

Fund Information

Fund Name

Public Growth Fund (PGF)

Fund Category

Equity

Fund Investment Objective

To achieve long-term capital appreciation with income considered incidental.

Fund Performance Benchmark

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

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Fund Distribution Policy

Incidental

Breakdown of Unitholdings of PGF as at 31 January 2018

Size of holdings	No. of unitholders	% of unitholders	No. of units held (million)
5,000 and below	7,542	13.84	24
5,001 to 10,000	8,733	16.02	63
10,001 to 50,000	26,227	48.13	637
50,001 to 500,000	11,754	21.57	1,350
500,001 and above	240	0.44	190
Total	54,496	100.00	2,264

Note: Excluding Manager's Stock.

Fund Performance

Average Total Return for the Following Years Ended 31 January 2018

	Average Total Return of PGF (%)
1 Year	18.31
3 Years	7.00
5 Years	8.32

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
PGF (%)	12.07	1.29	-3.46	8.30	16.13

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
Unit Prices (MYR)			
Highest NAV per unit for the period	0.5107	0.4539	0.4632
Lowest NAV per unit for the period	0.4684	0.4334	0.4176
Net Asset Value (NAV) and Units in Circulation (UIC) as at the End of the Period			
Total NAV (MYR'000)	1,152,868	1,005,515	985,407
UIC (in '000)	2,263,917	2,241,342	2,192,471
NAV per unit (MYR)	0.5092	0.4486	0.4495
Total Return for the Period (%)	8.96	3.21	-0.92
Capital growth (%)	8.26	2.73	-2.47
Income (%)	0.65	0.47	1.59
Management Expense Ratio (%)	1.49	1.52	1.53
Portfolio Turnover Ratio (time)	0.10	0.08	0.18

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.

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 %
EQUITY SECURITIES			
Quoted			
Malaysia			
Basic Materials	4.0	4.1	1.5
Communications	11.8	14.9	18.5
Consumer, Cyclical	2.6	6.8	6.7
Consumer, Non-cyclical	9.7	7.5	8.5
Diversified	1.6	5.2	4.7
Energy	4.0	0.9	1.4
Financial	34.3	30.6	29.7
Industrial	-	0.5	1.0
Utilities	9.2	9.0	10.2
	77.2	79.5	82.2
Outside Malaysia			
Australia			
Financial	-	0.5	-
Indonesia			
Communications	-	0.5	0.6
Singapore			
Consumer, Non-cyclical	0.4	-	0.9
Taiwan			
Technology	1.5	2.2	0.4
United States			
Communications	3.9	5.0	3.5
Consumer, Cyclical	1.4	-	1.6
Consumer, Non-cyclical	3.0	1.4	0.9
Financial	1.1	0.1	1.4
Industrial	-	-	2.0
Technology	1.0	0.4	-
	10.4	6.9	9.4
TOTAL QUOTED EQUITY SECURITIES	89.5	89.6	93.5
COLLECTIVE INVESTMENT SCHEMES			
Unquoted			
Funds	5.2	3.7	2.3
TOTAL UNQUOTED COLLECTIVE INVESTMENT SCHEMES	5.2	3.7	2.3

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 %
FIXED INCOME SECURITIES			
Unquoted			
Ringgit-denominated			
Redeemable Non-convertible Bonds	0.4	0.5	0.5
TOTAL UNQUOTED FIXED INCOME SECURITIES	0.4	0.5	0.5
DEPOSITS WITH FINANCIAL INSTITUTIONS	3.1	4.5	3.6
OTHER ASSETS & LIABILITIES	1.8	1.7	0.1

Manager's Report

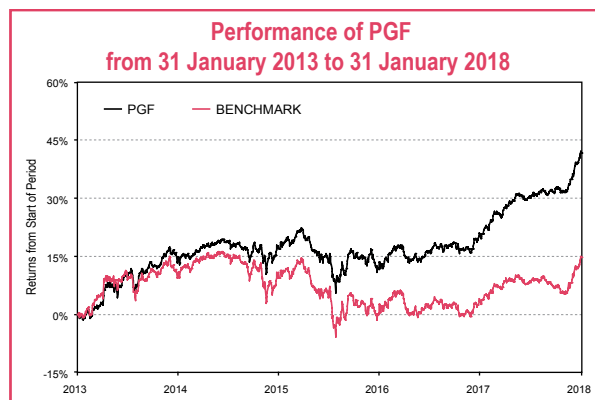
Overview

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

Public Growth Fund (PGF or the Fund) aims to achieve long-term capital appreciation with income considered incidental.

For the financial period under review, the Fund registered a return of +8.96% as compared to its Benchmark's return of +6.17%. The Fund's equity portfolio registered a return of +10.34% while its bond and money market portfolios registered returns of +2.14% and +1.54% respectively 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 generated a total return of +41.62% and outperformed its Benchmark's return of +14.81% over the same 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.

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	93.9%	93.8%	-0.1%	93.78%
Bonds & Other Fixed Income Securities	0.5%	0.4%	-0.1%	0.46%
Money Market	5.6%	5.8%	+0.2%	5.76%

Manager's Report

Returns Breakdown by Asset Class

	Returns On Investments	Market / Benchmark Returns	Benchmark Index Used	Average Exposure	Attributed Returns
Equities & Related Securities	10.34%	6.17%	FBM KLCI	93.78%	9.70%
Bonds & Other Fixed Income Securities	2.14%	2.17%	Bond Index Overnight Rate	0.46%	0.01%
Money Market	1.54%	1.47%		5.76%	0.09%
less: Expenses					-0.84%
Total Net Return for the Period					8.96%
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 period under review, the Fund's equity portfolio registered a return of +10.34% and outperformed the Benchmark's return of +6.17%. The Fund's equity portfolio outperformed the Benchmark as its holdings of selected Technology stocks outperformed the broad market during the financial period under review.

The Fund commenced the financial period under review with an equity exposure of 93.9% and its equity weight was maintained at above 90% over the financial period under review to capitalise on investment opportunities in the domestic and foreign markets. The Fund ended the financial period under review with an equity exposure of 93.8%. Based on an average equity exposure of 93.78%, the Fund's equity portfolio is deemed to have registered a return of +9.70% 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 69.0% of the Net Asset Value (NAV) of the Fund and 73.6% of the Fund's equity portfolio. The weightings of the top 5 sectors in Malaysia (unless otherwise indicated) are in the following order: Financial (34.3%), Communications (11.8%), Consumer, Non-cyclical (9.7%), Utilities (9.2%) and Energy (4.0%).

Manager's Report

Bonds and Other Fixed Income Securities Portfolio Review

For the financial period under review, the Fund's bond portfolio, which comprises corporate bonds, registered a return of +2.14%. 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 +2.17% over the same period. The Fund's holdings of shorter-tenured bonds generated lower returns than the Quant Shop MGS All Index during the financial period under review.

During the financial period under review, the Fund's bond exposure decreased marginally from 0.5% to 0.4% following inflows of new funds. Based on an average exposure of 0.46%, the bond portfolio is estimated to have contributed +0.01% to the Fund's overall return for the financial period under review. For a full review of the bond market, please refer to the following sections of this report.

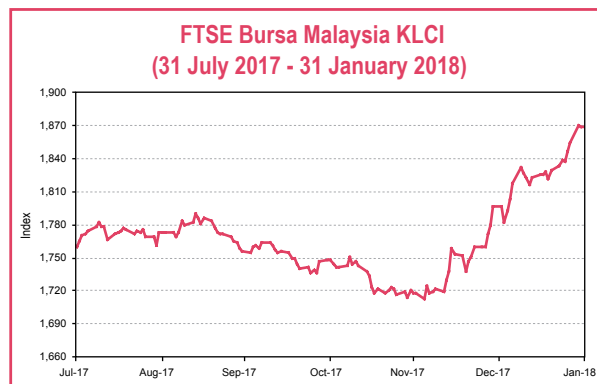
Money Market Portfolio Review

During the financial period under review, the Fund's money market portfolio, which was invested primarily in deposits, yielded a return of +1.54%. 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 increased from 5.6% to 5.8% following inflows of new funds. Based on an average exposure of 5.76%, the money market portfolio is estimated to have contributed +0.09% to the Fund's overall return for the financial period under review.

Stock Market Review

Commencing the financial period under review at 1,760.03 points, the FBM KLCI traded range-bound in August 2017 due to a lack of fresh leads. After rising in early September 2017, the FBM KLCI retraced in October and November 2017 as market sentiment was dampened by a lack of fresh catalysts and a sell-down in selected blue chips. The Index subsequently rebounded in December 2017 and continued to rally in January 2018 in tandem with firmer oil prices and buying interest from foreign investors. The FBM KLCI closed at 1,868.58 points to register a gain of 6.17% for the financial period under review.



Manager's Report

The regional equity markets, as proxied by the Morgan Stanley Capital International All Country Far-East Ex-Japan (MSCI FExJ) Index, commenced the financial period under review at 616.67 points. The Index moved higher in 2017, driven by improving liquidity conditions in China, an improving global economic outlook, robust corporate earnings as well as the strengthening of regional currencies against the U.S. Dollar.

The MSCI FExJ Index started 2018 on a stronger note amid positive earnings revisions and subsequently closed at 726.25 points to register a gain of 17.77% (+7.21% in Ringgit terms) for the financial period under review.

Regional markets, namely the Thailand, Hong Kong, Taiwan, Singapore and Australia markets registered returns of +12.11%, +9.41%, +0.43%, +0.17% and -2.54% (in Ringgit terms) respectively for the financial period under review.

The U.S. equity market, as proxied by the Standard & Poor's (S&P) 500 Index, commenced the financial period under review at 2,470.30 points. The Index rose in August 2017 on better-than-expected U.S. corporate earnings and economic data before edging higher in September 2017 amid easing geopolitical tensions in the Korean Peninsula. The Index subsequently surged to record highs in 4Q 2017 as the U.S. tax reform bill was approved by Congress and signed into law by President Trump in December 2017.

Optimism over the impact of the new tax legislation as well as upward revisions in corporate earnings bolstered the U.S. equity market in January 2018. The S&P 500 Index closed at 2,823.81 points to register a gain of 14.31% (+4.06% in Ringgit terms) for the financial period under review.

Bond Market and Money Market Review

Commencing the financial period under review, the domestic bond market strengthened 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 in September and October 2017, driven by rising optimism over the U.S. tax reform as well as the Federal Reserve's announcement 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.

Buying interest gradually returned to the domestic bond market in November and December 2017 on the back of a firmer Ringgit. In January 2018, domestic bond yields edged higher amid higher U.S. Treasury yields and the 25 bps increase in the Overnight Policy Rate (OPR) to 3.25% on 25 January 2018.

For the financial period under review, the yield of 3-year MGS rose by 5 bps to 3.35%, while the yield of 10-year MGS eased by 3 bps to 3.96%. 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

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 20.4% in the first 11 months of 2017 from 1.2% in 2016 due mainly to higher exports of electrical and electronic products. Import growth surged to 21.2% from 1.9% over the same period. Malaysia's cumulative trade surplus widened to RM90.0 billion in the first 11 months of 2017 compared to RM79.2 billion for the corresponding period of the prior year. Due to capital inflows, Malaysia's foreign reserves rose to US\$102.4 billion as at end-December 2017 compared to US\$94.5 billion a year ago.

Malaysia's inflation rate gained pace to 3.7% in 2017 from 2.1% in 2016 on the back of higher transportation costs and food prices. On 25 January 2018, Bank Negara Malaysia (BNM) raised the OPR by 25 bps from 3.00% to 3.25% amid resilient economic growth. Loans growth eased to 4.1% in 2017 from 5.3% in 2016 due to slower demand from the household sector.

On the regional front, Singapore's GDP growth expanded from 2.0% in 2016 to 3.5% in 2017, helped by robust growth in the services sector.

Led by resilient consumer spending and higher export growth, Thailand's GDP growth increased from 3.2% in 2016 to 3.8% in the first three quarters of 2017.

In North Asia, China's GDP growth expanded from 6.7% in 2016 to 6.9% in 2017, driven by firmer growth in the services 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.

Taiwan's GDP growth strengthened from 1.4% in 2016 to 2.8% in 2017 amid higher export growth.

Down under, Australia's GDP growth eased from 2.6% in 2016 to 2.2% in the first three quarters of 2017 due to moderating consumer spending and export growth.

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.

Manager's Report

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.

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.

Down under, Australia's economic growth is expected to rise from 2.3% in 2017 to 2.8% in 2018 due to higher investment spending. The financial and insurance services sector should maintain its current growth trajectory as low interest rates continue to underpin housing demand.

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. 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.

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

In South-East Asia, Singapore's GDP growth is estimated to ease from 3.5% in 2017 to 3.0% in 2018 on expectations of moderating export growth. Meanwhile, Thailand's GDP growth is envisaged to inch down from 3.8% in 2017 to 3.7% in 2018 on the back of slower export growth.

On the domestic front, Malaysia's GDP growth is projected to ease from 5.8% in 2017 to 5.3% in 2018 amid moderating export growth. However, domestic demand will be supported by sustained consumer and investment spending backed by government measures to increase disposable incomes as well as the ongoing implementation of infrastructure projects.

The budget deficit is projected to narrow to RM39.8 billion (2.8% of GDP) in 2018 from the RM39.9 billion (3.0% of GDP) estimated for 2017, while the federal revenue is forecast to expand by 6.4% to RM239.9 billion in 2018. Meanwhile, operating expenditure and net development expenditure are expected to grow by 6.5% to RM234.3 billion and 0.2% to RM45.4 billion respectively in 2018.

Manager's Report

As at end-January 2018, the local stock market was trading at a prospective P/E ratio of 16.7x, which was above its 10-year average of 16.5x. The market's dividend yield was 3.22%.

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 according to its objective of achieving long-term capital appreciation with income considered incidental.

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 period under review, PGF 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
Assets		
Investments	1,096,894	1,039,479
Derivative instruments at fair value through profit or loss ("FVTPL")	3,325	11
Tax recoverable	41	41
Other receivables	1,465	919
Deposits with financial institutions	35,486	42,228
Cash at banks	18,132	14,749
	1,155,343	1,097,427
Liabilities		
Due to brokers/financial institutions, net	-	4,592
Due to the Manager, net	2,359	1,453
Due to the Trustee	30	40
Other payables	86	94
Distribution payable	-	44,807
	2,475	50,986
Total net assets	1,152,868	1,046,441
Net asset value ("NAV") attributable to unitholders (Total equity)	1,152,868	1,046,441
Units in circulation (in '000)	2,263,917	2,240,343
NAV per unit (in sen)	50.92	46.71

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
Income		
Interest income	746	907
Distribution income	1,252	-
Dividend income	14,314	12,047
Net gain from investments	89,452	26,543
Net realised/unrealised foreign exchange (loss)/gain	(554)	729
	105,210	40,226
Less: Expenses		
Trustee's fee	321	319
Management fee	8,340	7,697
Audit fee	3	3
Tax agent's fee	1	1
Brokerage fee	513	356
Administrative fees and expenses	63	78
	9,241	8,454
Net income before taxation	95,969	31,772
Taxation	(102)	(85)
Net income after taxation	95,867	31,687
Net income after taxation is made up as follows:		
Realised	20,215	8,486
Unrealised	75,652	23,201
	95,867	31,687

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	Retained earnings MYR'000	Total MYR'000
As at 1 August 2016	863,765	79,747	943,512
Creation of units	53,326	-	53,326
Cancellation of units	(23,010)	-	(23,010)
Net income after taxation	-	31,687	31,687
As at 31 January 2017	894,081	111,434	1,005,515
As at 1 August 2017	893,924	152,517	1,046,441
Creation of units	46,131	-	46,131
Cancellation of units	(35,571)	-	(35,571)
Net income after taxation	-	95,867	95,867
As at 31 January 2018	904,484	248,384	1,152,868

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
Cash flows from operating activities		
Proceeds from sale of investments	123,384	86,022
Purchase of investments	(102,157)	(79,509)
Maturity of deposits	4,935,498	6,482,445
Placement of deposits	(4,928,756)	(6,458,888)
Interest income received	739	919
Distribution income received	1,252	-
Net dividend income received	13,669	12,823
Trustee's fee paid	(331)	(319)
Management fee paid	(8,292)	(7,701)
Audit fee paid	(4)	(4)
Payment of other fees and expenses	(73)	(85)
Net cash inflow from operating activities	34,929	35,703
Cash flows from financing activities		
Cash proceeds from units created	46,298	54,300
Cash paid on units cancelled	(34,880)	(23,010)
Distribution paid	(44,807)	(54,289)
Net cash outflow from financing activities	(33,389)	(22,999)
Net increase in cash and cash equivalents	1,540	12,704
Effect of change in foreign exchange rates	1,843	853
Cash and cash equivalents at the beginning of the financial period	14,749	3,238
Cash and cash equivalents at the end of the financial period	18,132	16,795