

# Fund Information

## Fund Name

Public Strategic SmallCap Fund (PSSCF)

## Fund Category

Equity

## Fund Investment Objective

To achieve capital appreciation over the medium to long term period through investments primarily in companies with small market capitalisation.

## Fund Performance Benchmark

The benchmark of the Fund is the FTSE Bursa Malaysia Small Cap Index.

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## Fund Distribution Policy

Incidental

## Breakdown of Unitholdings of PSSCF as at 31 March 2018

Size of holdings	No. of unitholders	% of unitholders	No. of units held (million)
5,000 and below	5,167	12.45	16
5,001 to 10,000	5,691	13.72	43
10,001 to 50,000	20,698	49.90	510
50,001 to 500,000	9,681	23.34	1,146
500,001 and above	244	0.59	224
<b>Total</b>	<b>41,481</b>	<b>100.00</b>	<b>1,939</b>

*Note: Excluding Manager's Stock.*

## Fund Performance

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

	Average Total Return of PSSCF (%)
1 Year	-6.11
3 Years	0.28
5 Years	5.54

## Fund Performance

For the Financial Period Ended 31 March 2018

### Annual Total Return for the Financial Years Ended 30 September

Year	2017	2016	2015	2014	2013
PSSCF (%)	6.04	5.20	-4.53	14.03	17.75

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 March

	2018	2017	2016
<b>Unit Prices (MYR)</b>			
Highest NAV per unit for the period	0.3446	0.3344	0.3222
Lowest NAV per unit for the period	0.3073	0.3121	0.3042
<b>Net Asset Value (NAV) and Units in Circulation (UIC) as at the End of the Period</b>			
Total NAV (MYR'000)	598,031	691,433	617,229
UIC (in '000)	1,939,400	2,073,770	1,957,903
NAV per unit (MYR)	0.3084	0.3334	0.3153
<b>Total Return for the Period (%)</b>	<b>-7.66</b>	<b>4.29</b>	<b>3.75</b>
Capital growth (%)	-8.02	3.98	3.36
Income (%)	0.39	0.30	0.38
<b>Management Expense Ratio (%)</b>	<b>1.55</b>	<b>1.57</b>	<b>1.57</b>
<b>Portfolio Turnover Ratio (time)</b>	<b>0.06</b>	<b>0.06</b>	<b>0.08</b>

Notes: Management Expense Ratio is calculated by taking the total management expenses expressed as an annual percentage of the Fund's average net asset value.

Portfolio Turnover Ratio is calculated by taking the average of the total acquisitions and disposals of the investments in the Fund for the period over the average net asset value of the Fund calculated on a daily basis.

## Fund Performance

For the Financial Period Ended 31 March 2018

### Asset Allocation for the Past Three Financial Periods

	As at 31 March (Percent of NAV)		
	2018 %	2017 %	2016 %
<b>EQUITY SECURITIES</b>			
<b>Quoted</b>			
<b>Malaysia</b>			
<b>Ordinary Shares</b>			
Basic Materials	0.7	0.4	0.5
Communications	2.1	2.0	1.9
Consumer, Cyclical	8.7	7.9	7.3
Consumer, Non-cyclical	15.8	16.1	11.5
Diversified	2.5	3.3	2.3
Energy	2.0	-	0.2
Financial	14.4	13.9	13.3
Industrial	23.9	17.9	15.9
Technology	2.1	0.7	2.6
	<b>72.2</b>	<b>62.2</b>	<b>55.5</b>
<b>Preference Shares</b>			
Financial	1.0	0.8	0.8
<b>Outside Malaysia</b>			
<b>Hong Kong</b>			
Communications	-	0.7	1.8
<b>Indonesia</b>			
Consumer, Cyclical	0.4	0.3	0.3
<b>Singapore</b>			
Financial	-	-	0.1
Industrial	2.5	1.8	0.1
	<b>2.5</b>	<b>1.8</b>	<b>0.2</b>
<b>TOTAL QUOTED EQUITY SECURITIES</b>	<b>76.1</b>	<b>65.8</b>	<b>58.6</b>
<b>COLLECTIVE INVESTMENT FUNDS</b>			
<b>Quoted</b>			
<b>Malaysia</b>			
Financial	3.7	4.2	3.4
<b>TOTAL QUOTED COLLECTIVE INVESTMENT FUNDS</b>	<b>3.7</b>	<b>4.2</b>	<b>3.4</b>
<b>WARRANTS</b>			
<b>Quoted</b>			
<b>Malaysia</b>			
Warrants	-	-	0.3
<b>TOTAL QUOTED WARRANTS</b>	<b>-</b>	<b>-</b>	<b>0.3</b>

## Fund Performance

For the Financial Period Ended 31 March 2018

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

	As at 31 March (Percent of NAV)		
	2018 %	2017 %	2016 %
<b>COLLECTIVE INVESTMENT SCHEMES</b>			
Unquoted Funds	6.9	-	-
<b>TOTAL UNQUOTED COLLECTIVE INVESTMENT SCHEMES</b>	<b>6.9</b>	<b>-</b>	<b>-</b>
<b>DEPOSITS WITH FINANCIAL INSTITUTIONS</b>	<b>6.3</b>	<b>28.9</b>	<b>37.4</b>
<b>OTHER ASSETS &amp; LIABILITIES</b>	<b>7.0</b>	<b>1.1</b>	<b>0.3</b>

## Manager's Report

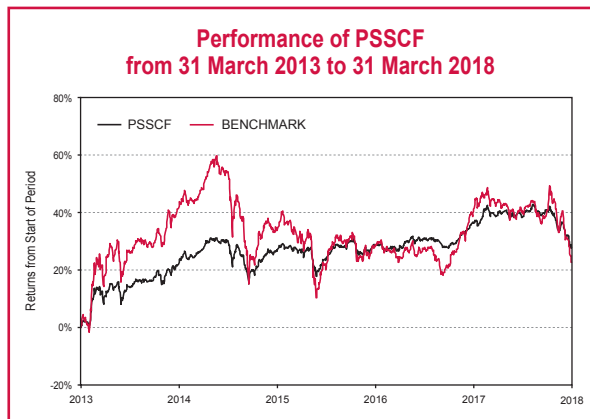
### Overview

This Interim Report covers the financial period from 1 October 2017 to 31 March 2018.

Public Strategic SmallCap Fund (PSSCF or the Fund) aims to achieve capital appreciation over the medium to long term period through investments primarily in companies with small market capitalisation.

For the financial period under review, the Fund registered a return of -7.66% as compared to its Benchmark's return of -12.36%. The Fund's equity portfolio registered a return of -8.65% while its money market portfolio registered a return of +1.55% during the financial period under review. A detailed performance attribution analysis is provided in the sections below.

For the five financial years ended 31 March 2018, the Fund generated a total cumulative return of +27.73% and outperformed the Benchmark's return of +22.52% over the same period.



The Benchmark for PSSCF is the FTSE Bursa Malaysia Small Cap Index which comprises eligible companies within the top 98% of the Bursa Malaysia Main Market excluding constituents of the FTSE Bursa Malaysia Top 100 Index.

### Effect of Distribution Reinvestment on Portfolio Exposures

There were no distributions declared for the period ended 31 March 2018.

### Change in Portfolio Exposures from 30-Sep-17 to 31-Mar-18

	30-Sep-17	31-Mar-18	Change	Average Exposure
Equities & Related				
Securities	78.2%	79.8%	+1.6%	82.10%
Money Market	21.8%	20.2%	-1.6%	17.90%

## Manager's Report

### Returns Breakdown by Asset Class

	Returns On Investments	Market / Benchmark Returns	Benchmark Index Used	Average Exposure	Attributed Returns
Equities & Related Securities	-8.65%	-12.36%	FBMSC	82.10%	-7.10%
Money Market	1.55%	1.50%	Overnight Rate	17.90%	0.28%
less: Expenses					-0.84%
Total Net Return for the Period					-7.66%

FBMSC = FTSE Bursa Malaysia Small Cap 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 -8.65% as compared to the equity Benchmark's return of -12.36%. The Fund's equity portfolio outperformed the equity Benchmark as the Fund's holdings of selected stocks within the Financial and Consumer sectors outperformed the broad market during the financial period under review.

The Fund commenced the financial period under review with an equity exposure of 78.2% and gradually increased its equity exposure over the financial period under review to capitalise on investment opportunities in the domestic and regional markets. The Fund ended the financial period under review with an equity exposure of 79.8%. Based on an average equity exposure of 82.10%, the Fund's equity portfolio is deemed to have registered a return of -7.10% 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 70.0% of the Net Asset Value (NAV) of the Fund and 87.7% of the Fund's equity portfolio. The weightings of the top 5 sectors in Malaysia (unless otherwise indicated) are in the following order: Industrial (23.9%), Financial (19.1%), Consumer, Non-cyclical (15.8%), Consumer, Cyclical (8.7%) and Diversified (2.5%).

### Money Market Portfolio Review

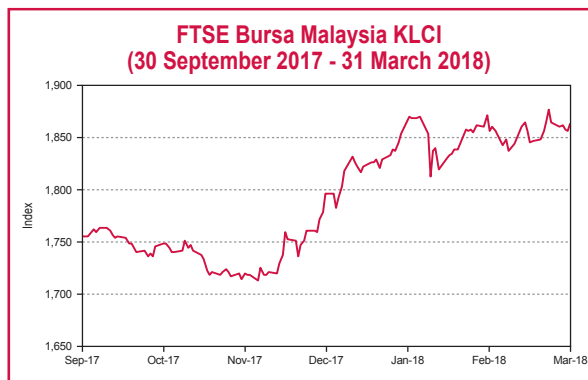
During the financial period under review, the Fund's money market portfolio, which was invested primarily in deposits, yielded a return of +1.55%. In comparison, the Bank Negara Weighted Average Overnight Interbank Rate (Overnight Rate) registered a return of +1.50% over the same period.

## Manager's Report

During the financial period under review, the Fund's exposure to money market investments decreased from 21.8% to 20.2% as funds were mobilised into equity investments. Based on an average exposure of 17.90%, the money market portfolio is estimated to have contributed +0.28% to the Fund's overall return for the financial period under review.

### Stock Market Review

Commencing the financial period under review at 1,755.58 points, the FTSE Bursa Malaysia KLCI (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 rebounded in December 2017 and continued to rally in January 2018 on the back of firmer oil prices and buying interest from foreign investors. In early February 2018, the Index fell in tandem with global markets due to concerns over the prospect of higher-than-expected interest rates in the U.S. The FBM KLCI subsequently rebounded in March 2018 amid buying interest in selected blue chips to close at 1,863.46 points, registering a gain of 6.14% for the financial period under review.



Small-cap stocks, as proxied by the FBM Small Cap Index (FBMSC), started the financial period under review at 16,950.99 points. The Index strengthened in October 2017 amid sustained interest in small-cap stocks before trading lower in November 2017 on profit-taking activities. The Index rebounded in December 2017 and continued to rally in January 2018 on the back of firmer oil prices and buying interest from foreign investors.

In early February 2018, the FBMSC fell in tandem with global markets amid concerns over the prospect of higher-than-expected interest rates in the U.S. The Index subsequently consolidated in March 2018 on profit-taking activities in manufacturing stocks. The FBMSC closed at 14,856.33 points to register a decline of 12.36% for the financial period under review.

The regional equity markets, as proxied by the Morgan Stanley Capital International All Country Far-East Ex-Japan (MSCI FEJ) Index, commenced the financial period under review at 625.20 points. The Index moved higher in 4Q 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.

## Manager's Report

The MSCI FExJ Index started 2018 on a strong note before retreating in February and March 2018, weighed by concerns over the prospect of faster-than-expected interest rate hikes in the U.S. as well as rising trade tensions between the U.S. and China. The MSCI FExJ Index closed at 681.18 points to register a gain of 8.95% (-0.19% in Ringgit terms) for the financial period under review.

Regional markets, namely the Thailand, Singapore, Hong Kong and Indonesia markets registered returns of +3.72%, +0.99%, -0.43% and -6.01% (in Ringgit terms) respectively for the financial period under review.

### Money Market Review

The Overnight Rate commenced the financial period under review at 2.90% and ended the financial period under review higher at 3.25%.

### Economic Review

Malaysia's GDP growth gained pace from 4.2% in 2016 to 5.9% in 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 2017. Meanwhile, growth in manufacturing activities increased from 4.4% to 6.0% over the same period.

Malaysia's export growth accelerated to 18.9% in 2017 from 1.2% in 2016 due mainly to higher exports of electrical and electronic products. Import growth surged to 19.9% from 1.9% over the same period. Malaysia's cumulative trade surplus widened to RM97.2 billion in 2017 from RM88.1 billion in 2016. Due to capital inflows, Malaysia's foreign reserves increased to US\$103.7 billion as at end-February 2018 compared to US\$95.0 billion a year ago.

Malaysia's inflation rate slowed to 2.0% in the first two months of 2018 from 3.7% in 2017 on the back of moderating food 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% amid resilient economic growth. Loans growth edged up to 4.5% in the first two months of 2018 from 4.1% in 2017 due to higher demand from the household sector.

On the regional front, Singapore's GDP growth expanded from 2.4% in 2016 to 3.6% in 2017, helped by robust growth in the services sector. Meanwhile, Indonesia's economic growth inched higher from 5.0% in 2016 to 5.1% in 2017 on the back of resilient domestic demand. Led by resilient consumer spending and higher export growth, Thailand's GDP growth increased from 3.3% in 2016 to 3.9% in 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 2.1% in 2016 to 3.8% in 2017 due to higher 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 3.3% in 2017 compared to a contraction of 1.6% in 2016 due to higher investment in equipment. Likewise, exports expanded by 3.4% compared to a decline of 0.3% over the same period. At the Federal Open Market Committee (FOMC) meeting on 20-21 March 2018, the Federal Reserve raised the Federal funds rate target range by 25 bps from 1.25%-1.50% to 1.50%-1.75%.

## Manager's Report

Eurozone GDP growth gained pace from 1.8% in 2016 to 2.3% in 2017 on the back of higher export growth. At its monetary policy meeting on 8 March 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 but retraced in February on concerns over the prospect of faster-than-anticipated interest rate hikes in the U.S. Global and regional equity markets declined further in March due to the U.S. government's proposed protectionist measures. While concerns over inflationary pressures in the U.S. as well as U.S.-China trade tensions may result in volatile market conditions in the near term, the performance of equity markets over the longer term will depend on the economic outlook and market valuations of the U.S., Europe and the Asia Pacific region.

U.S. economic growth is projected to edge up from 2.3% in 2017 to 2.8% in 2018, driven by higher investment spending on the back of tax reform measures.

In the Eurozone, economic growth is envisaged to inch higher from 2.3% in 2017 to 2.4% in 2018 on expectations of firmer 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. 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 3.8% in 2017 to 3.0% 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.

In South-East Asia, Singapore's GDP growth is estimated to ease from 3.6% in 2017 to 3.0% in 2018 on expectations of moderating export growth. Indonesia's GDP growth is expected to expand from 5.1% in 2017 to 5.3% in 2018 due to robust domestic demand. Meanwhile, Thailand's GDP growth is envisaged to edge up from 3.9% in 2017 to 4.0% in 2018, driven by higher investment spending.

On the domestic front, Malaysia's GDP growth is projected to ease from 5.9% in 2017 to 5.4% 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-March 2018, the local stock market was trading at a prospective P/E ratio of 16.6x, which was above its 10-year average of 16.5x. The market's dividend yield was 3.28%.

Among the regional markets, South-East Asian markets were generally trading at premiums while selected 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 capital appreciation over the medium to long term period through investments primarily in companies with small market capitalisation.

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, PSSCF 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 March 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 March 2018

	31.3.2018 MYR'000	30.9.2017 MYR'000
<b>Assets</b>		
Investments	518,172	579,561
Other receivables	997	930
Deposits with financial institutions	37,752	116,791
Cash at banks	43,141	7,912
	600,062	705,194
<b>Liabilities</b>		
Due to brokers/financial institutions, net	-	528
Due to the Manager, net	1,927	2,146
Due to the Trustee	33	37
Other payables	71	78
Distribution payable	-	10,359
	2,031	13,148
<b>Total net assets</b>	<b>598,031</b>	<b>692,046</b>
<b>Net asset value ("NAV") attributable to unitholders (Total equity)</b>	<b>598,031</b>	<b>692,046</b>
<b>Units in circulation (in '000)</b>	<b>1,939,400</b>	<b>2,071,888</b>
<b>NAV per unit (in sen)</b>	<b>30.84</b>	<b>33.40</b>

## Extracts Of Financial Statements (cont'd)

### Statement of Income and Expenditure

For the Financial Period Ended 31 March 2018

	1.10.2017 to 31.3.2018 MYR'000	1.10.2016 to 31.3.2017 MYR'000
<b>Income</b>		
Interest income	1,075	3,602
Distribution income	654	-
Dividend income	6,153	4,150
Net (loss)/gain from investments	(50,966)	26,373
Net realised/unrealised foreign exchange (loss)/gain	(1,053)	75
	(44,137)	34,200
<b>Less: Expenses</b>		
Trustee's fee	212	210
Management fee	5,229	5,266
Audit fee	3	3
Tax agent's fee	2	1
Brokerage fee	153	250
Administrative fees and expenses	28	45
	5,627	5,775
<b>Net (loss)/income before taxation</b>	(49,764)	28,425
<b>Taxation</b>	(58)	(51)
<b>Net (loss)/income after taxation</b>	(49,822)	28,374
<b>Net (loss)/income after taxation is made up as follows:</b>		
Realised	12,890	4,373
Unrealised	(62,712)	24,001
	(49,822)	28,374

## Extracts Of Financial Statements (cont'd)

### Statement of Changes in Net Asset Value

For the Financial Period Ended 31 March 2018

	Unitholders' capital MYR'000	Retained earnings MYR'000	Total MYR'000
As at 1 October 2016	633,127	29,677	662,804
Creation of units	23,639	-	23,639
Cancellation of units	(23,384)	-	(23,384)
Net income after taxation	-	28,374	28,374
As at 31 March 2017	633,382	58,051	691,433
As at 1 October 2017	631,258	60,788	692,046
Creation of units	23,771	-	23,771
Cancellation of units	(67,964)	-	(67,964)
Net loss after taxation	-	(49,822)	(49,822)
As at 31 March 2018	587,065	10,966	598,031

## Extracts Of Financial Statements (cont'd)

### Statement of Cash Flows

For the Financial Period Ended 31 March 2018

	1.10.2017 to 31.3.2018 MYR'000	1.10.2016 to 31.3.2017 MYR'000
<b>Cash flows from operating activities</b>		
Proceeds from sale of investments	49,085	22,664
Purchase of investments	(39,349)	(54,537)
Maturity of deposits	8,761,833	28,293,442
Placement of deposits	(8,682,794)	(28,256,285)
Interest income received	1,088	3,605
Distribution income received	654	-
Net dividend income received	6,014	4,494
Trustee's fee paid	(216)	(208)
Management fee paid	(5,323)	(5,206)
Audit fee paid	(4)	(4)
Tax agent's fee paid	(1)	-
Payment of other fees and expenses	(35)	(50)
<b>Net cash inflow from operating activities</b>	<b>90,952</b>	<b>7,915</b>
<b>Cash flows from financing activities</b>		
Cash proceeds from units created	23,771	22,819
Cash paid on units cancelled	(68,089)	(24,204)
Distribution paid	(10,359)	-
<b>Net cash outflow from financing activities</b>	<b>(54,677)</b>	<b>(1,385)</b>
<b>Net increase in cash and cash equivalents</b>	<b>36,275</b>	<b>6,530</b>
<b>Effect of changes in foreign exchange rates</b>	<b>(1,046)</b>	<b>95</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>	<b>7,912</b>	<b>1,997</b>
<b>Cash and cash equivalents at the end of the financial period</b>	<b>43,141</b>	<b>8,622</b>