

# Fund Information

## Fund Name

Public Savings Fund (PSF)

## Fund Category

Equity

## Fund Investment Objective

To achieve long-term capital appreciation while at the same time producing a reasonable level of income.

## Fund Performance Benchmark

The benchmark of the Fund is the FTSE Bursa Malaysia KLCI (FBM KLCI).

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## Fund Distribution Policy

Annual

## Breakdown of Unitholdings of PSF as at 31 December 2017

| Size of holdings  | No. of unitholders | % of unitholders | No. of units held (million) |
|-------------------|--------------------|------------------|-----------------------------|
| 5,000 and below   | 13,381             | 15.94            | 40                          |
| 5,001 to 10,000   | 12,918             | 15.39            | 95                          |
| 10,001 to 50,000  | 40,549             | 48.31            | 974                         |
| 50,001 to 500,000 | 16,812             | 20.03            | 1,875                       |
| 500,001 and above | 282                | 0.33             | 251                         |
| <b>Total</b>      | <b>83,942</b>      | <b>100.00</b>    | <b>3,235</b>                |

Note: Excluding Manager's Stock.

## Fund Performance

### Average Total Return for the Following Years Ended 31 December 2017

|         | Average Total Return of PSF (%) |
|---------|---------------------------------|
| 1 Year  | 13.32                           |
| 3 Years | 3.62                            |
| 5 Years | 4.66                            |

## 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  |
|---------|-------|-------|-------|-------|-------|
| PSF (%) | 13.32 | -0.47 | -1.71 | -1.06 | 12.39 |

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:

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

### Other Performance Data for the Past Three Financial Years Ended 31 December

|   | 2017         | 2016         | 2015         |
|---|--------------|--------------|--------------|
| <b>Unit Prices (MYR)*</b>   |              |              |              |
| Highest NAV per unit for the year   | 0.5560       | 0.5181       | 0.5863       |
| Lowest NAV per unit for the year  | 0.4897       | 0.4807       | 0.4958       |
| <b>Net Asset Value (NAV) and Units in Circulation (UIC) as at the End of the Year</b> |              |              |              |
| Total NAV (MYR'000)   | 1,749,814    | 1,725,969    | 1,790,251    |
| UIC (in '000)   | 3,234,689    | 3,517,378    | 3,505,808    |
| NAV per unit (MYR)  | 0.5410       | 0.4907       | 0.5107       |
| <b>Total Return for the Year (%)</b>  | <b>13.32</b> | <b>-0.47</b> | <b>-1.71</b> |
| Capital growth (%)  | 11.33        | -1.95        | -4.09        |
| Income (%)  | 1.79         | 1.51         | 2.48         |
| <b>Management Expense Ratio (%)</b>   | <b>1.50</b>  | <b>1.51</b>  | <b>1.50</b>  |
| <b>Portfolio Turnover Ratio (time)</b>  | <b>0.24</b>  | <b>0.24</b>  | <b>0.35</b>  |

\* 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            |
|------------------------------|-----------------|-----------------|-----------------|
| <b>Date of distribution</b>  | <b>29.12.17</b> | <b>30.12.16</b> | <b>31.12.15</b> |
| <b>Distribution per unit</b> |                 |                 |                 |
| Gross (sen)                  | 1.50            | 1.70            | 3.00            |
| Net (sen)                    | 1.50            | 1.70            | 3.00            |
| <b>Unit split</b>            | -               | -               | -               |

### Impact on NAV Arising from Distribution (Final) for the Financial Years

|                                     | 2017<br>Sen<br>per unit | 2016<br>Sen<br>per unit | 2015<br>Sen<br>per unit |
|-------------------------------------|-------------------------|-------------------------|-------------------------|
| Net asset value before distribution | 55.60                   | 50.77                   | 54.07                   |
| Less: Net distribution per unit     | (1.50)                  | (1.70)                  | (3.00)                  |
| Net asset value after distribution  | 54.10                   | 49.07                   | 51.07                   |

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<br>% | 2016<br>% | 2015<br>% |
|--------------------------|-----------|-----------|-----------|
| <b>EQUITY SECURITIES</b> |           |           |           |
| <b>Quoted</b>            |           |           |           |
| <b>Malaysia</b>          |           |           |           |
| Basic Materials          | 1.8       | 2.8       | 2.1       |
| Communications           | 9.6       | 9.5       | 15.0      |
| Consumer, Cyclical       | 8.3       | 8.6       | 7.8       |
| Consumer, Non-cyclical   | 10.1      | 11.3      | 12.7      |
| Diversified              | 3.0       | 5.4       | 4.5       |
| Energy                   | 1.2       | 3.3       | 5.1       |
| Financial                | 36.0      | 32.8      | 29.5      |
| Industrial               | 2.9       | 4.2       | 4.1       |
| Utilities                | 7.9       | 8.5       | 7.5       |
|                          | 80.8      | 86.4      | 88.3      |
| <b>Outside Malaysia</b>  |           |           |           |
| <b>Hong Kong</b>         |           |           |           |
| Communications           | 1.2       | -         | -         |
| Consumer, Cyclical       | -         | -         | 1.2       |
| Energy                   | -         | -         | 0.4       |
| Financial                | 0.9       | 1.1       | 1.1       |
|                          | 2.1       | 1.1       | 2.7       |

## Fund Performance

For the Financial Year Ended 31 December 2017

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

|   | As at 31 December<br>(Per Cent of Net Asset Value) |             |             |
|---|--|-------------|-------------|
|   | 2017<br>%  | 2016<br>%   | 2015<br>%   |
| <b>Korea</b>  |  |             |             |
| Consumer, Cyclical                                  | -  | -           | 0.2         |
| Technology  | 1.1  | 0.5         | -           |
|   | 1.1  | 0.5         | 0.2         |
| <b>Singapore</b>                                    |  |             |             |
| Consumer, Non-cyclical                              | -  | 0.4         | 0.4         |
| Financial   | 0.9  | -           | -           |
|   | 0.9  | 0.4         | 0.4         |
| <b>Taiwan</b>                                       |  |             |             |
| Technology  | 1.2  | 0.7         | -           |
| <b>United States</b>                                |  |             |             |
| Communications                                      | 0.4  | 1.0         | 1.0         |
| Consumer, Cyclical                                  | 0.8  | -           | -           |
| Financial   | 1.0  | 1.1         | 1.0         |
| Technology  | 1.1  | -           | -           |
|   | 3.3  | 2.1         | 2.0         |
| <b>TOTAL QUOTED EQUITY SECURITIES</b>               | <b>89.4</b>  | <b>91.2</b> | <b>93.6</b> |
| <b>COLLECTIVE INVESTMENT FUNDS</b>                  |  |             |             |
| <b>Quoted</b>                                       |  |             |             |
| <b>Malaysia</b>                                     |  |             |             |
| Financial   | 2.5  | 2.4         | 2.5         |
| <b>Outside Malaysia</b>                             |  |             |             |
| <b>Hong Kong</b>                                    |  |             |             |
| Funds   | -  | 2.8         | 2.1         |
| <b>TOTAL QUOTED COLLECTIVE INVESTMENT FUNDS</b>     | <b>2.5</b>   | <b>5.2</b>  | <b>4.6</b>  |
| <b>WARRANTS</b>                                     |  |             |             |
| <b>Quoted</b>                                       |  |             |             |
| <b>Malaysia</b>                                     |  |             |             |
| Warrants  | 0.1  | 0.1         | 0.2         |
| <b>TOTAL QUOTED WARRANTS</b>                        | <b>0.1</b>   | <b>0.1</b>  | <b>0.2</b>  |
| <b>COLLECTIVE INVESTMENT SCHEMES</b>                |  |             |             |
| <b>Unquoted</b>                                     |  |             |             |
| Funds   | 3.2  | 2.2         | 2.5         |
| <b>TOTAL UNQUOTED COLLECTIVE INVESTMENT SCHEMES</b> | <b>3.2</b>   | <b>2.2</b>  | <b>2.5</b>  |

## Fund Performance

For the Financial Year Ended 31 December 2017

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

|   | As at 31 December<br>(Per Cent of Net Asset Value) |             |             |
|---|--|-------------|-------------|
|   | 2017<br>%  | 2016<br>%   | 2015<br>%   |
| <b>FIXED INCOME SECURITIES</b>                |  |             |             |
| <b>Unquoted</b>                               |  |             |             |
| <b>Ringgit-denominated</b>                    |  |             |             |
| Redeemable Non-convertible Bonds              | 0.9  | 0.6         | 1.2         |
| <b>TOTAL UNQUOTED FIXED INCOME SECURITIES</b> | <b>0.9</b>   | <b>0.6</b>  | <b>1.2</b>  |
| <b>DEPOSITS WITH FINANCIAL INSTITUTIONS</b>   | <b>4.7</b>   | <b>3.4</b>  | <b>2.7</b>  |
| <b>OTHER ASSETS &amp; LIABILITIES</b>         | <b>-0.8</b>  | <b>-2.7</b> | <b>-4.8</b> |

## Statement Of Distribution Of Returns

For the Financial Year Ended 31 December 2017

|                    | Sen Per Unit |
|--------------------|--------------|
| Gross Distribution | 1.5000       |
| Net Distribution   | 1.5000       |
| Total Returns      | 6.5300       |

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

|                    | Before Distribution | After Distribution |
|--------------------|---------------------|--------------------|
| NAV per unit (MYR) | 0.5560              | 0.5410             |

## Manager's Report

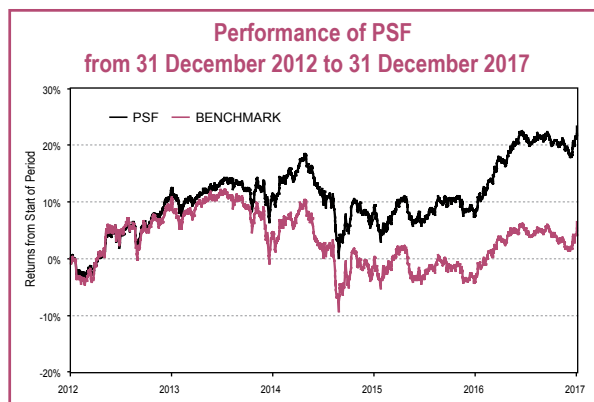
### Overview

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

Public Savings Fund (PSF or the Fund) aims to achieve long-term capital appreciation while at the same time producing a reasonable level of income.

For the financial year under review, the Fund registered a return of +13.32% as compared to its Benchmark's return of +9.45%. The Fund's equity portfolio registered a return of +15.84% while its bond and money market portfolios registered returns of +4.87% and +3.05% respectively 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 generated a total return of +23.27% and outperformed its Benchmark's return of +6.39% over the same period. The Fund has also made distributions in the previous and current financial years. Consequently, it is the opinion of the Manager that the Fund has met its objective of achieving long-term capital appreciation over the said period.



The Benchmark of the Fund is the FTSE Bursa Malaysia KLCI (FBM KLCI) which comprises the 30 largest companies by full market capitalisation listed on the Bursa Malaysia Main Market.

### Income Distribution and Impact on NAV Arising from Distribution

The gross distribution of 1.50 sen per unit (net distribution of 1.50 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 RM0.5410 from RM0.5560 after distribution.

## Manager's Report

### Effect of Distribution Reinvestment on Portfolio Exposures

|                                       | 31-Dec-17                         |                                  |
|---------------------------------------|-----------------------------------|----------------------------------|
|                                       | Before Distribution Reinvestment* | After Distribution Reinvestment* |
| Equities & Related Securities         | 94.8%                             | 92.2%                            |
| Bonds & Other Fixed Income Securities | 0.9%                              | 0.8%                             |
| Money Market                          | 4.3%                              | 7.0%                             |

\* Assumes full reinvestment.

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

|                                       | 31-Dec-16 | 31-Dec-17 | Change | Average Exposure |
|---------------------------------------|-----------|-----------|--------|------------------|
| Equities & Related Securities         | 95.4%     | 92.2%     | -3.2%  | 93.64%           |
| Bonds & Other Fixed Income Securities | 0.6%      | 0.8%      | +0.2%  | 0.76%            |
| Money Market                          | 4.0%      | 7.0%      | +3.0%  | 5.60%            |

### Returns Breakdown by Asset Class

|                                       | Returns On Investments | Market / Benchmark Returns                            | Benchmark Index Used      | Average Exposure | Attributed Returns |
|---------------------------------------|------------------------|---|---------------------------|------------------|--------------------|
| Equities & Related Securities         | 15.84%                 | 9.45%   | FBM KLCI                  | 93.64%           | 14.83%             |
| Bonds & Other Fixed Income Securities | 4.87%                  | 5.60%   | Bond Index Overnight Rate | 0.76%            | 0.04%              |
| Money Market                          | 3.05%                  | 2.97%   |                           | 5.60%            | 0.17%              |
| less: Expenses                        |                        |   |                           |                  | -1.72%             |
| Total Net Return for the Year         |                        |   |                           |                  | 13.32%             |
| FBM KLCI                              | =                      | FTSE Bursa Malaysia KLCI                              |                           |                  |                    |
| Bond Index                            | =                      | Quant Shop MGS All 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 +15.84% and outperformed the Benchmark's return of +9.45%. The Fund's equity portfolio outperformed the Benchmark as its selected holdings in Technology stocks outperformed the domestic market.

## Manager's Report

The Fund commenced the financial year under review with an equity exposure of 95.4% and this was maintained at above 90% over the financial year under review to capitalise on investment opportunities in the domestic and foreign markets. The Fund ended the financial year under review with an equity exposure of 92.2%. Based on an average equity exposure of 93.64%, the Fund's equity portfolio is deemed to have registered a return of +14.83% 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 74.4% of the NAV of the Fund and 78.5% of the Fund's equity portfolio. The weightings of the top 5 sectors in Malaysia (unless otherwise indicated) are in the following order: Financial (38.5%), Consumer, Non-cyclical (10.1%), Communications (9.6%), Consumer, Cyclical (8.3%) and Utilities (7.9%).

### Bonds and Other Fixed Income Securities Portfolio Review

For the financial year under review, the Fund's bond portfolio registered a return of +4.87%. In comparison, the Quant Shop MGS All Index, which tracks the performance of all Malaysian Government Securities (MGS) with maturities of 1 year and above, registered a return of +5.60% over the same period. The lower return of the Fund's bond portfolio was attributable to the Fund's holdings of shorter-tenured bonds which generated lower returns during the financial year under review.

During the financial year under review, the Fund's bond exposure increased from 0.6% to 0.8% as the Fund continued to capitalise on investment opportunities in the bond market. Based on an average exposure of 0.76%, the bond portfolio is estimated to have contributed +0.04% to the Fund's overall return for the financial year under review. For a full review of the bond market, please refer to the following sections of this 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.

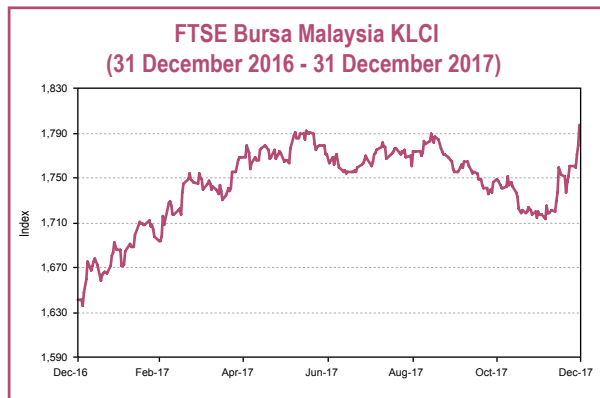
During the financial year under review, the Fund's exposure to money market investments increased from 4.0% to 7.0% following the disposal of selected equity investments. Based on an average exposure of 5.60%, the money market portfolio is estimated to have contributed +0.17% to the Fund's overall return for the financial year under review.

### Stock Market Review

Starting the financial year under review at 1,641.73 points, the FTSE Bursa Malaysia KLCI (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.

## Manager's Report

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 FExJ) Index, commenced the financial year under review at 483.68 points. The MSCI FExJ 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 FExJ Index closed at 672.44 points to register a gain of 39.03% (+25.42% in Ringgit terms) for the financial year under review.

Regional markets, namely the Korea, Hong Kong, Singapore and Taiwan markets registered returns of +24.63%, +21.68%, +15.20% and +12.37% (in Ringgit terms) respectively for the financial year under review.

The U.S. equity market, as proxied by the Standard & Poor's (S&P) 500 Index, commenced the financial year under review at 2,238.83 points. The S&P 500 Index trended higher in January and February 2017 on optimism over the potential U.S. tax reform plan. The Index subsequently traded lower amid the setback on the new administration's healthcare plan in late March. The S&P 500 Index moved modestly higher in April and May 2017 on the back of strong U.S. corporate earnings and the market-friendly outcome of the French presidential election. In June 2017, the market rose further as weakness in technology stocks was outweighed by strong performances of banking stocks.

## Manager's Report

The S&P 500 Index continued its climb in July and August 2017 on better-than-expected corporate earnings and economic data out of the U.S., before edging higher in September 2017 amid easing geopolitical tensions in the Korean Peninsula. The Index surged to record highs in 4Q 2017 as the U.S. tax reform bill was approved by Congress and subsequently signed into law by President Trump in December 2017. The S&P 500 Index closed at 2,673.61 points to register a gain of 19.42% (+7.73% in Ringgit terms) for the financial year under review.

### Bond Market and Money Market Review

Aided by a rebound in crude oil prices, the domestic bond market staged a recovery in December 2016, which was sustained through May 2017 alongside a firmer Ringgit and lower U.S. Treasury yields. Buying interest in the domestic bond market eased towards June 2017 in tandem with higher global bond yields following the announcement of the second U.S. interest rate hike in 2017, coupled with growing concerns that the U.S. Federal Reserve may reduce its holdings of government and mortgage bonds.

However, buying interest returned to the domestic bond market in August 2017 on the back of firmer U.S. Treasuries, a broadly weaker U.S. Dollar as well as accelerating economic growth and lower inflation in Malaysia. The domestic bond market subsequently retreated following the Federal Open Market Committee (FOMC) meeting in September 2017, where the Federal Reserve announced that it would start its balance sheet reduction program in October 2017 while affirming the likelihood of a 25 basis points (bps) rate hike in December 2017.

Domestic bond yields inched up further in October 2017 amid higher global bond yields and a stronger U.S. Dollar, driven by the rising probability of a U.S. rate hike in December 2017 and optimism over the U.S. tax reform. Buying interest slowly returned to the domestic bond market in November and December 2017 as the Ringgit strengthened against the U.S. Dollar following the release of a robust GDP growth of 6.2% for 3Q 2017 and a further rally in crude oil prices. With that, the domestic bond market ended 2017 firmer, riding on the Ringgit's strength.

For the financial year under review, the yields of 3-year and 10-year MGS declined by 20 bps and 31 bps respectively to 3.32% and 3.91%. 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%.

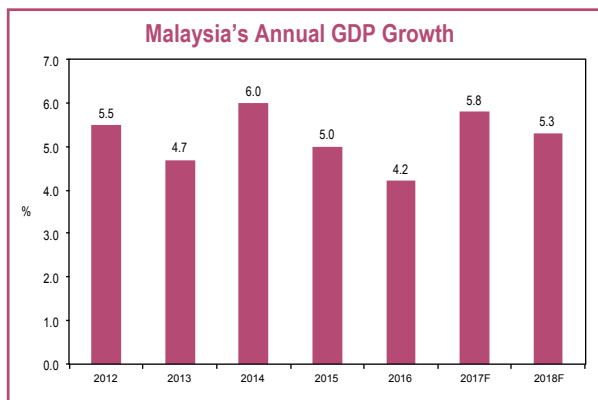
### Economic Review

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.

## Manager's Report

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.

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. Taiwan's GDP growth strengthened from 1.4% in 2016 to 2.7% in the first three quarters of 2017 amid higher export growth.

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 FOMC meeting on 12 - 13 December 2017, the Federal Reserve raised the Federal funds rate target range by 25 bps from 1.00%-1.25% to 1.25%-1.50%.

## Manager's Report

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.

South Korea's GDP growth is anticipated to inch lower from 3.1% in 2017 to 3.0% in 2018 as investment spending eases. Meanwhile, Taiwan's GDP growth is envisaged to edge down from 2.6% in 2017 to 2.5% in 2018, driven by moderating export growth.

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.

## Manager's Report

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 long-term capital appreciation while at the same time producing a reasonable level of income.

Note: Q = Quarter

### 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, PSF 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<br>MYR'000  | 2016<br>MYR'000  |
|---|------------------|------------------|
| <b>Assets</b>   |                  |                  |
| Investments   | 1,681,145        | 1,714,137        |
| Due from brokers/financial institutions, net                              | 12,413           | -                |
| Other receivables   | 21               | 103              |
| Deposits with financial institutions                                      | 83,234           | 59,218           |
| Cash at banks   | 26,404           | 15,446           |
|   | 1,803,217        | 1,788,904        |
| <b>Liabilities</b>  |                  |                  |
| Due to the Manager, net   | 4,688            | 3,007            |
| Other payables  | 195              | 133              |
| Distribution payable  | 48,520           | 59,795           |
|   | 53,403           | 62,935           |
| <b>Total net assets</b>   | <b>1,749,814</b> | <b>1,725,969</b> |
| <b>Net asset value ("NAV") attributable to unitholders (Total equity)</b> | <b>1,749,814</b> | <b>1,725,969</b> |
| <b>Units in circulation (in '000)</b>                                     | <b>3,234,689</b> | <b>3,517,378</b> |
| <b>NAV per unit, ex-distribution (in sen)</b>                             | <b>54.10</b>     | <b>49.07</b>     |



## Statement Of Income And Expenditure

For the Financial Year Ended 31 December 2017

|  | 2017<br>MYR'000 | 2016<br>MYR'000 |
|--|-----------------|-----------------|
| <b>Income</b>  |                 |                 |
| Interest income  | 3,220           | 3,804           |
| Distribution income  | 1,270           | 732             |
| Dividend income  | 56,464          | 50,958          |
| Net gain/(loss) from investments                               | 200,296         | (33,581)        |
| Amortisation of premium, net of accretion of discount          | -               | (21)            |
| Net realised/unrealised foreign exchange (loss)/gain           | (431)           | 1,142           |
|  | 260,819         | 23,034          |
| <b>Less: Expenses</b>  |                 |                 |
| Trustee's fee  | 636             | 636             |
| Management fee   | 28,336          | 28,320          |
| Audit fee  | 7               | 7               |
| Tax agent's fee  | 3               | 3               |
| Brokerage fee  | 2,379           | 2,376           |
| Administrative fees and expenses                               | 193             | 208             |
|  | 31,554          | 31,550          |
| <b>Net income/(loss) before taxation</b>                       | 229,265         | (8,516)         |
| <b>Taxation</b>  | (579)           | (460)           |
| <b>Net income/(loss) after taxation</b>                        | 228,686         | (8,976)         |
| <b>Net income/(loss) after taxation is made up as follows:</b> |                 |                 |
| Realised   | 60,279          | 13,019          |
| Unrealised   | 168,407         | (21,995)        |
|  | 228,686         | (8,976)         |
| <b>Final distribution for the financial year</b>               | 48,520          | 59,795          |

## Statement Of Changes In Net Asset Value

For the Financial Year Ended 31 December 2017

|                               | Unitholders' capital<br>MYR'000 | (Accumulated loss)/retained earnings<br>MYR'000 | Total<br>MYR'000 |
|-------------------------------|---------------------------------|---|------------------|
| As at 1 January 2016          | 1,767,396                       | 22,855  | 1,790,251        |
| Creation of units             | 111,871                         | -   | 111,871          |
| Cancellation of units         | (107,382)                       | -   | (107,382)        |
| Net loss after taxation       | -                               | (8,976)   | (8,976)          |
| Distribution                  | -                               | (59,795)  | (59,795)         |
| <b>As at 31 December 2016</b> | <b>1,771,885</b>                | <b>(45,916)</b>                                 | <b>1,725,969</b> |
| As at 1 January 2017          | 1,771,885                       | (45,916)  | 1,725,969        |
| Creation of units             | 61,732                          | -   | 61,732           |
| Cancellation of units         | (218,053)                       | -   | (218,053)        |
| Net income after taxation     | -                               | 228,686   | 228,686          |
| Distribution                  | -                               | (48,520)  | (48,520)         |
| <b>As at 31 December 2017</b> | <b>1,615,564</b>                | <b>134,250</b>                                  | <b>1,749,814</b> |

# Statement Of Cash Flows

For the Financial Year Ended 31 December 2017

|   | 2017<br>MYR'000  | 2016<br>MYR'000 |
|---|------------------|-----------------|
| <b>Cash flows from operating activities</b>                             |                  |                 |
| Proceeds from sale of investments                                       | 549,986          | 486,375         |
| Purchase of investments   | (333,596)        | (412,122)       |
| Capital distribution received   | 2,164            | -               |
| Maturity of deposits  | 20,769,579       | 24,566,657      |
| Placement of deposits   | (20,793,595)     | (24,577,220)    |
| Interest income received  | 3,157            | 3,911           |
| Distribution income received  | 1,270            | 732             |
| Net dividend income received  | 55,969           | 52,385          |
| Trustee's fee paid  | (636)            | (636)           |
| Management fee paid   | (28,388)         | (28,423)        |
| Audit fee paid  | (7)              | (7)             |
| Tax agent's fee paid  | (3)              | (3)             |
| Payment of other fees and expenses                                      | (135)            | (207)           |
| <b>Net cash inflow from operating activities</b>                        | <b>225,765</b>   | <b>91,442</b>   |
| <b>Cash flows from financing activities</b>                             |                  |                 |
| Cash proceeds from units created  | 61,732           | 113,046         |
| Cash paid on units cancelled  | (216,320)        | (107,601)       |
| Distribution paid   | (59,795)         | (105,174)       |
| <b>Net cash outflow from financing activities</b>                       | <b>(214,383)</b> | <b>(99,729)</b> |
| <b>Net increase/(decrease) in cash and cash equivalents</b>             | <b>11,382</b>    | <b>(8,287)</b>  |
| <b>Effect of change in foreign exchange rates</b>                       | <b>(424)</b>     | <b>1,026</b>    |
| <b>Cash and cash equivalents at the beginning of the financial year</b> | <b>15,446</b>    | <b>22,707</b>   |
| <b>Cash and cash equivalents at the end of the financial year</b>       | <b>26,404</b>    | <b>15,446</b>   |