186.93 points, the Greater China equity markets, as proxied by the Morgan Stanley Capital International (MSCI) Golden Dragon Index, rallied from August to November 2017, supported by improving liquidity conditions in China, the brighter global macroeconomic outlook and continued upward earnings revisions. On 30 September 2017, the People's Bank of China (PBOC) reduced the targeted reserve requirement ratio (RRR) in a move to stimulate economic growth.

The MSCI Golden Dragon Index retraced in late November 2017 amid concerns over China's deleveraging campaign following a spike in long-term government bond yields. The Index subsequently rebounded in mid-December 2017, buoyed by positive sentiment post the Central Economic Work Conference and the PBOC's announcement to ease liquidity conditions in China. The MSCI Golden Dragon Index closed at 223.72 points to register a gain of 19.68% (+8.95% in Ringgit terms) for the financial period under review.



### Money Market Review

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

### Economic Review

China's GDP growth expanded from 6.7% in 2016 to 6.9% in 2017, driven by firmer growth in the services sector. The services sector's growth increased from 7.8% in 2016 to 8.0% in 2017 as wholesale and retail trade picked up.

Led by moderating new orders and production levels, China's manufacturing Purchasing Managers' Index (PMI) inched lower to 51.3 points in January 2018 compared to 51.6 points for the whole of 2017. Meanwhile, China's fixed-asset investment expanded by 7.2% in 2017 versus the 8.1% growth registered in 2016.

China's exports grew by 7.9% in 2017 compared to a contraction of 7.7% in 2016 due to higher demand from the U.S. and Asia. Likewise, imports rose by 15.9% on the back of higher commodity imports compared to a decline of 5.5% over the same period. China's cumulative trade surplus narrowed to US\$423 billion in 2017 from US\$510 billion a year ago.

## Manager's Report

To support China's economic activities, the PBOC maintained its lending rate at 4.35%.

China's inflation rate softened to 1.6% in 2017 from 2.0% in 2016 amid lower food prices. Residential property prices, as measured by average sales price indices of new homes in 70 large and medium-sized cities, rose by 8.2% in 2017 following a 6.2% increase in 2016.

To prevent the overheating of property prices in selected cities such as Shanghai and Shenzhen, the Chinese government implemented tightening measures in March 2016. These tightening measures were further expanded to more provincial cities and other smaller cities from late August 2016 to May 2017.

The Chinese Renminbi was included in the International Monetary Fund's Special Drawing Rights (SDR) basket effective 1 October 2016.

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. The inflation rate slowed to 1.5% in 2017 from 2.4% in 2016 on the back of moderating food and housing costs. To curb elevated residential property prices, Hong Kong's government introduced additional tightening measures in May 2017.

Taiwan's GDP growth strengthened from 1.4% in 2016 to 2.8% in 2017 amid higher export growth. Taiwan's inflation rate softened to 0.6% in 2017 from 1.4% in 2016 on the back of lower food prices. Taiwan's central bank left its discount rate unchanged at 1.375% to support domestic demand.

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.

## Manager's Report

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 2.5% in 2017 to 2.2% in 2018 on expectations of slower export growth.

In North Asia, China's GDP growth is estimated to moderate from 6.9% 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. Consumer spending is expected to be underpinned by the government's ongoing policies to boost household incomes, which include the lowering of import tariffs on popular consumer goods. 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 2.8% 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.

Meanwhile, Taiwan's GDP growth is envisaged to edge down from 2.8% in 2017 to 2.5% in 2018 due to moderating export growth.

As at end-January 2018, the China 'H' Shares market was trading at an estimated P/E ratio of about 8.6x, which was below its 10-year average of 9.7x.

Among the regional markets, selected North Asian markets were 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 over the medium to long-term period by investing in a portfolio of investments in the greater China region namely in Hong Kong, China and Taiwan markets and including China based companies listed on overseas markets. The Fund may also invest in companies listed on Bursa Securities and other foreign markets which have significant or potentially significant business operations in the greater China region.

### 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, PCSF 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	949,898	829,088
Other receivables	8	4,957
Deposits with financial institutions	26,828	23,727
Cash at banks	25,726	27,497
	1,002,460	885,269
<b>Liabilities</b>		
Due to brokers/financial institutions, net	-	8,494
Due to the Manager, net	1,583	612
Due to the Trustee	53	46
Other payables	132	282
	1,768	9,434
<b>Total net assets</b>	1,000,692	875,835
<b>Net asset value ("NAV") attributable to unitholders (Total equity)</b>	1,000,692	875,835
<b>Units in circulation (in '000)</b>	2,773,605	2,656,312
<b>NAV per unit (in sen)</b>	36.08	32.97

## 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	545	321
Distribution income	559	366
Dividend income	3,745	4,557
Net gain from investments	92,370	114,455
Net realised/unrealised foreign exchange (loss)/gain	(2,027)	2,402
	95,192	122,101
<b>Less: Expenses</b>		
Trustee's fee	301	237
Management fee	7,762	6,040
Audit fee	3	3
Tax agent's fee	1	1
Brokerage fee	2,460	1,174
Administrative fees and expenses	124	119
	10,651	7,574
<b>Net income before taxation</b>	84,541	114,527
<b>Taxation</b>	(366)	(535)
<b>Net income after taxation</b>	84,175	113,992
<b>Net income after taxation is made up as follows:</b>		
Realised	16,271	39,795
Unrealised	67,904	74,197
	84,175	113,992

## 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	(Accumulated loss)/ retained earnings MYR'000	Total MYR'000
As at 1 August 2016	932,496	(204,109)	728,387
Creation of units	9,143	-	9,143
Cancellation of units	(107,842)	-	(107,842)
Net income after taxation	-	113,992	113,992
As at 31 January 2017	833,797	(90,117)	743,680
As at 1 August 2017	835,321	40,514	875,835
Creation of units	75,584	-	75,584
Cancellation of units	(34,902)	-	(34,902)
Net income after taxation	-	84,175	84,175
As at 31 January 2018	876,003	124,689	1,000,692

## 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	343,840	211,964
Purchase of investments	(383,353)	(121,015)
Capital distribution received	259	644
Maturity of deposits	4,348,112	2,599,199
Placement of deposits	(4,351,213)	(2,603,575)
Interest income received	542	324
Distribution income received	559	366
Net dividend income received	7,989	6,566
Trustee's fee paid	(294)	(235)
Management fee paid	(7,566)	(5,982)
Audit fee paid	(4)	(4)
Payment of other fees and expenses	(145)	(112)
<b>Net cash (outflow)/inflow from operating activities</b>	(41,274)	88,140
<b>Cash flows from financing activities</b>		
Cash proceeds from units created	76,176	9,143
Cash paid on units cancelled	(34,719)	(110,516)
<b>Net cash inflow/(outflow) from financing activities</b>	41,457	(101,373)
<b>Net increase/(decrease) in cash and cash equivalents</b>	183	(13,233)
<b>Effect of change in foreign exchange rates</b>	(1,954)	1,711
<b>Cash and cash equivalents at the beginning of the financial period</b>	27,497	15,703
<b>Cash and cash equivalents at the end of the financial period</b>	25,726	4,181