Fund Information

Fund Name

Public Far-East Consumer Themes Fund (PFECTF)

Fund Category

Equity

Fund Investment Objective

To achieve long term capital appreciation by investing in securities, mainly equities, in the consumer sector in the domestic and foreign markets.

Fund Performance Benchmark

The benchmark of the Fund is a customised index by S&P Dow Jones Indices, LLC based on the constituents within the selected sectors of the S&P BMI Asia Ex-Japan Index comprising Malaysia, Singapore, Thailand, Indonesia, Philippines, Hong Kong, China 'H' Shares, Taiwan and South Korea. The selected sectors are the Consumer Discretionary and Consumer Staples sectors as defined by the then-current Global Industry Classification Standard (GICS).

The "customised benchmark index for PFECTF" is a product of S&P Dow Jones Indices LLC ("SPDJI"), and has been licensed for use by Public Mutual Berhad. Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); Standard & Poor's® , S&P® and Dow Jones® are trademarks of the SPDJI; and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by Public Mutual Berhad. Public Mutual Berhad's PFECTF is not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the "customised benchmark index for PFECTF".

Fund Distribution Policy

Incidental

Breakdown of Unitholdings of PFECTF as at 30 June 2018

Size of holdings	No. of unitholders	% of unitholders	No. of units held (million)
5,000 and below	615	6.78	2
5,001 to 10,000	1,529	16.86	10
10,001 to 50,000	4,442	48.96	108
50,001 to 500,000	2,447	26.97	257
500,001 and above	39	0.43	36
Total	**9,072**	**100.00**	**413**

Note: Excluding Manager's Stock.

Fund Performance

Average Total Return for the Following Years Ended 30 June 2018

	Average Total Return of PFECTF (%)
1 Year	0.21
3 Years	5.18
5 Years	4.95

Annual Total Return for the Financial Years Ended 30 June

Year	2018	2017	2016	2015	2014
PFECTF (%)	0.21	21.88	-5.40	-1.22	9.33

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 30 June

	2018	2017	2016
Unit Prices (MYR)			
Highest NAV per unit for the year	0.3227	0.2942	0.2672
Lowest NAV per unit for the year	0.2838	0.2364	0.2268
Net Asset Value (NAV) and Units in Circulation (UIC) as at the End of the Year			
Total NAV (MYR'000)	119,882	129,204	114,904
UIC (in '000)	413,051	445,959	483,415
NAV per unit (MYR)	0.2902	0.2897	0.2377
Total Return for the Year (%)	**0.21**	**21.88**	**-5.40**
Capital growth (%)	0.21	21.79	-5.99
Income (%)	-	0.07	0.63
Management Expense Ratio (%)	**1.81**	**1.83**	**1.85**
Portfolio Turnover Ratio (time)	**0.18**	**0.46**	**0.62**

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.

The Portfolio Turnover Ratio for the financial year 2018 dropped to 0.18 time from 0.46 time in the previous financial year on account of lower level of rebalancing activities performed by the Fund during the year.

Fund Performance
For the Financial Year Ended 30 June 2018

Distribution and Unit Split

No distribution and unit split were declared for the financial years ended 30 June 2018, 30 June 2017 and 30 June 2016.

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 30 June (Percent of NAV)		
	2018 %	2017 %	2016 %
EQUITY SECURITIES			
Quoted			
Malaysia			
Consumer, Cyclical	2.7	2.9	3.3
Consumer, Non-cyclical	3.8	1.3	2.0
	6.5	4.2	5.3
Outside Malaysia			
Hong Kong			
Communications	1.1	2.9	1.6
Consumer, Cyclical	24.7	21.2	13.2
Consumer, Non-cyclical	10.7	9.4	9.2
Industrial	2.2	1.2	1.4
	38.7	34.7	25.4
Indonesia			
Communications	-	-	1.0
Consumer, Cyclical	3.1	5.5	3.0
Consumer, Non-cyclical	3.0	3.5	4.5
	6.1	9.0	8.5
Korea			
Communications	-	1.5	0.6
Consumer, Cyclical	7.4	13.1	17.4
Consumer, Non-cyclical	9.1	7.1	10.1
Industrial	-	1.0	-
Technology	0.6	1.1	-
	17.1	23.8	28.1
Philippines			
Consumer, Cyclical	-	-	0.4
Consumer, Non-cyclical	-	-	0.5
	-	-	0.9
Singapore			
Consumer, Cyclical	1.6	1.0	0.9
Consumer, Non-cyclical	3.4	5.3	8.0
	5.0	6.3	8.9

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

	As at 30 June (Percent of NAV)		
	2018 %	2017 %	2016 %
Taiwan			
Consumer, Cyclical	3.5	3.1	4.4
Consumer, Non-cyclical	3.9	3.1	2.8
Technology	1.0	1.0	-
	8.4	7.2	7.2
Thailand			
Consumer, Cyclical	3.4	2.8	3.2
Industrial	-	-	1.5
	3.4	2.8	4.7
United States			
Communications	-	2.2	1.6
Consumer, Cyclical	0.9	-	1.1
Financial	1.6	1.1	1.0
	2.5	3.3	3.7
TOTAL QUOTED EQUITY SECURITIES	**87.7**	**91.3**	**92.7**
WARRANTS			
Quoted			
Malaysia			
Warrants	-	1.1	1.0
TOTAL QUOTED WARRANTS	**-**	**1.1**	**1.0**
DEPOSITS WITH FINANCIAL INSTITUTIONS	**6.1**	**3.9**	**2.4**
OTHER ASSETS & LIABILITIES	**6.2**	**3.7**	**3.9**

Manager's Report

Overview

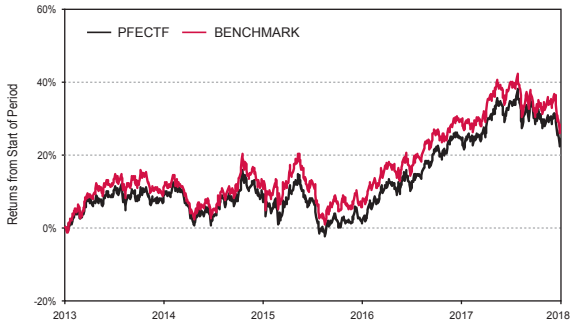
This Annual Report covers the financial year from 1 July 2017 to 30 June 2018.

Public Far-East Consumer Themes Fund (PFECTF or the Fund) seeks to achieve long term capital appreciation by investing in securities, mainly equities, in the consumer sector in the domestic and foreign markets.

For the financial year under review, the Fund registered a return of +0.21% as compared to the Benchmark's return of -0.75%. The Fund's equity portfolio registered a return of +2.19% while its money market portfolio registered a return of +3.14% during the financial year 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 cumulative return of +24.77% as compared to the Benchmark's return of +28.67% over the same period. It is the opinion of the Manager that the Fund has met its objective of achieving capital appreciation over the said period.

Performance of PFECTF from 30 June 2013 to 30 June 2018



The Benchmark of the Fund is a customised index by S&P Dow Jones Indices, LLC based on the constituents within the selected sectors of the Standard & Poor's BMI Asia Ex-Japan Index comprising Malaysia, Singapore, Thailand, Indonesia, Philippines, Hong Kong, China 'H' Shares, Taiwan and South Korea. The selected sectors are the Consumer Discretionary and Consumer Staples sectors as defined by the then-current Global Industry Classification Standard (GICS).

Effect of Distribution Reinvestment on Portfolio Exposures

There were no distributions declared for the year ended 30 June 2018.

Change in Portfolio Exposures from 30-Jun-17 to 30-Jun-18

	30-Jun-17	30-Jun-18	Change	Average Exposure
Equities & Related Securities	92.4%	87.7%	-4.7%	93.90%
Money Market	7.6%	12.3%	+4.7%	6.10%

Returns Breakdown by Asset Class

	Returns On Investments	Market / Benchmark Returns	Benchmark Index Used	Average Exposure	Attributed Returns
Equities & Related Securities	2.19%	-0.75%	Benchmark	93.90%	2.06%
Money Market	3.14%	3.06%	Overnight Rate	6.10%	0.19%
less: Expenses					-2.04%
Total Net Return for the Year					0.21%

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 +2.19% and outperformed the Benchmark's return of -0.75%. The Fund's equity portfolio outperformed the Benchmark as the Fund's selected holdings in Hong Kong outperformed the broader markets during the financial year under review.

The Fund commenced the financial year under review with an equity exposure of 92.4% and its equity weight was reduced to 87.7% at the end of the financial year under review to weather the consolidation phase in the domestic and foreign markets. Based on an average equity exposure of 93.90%, the Fund's equity portfolio is deemed to have registered a return of +2.06% 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.

Country Allocation

In terms of country allocation within the equity portfolio, the Fund's equity investments in Malaysia accounted for 6.5% of the Net Asset Value (NAV) of the Fund. Other than Malaysia, the top 5 countries accounted for 75.3% of the NAV of the Fund and 85.9% of the Fund's equity portfolio. The weightings of the top 5 countries excluding Malaysia are in the following order: Hong Kong (38.7%), Korea (17.1%), Taiwan (8.4%), Indonesia (6.1%) and Singapore (5.0%).

Manager's 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 +3.14%. In comparison, the Bank Negara Weighted Average Overnight Interbank Rate (Overnight Rate) registered a return of +3.06% over the same period.

During the financial year under review, the Fund's exposure to money market investments increased from 7.6% to 12.3% following the disposal of selected equity investments. Based on an average exposure of 6.10%, the money market portfolio is estimated to have contributed +0.19% to the Fund's overall return for the financial year under review.

Stock Market 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 589.29 points. The Index moved higher in the second half of 2017, driven by improving liquidity conditions in China, a rosier 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 strong note but 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 FExJ closed at 635.55 points to register a gain of 7.85% (+1.49% in Ringgit terms) for the financial year under review.

Regional markets, namely the Hong Kong, Taiwan, Thailand, Singapore, Malaysia, Korea and Indonesia markets, registered returns of +5.23%, -2.12%, -2.23%, -3.73%, -4.09%, -6.05% and -12.90% (in Ringgit terms) respectively for the financial year under review.

MSCI AC Far-East Ex-Japan Index (30 June 2017 - 30 June 2018)

In the second half of 2017, consumer stocks in the region rose in tandem with the broader markets on the back of stabilising economic growth in China and improving consumer sentiment in the South-East Asian countries. China's e-commerce sector continued to post robust growth while consumer demand and tourism in South Korea recovered amid diminishing geopolitical concerns in the Korean Peninsula.

Despite sustained consumer sentiment across the region in the first half of 2018, consumer stocks drifted lower on tandem with the broader markets on the back of concerns over trade tensions between the U.S. and China as well as the prospect of faster-than-expected interest rate hikes in the U.S. For the financial year under review, the regional consumer stocks, as proxied by the Fund's benchmark, registered a decline of 0.75%.

The U.S. equity market, as proxied by the Standard & Poor's (S&P) 500 Index, commenced the financial year under review at 2,423.41 points. The Index moved higher from July to September 2017 on the back of better-than-expected U.S. corporate earnings and economic data as well as easing geopolitical tensions in the Korean Peninsula. The Index extended its rally 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. Optimism over the impact of the new tax legislation as well as upward corporate earnings revisions subsequently bolstered the Index to a record high of 2,872.87 points on 26 January 2018.

The S&P 500 Index corrected in February 2018 amid concerns over inflationary pressures and the prospect of faster-than-expected interest rate hikes in the U.S. The Index slid further in March 2018 amid escalating trade tensions between the U.S. and China before rebounding in April and May 2018 as trade tensions eased and corporate earnings remained robust. President Trump's threat to impose tariffs on another US$200 billion of Chinese goods as well as a ban on Chinese investments in U.S. technology companies reignited fears of a trade war, causing the Index to retrace in June 2018. The S&P 500 Index closed at 2,718.37 points to register a gain of 12.17% (+5.56% in Ringgit terms) for the financial year under review.

Money Market Review

The Overnight Rate commenced the financial year under review at 2.95% and ended the financial year 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.

Manager's Report

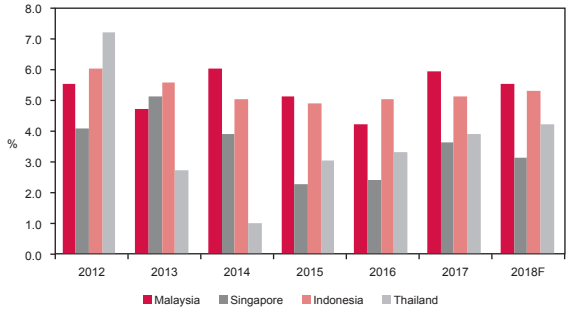
Malaysia's inflation rate slowed to 1.7% in the first five months of 2018 from 3.7% in 2017 amid moderating food prices and transportation costs. On 25 January 2018, Bank Negara Malaysia (BNM) raised the Overnight Policy Rate (OPR) by 25 basis points (bps) from 3.00% to 3.25% on the back of resilient 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. Singapore's inflation rate edged down to 0.2% in the first five months of 2018 from 0.6% in 2017 amid moderating transportation costs and food prices.

Indonesia's economic growth was sustained at 5.1% in 1Q 2018 compared to a similar growth rate in 2017 on the back of resilient domestic demand. The inflation rate eased to 3.3% in the first five months of 2018 from 3.8% in 2017 due to moderating housing and transportation costs. To stabilise the Rupiah and stem capital outflows, Bank Indonesia (BI) raised its benchmark interest rate by 100 bps to 5.25% in the May-June period.

Driven by resilient consumer spending and higher export growth, Thailand's GDP growth gained pace from 3.9% in 2017 to 4.8% in 1Q 2018. The inflation rate edged up to 0.9% in the first five months of 2018 from 0.7% in 2017 amid higher housing costs. The Bank of Thailand maintained its policy interest rate at 1.50% to support economic growth.

South-East Asia's GDP Growth

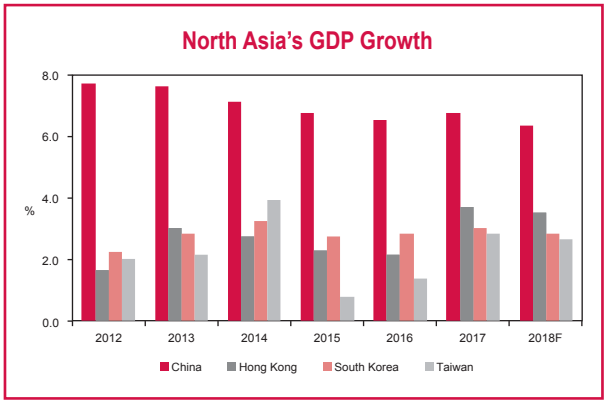


In North Asia, China's GDP growth inched down from 6.9% in 2017 to 6.8% in 1Q 2018 following a moderation in the services sector. The services sector's growth eased from 8.0% in 2017 to 7.5% in 1Q 2018 on the back of softer growth in financial activities and trade. Driven by higher food prices, China's inflation rate climbed to 2.0% in the first five months of 2018 from 1.6% in 2017. To support China's economic activities, the People's Bank of China (PBoC) maintained its lending rate at 4.35%.

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. The inflation rate firmed to 2.3% in the first five months of 2018 from 1.5% in 2017 on the back of higher food prices and housing costs. To curb elevated residential property prices, Hong Kong's government introduced additional tightening measures in June 2018.

Weighed by slower investment spending and export growth, South Korea's GDP growth eased from 3.1% in 2017 to 2.8% in 1Q 2018. The inflation rate softened to 1.4% in the first five months of 2018 from 1.9% in 2017 due to moderating food prices and transportation costs. To maintain economic growth, the Bank of Korea held its benchmark interest rate at 1.50%.

Taiwan's GDP growth edged up from 2.9% in 2017 to 3.0% in 1Q 2018 amid higher consumer and government spending. Taiwan's inflation rate climbed to 1.7% in the first five months of 2018 from 0.6% in 2017 on the back of higher food prices and transportation costs. 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 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.

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.

Consumer Market Outlook and Investment Strategy

Looking ahead, consumer spending in regional economies will be largely driven by the pace of economic growth in Asia as well as developments in the global economy. Consumers' purchasing power in most parts of Asia is generally envisaged to be supported over the long term by the region's young demographics and high savings rate.

In China, rising household income and urbanisation will continue to drive demand for quality consumer products. Despite near-term volatility arising from U.S.-China trade tensions, consumption growth is expected to remain resilient as China is transitioning from an investment-driven and export-led economy to one underpinned by services and domestic consumption. The sustainable pace of China's economic growth is also supportive of valuations of consumer stocks in China.

In Korea, a recovery in tourism amid diminishing geopolitical tensions in the Korean Peninsula as well as resilient domestic consumer sentiment is supportive of the earnings outlook and valuations of South Korean consumer stocks.

In the ASEAN region, the strength of the U.S. Dollar may enhance the region's export competitiveness and underpin consumer demand in export-driven economies. In Indonesia, the increase in government budget to provide social aid is supportive of domestic consumption. Meanwhile, a sustained recovery in tourist activities and improved political stability are expected to spur consumer spending in Thailand.

In Malaysia, consumer stocks are seeing positive impact from the zero-rating of the Goods and Services Tax (GST) effective June 2018. The move by the newly-elected government to fix the selling prices of petrol and diesel as well as the continuation of social assistance policies for lower-income groups are expected to lend further support to domestic consumption. Malaysia's monetary policy is envisaged to remain supportive, which should help to underpin consumer sentiment and spending.

Over the longer term, population growth, positive demographic trends and rising disposable income levels are anticipated to support consumption spending in Asia. The Fund will continue to seek investment opportunities across the region as valuations become more attractive.

In the financial year under review, the Fund focused its investments in the Hong Kong, South Korea, Taiwan, Indonesia and Singapore markets where the earnings growth of consumer stocks has generally been resilient. Looking ahead, the Fund will continue to rebalance its investment portfolio accordingly with the objective of achieving long term capital appreciation by investing in securities, mainly equities, in the consumer sector in the domestic and foreign markets.

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, PFECTF 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 30 June 2018

	2018 MYR'000	2017 MYR'000
Assets		
Investments	105,110	119,423
Due from brokers/financial institutions, net	520	-
Other receivables	225	116
Deposits with financial institutions	7,341	5,026
Cash at banks	7,298	4,831
	120,494	129,396
Liabilities		
Due to brokers/financial institutions, net	365	-
Due to the Manager, net	205	115
Due to the Trustee	6	7
Other payables	36	70
	612	192
Total net assets	119,882	129,204
Net asset value ("NAV") attributable to unitholders (Total equity)	119,882	129,204
Units in circulation (in '000)	413,051	445,959
NAV per unit (in sen)	29.02	28.97

Statement Of Income And Expenditure

For the Financial Year Ended 30 June 2018

	2018 MYR'000	2017 MYR'000
Income		
Interest income	152	118
Dividend income	2,489	2,571
Net gain from investments	714	23,707
Net realised/unrealised foreign exchange gain	13	548
	3,368	26,944
Less: Expenses		
Trustee's fee	81	78
Management fee	2,288	2,186
Audit fee	7	7
Tax agent's fee	3	3
Brokerage fee	171	458
Administrative fees and expenses	59	83
	2,609	2,815
Net income before taxation	759	24,129
Taxation	(211)	(240)
Net income after taxation	548	23,889
Net income after taxation is made up as follows:		
Realised	3,280	(885)
Unrealised	(2,732)	24,774
	548	23,889

Statement Of Changes In Net Asset Value

For the Financial Year Ended 30 June 2018

	Unitholders' capital MYR'000	Retained earnings MYR'000	Total MYR'000
As at 1 July 2016	120,355	(5,451)	114,904
Creation of units	3,931	-	3,931
Cancellation of units	(13,520)	-	(13,520)
Net income after taxation	-	23,889	23,889
As at 30 June 2017	110,766	18,438	129,204
As at 1 July 2017	110,766	18,438	129,204
Creation of units	3,827	-	3,827
Cancellation of units	(13,697)	-	(13,697)
Net income after taxation	-	548	548
As at 30 June 2018	100,896	18,986	119,882

Statement Of Cash Flows

For the Financial Year Ended 30 June 2018

	2018 MYR'000	2017 MYR'000
Cash flows from operating activities		
Proceeds from sale of investments	30,244	62,393
Purchase of investments	(15,527)	(52,744)
Subscription of rights	-	(437)
Maturity of deposits	1,182,818	940,427
Placement of deposits	(1,185,133)	(942,682)
Interest income received	151	118
Net dividend income received	2,172	2,330
Taxation recovered	-	37
Trustee's fee paid	(82)	(77)
Management fee paid	(2,308)	(2,165)
Audit fee paid	(7)	(7)
Tax agent's fee paid	(3)	(6)
Payment of other fees and expenses	(91)	(68)
Net cash inflow from operating activities	12,234	7,119
Cash flows from financing activities		
Cash proceeds from units created	3,946	3,799
Cash paid on units cancelled	(13,706)	(13,626)
Net cash outflow from financing activities	(9,760)	(9,827)
Net increase/(decrease) in cash and cash equivalents	2,474	(2,708)
Effect of changes in foreign exchange rates	(7)	533
Cash and cash equivalents at the beginning of the financial year	4,831	7,006
Cash and cash equivalents at the end of the financial year	7,298	4,831