

# Fund Information

## Fund Name

Public China Access Equity Fund (PCASEF)

## Fund Category

Equity

## Fund Investment Objective

To achieve capital growth over the medium to long-term period by investing in a portfolio of investments in the China market and including China-based companies listed on domestic and foreign markets.

## Fund Performance Benchmark

The benchmarks of the Fund and their respective percentages are 90% S&P/CITIC 50 Index and 10% 3-Month Kuala Lumpur Interbank Offered Rate (KLIBOR).

*The "S&P/CITIC 50 Index" 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 PCASEF 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 "S&P/CITIC 50 Index".*

## Fund Distribution Policy

Incidental

## Breakdown of Unitholdings of PCASEF as at 31 May 2018

Size of holdings	No. of unitholders	% of unitholders	No. of units held (million)
5,000 and below	-	-	-
5,001 to 10,000	-	-	-
10,001 to 50,000	-	-	-
50,001 to 500,000	-	-	-
500,001 and above	9	100.00	156
<b>Total</b>	<b>9</b>	<b>100.00</b>	<b>156</b>

Note: Excluding Manager's Stock.

## Fund Performance

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

	Average Total Return of PCASEF (%)
1 Year	14.73
3 Years	5.29
5 Years	23.98

## Fund Performance

For the Financial Period Ended 31 May 2018

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

Year	2017	2016	2015	2014	2013
PCASEF (%)	21.94	6.74	45.44	11.97	11.29*

\* The figure shown is for period since Fund commencement (8 May 2013).

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 May

	2018	2017	2016
<b>Unit Prices (MYR)</b>			
Highest NAV per unit for the period	1.4069	1.0818	1.1022
Lowest NAV per unit for the period	1.1847	0.9928	0.8663
<b>Net Asset Value (NAV) and Units in Circulation (UIC) as at the End of the Period</b>			
Total NAV (MYR'000)	188,561	164,368	139,049
UIC (in '000)	155,543	151,934	149,211
NAV per unit (MYR)	1.2123	1.0818	0.9319
<b>Total Return for the Period (%)</b>	<b>-4.27</b>	<b>1.74</b>	<b>-8.17</b>
Capital growth (%)	-3.43	2.48	-7.42
Income (%)	-0.87	-0.72	-0.81
<b>Management Expense Ratio (%)</b>	<b>1.97</b>	<b>1.97</b>	<b>1.98</b>
<b>Portfolio Turnover Ratio (time)</b>	<b>0.19</b>	<b>0.13</b>	<b>0.17</b>

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

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

The Portfolio Turnover Ratio for the financial period 2018 rose to 0.19 time from 0.13 time in the previous financial period on account of higher level of rebalancing activities performed by the Fund during the period.

## Fund Performance

For the Financial Period Ended 31 May 2018

### Asset Allocation for the Past Three Financial Periods

	As at 31 May (Percent of NAV)		
	2018 %	2017 %	2016 %
<b>EQUITY SECURITIES</b>			
<b>Quoted</b>			
<b>Outside Malaysia</b>			
<b>China</b>			
Basic Materials	1.5	-	-
Communications	1.2	2.5	0.7
Consumer, Cyclical	10.1	5.0	3.6
Consumer, Non-cyclical	16.1	12.0	7.9
Energy	1.1	3.2	2.8
Financial	47.7	53.8	58.2
Industrial	7.6	9.7	10.6
Technology	1.9	2.5	-
Utilities	1.9	1.3	2.3
<b>TOTAL QUOTED EQUITY SECURITIES</b>	<b>89.1</b>	<b>90.0</b>	<b>86.1</b>
<b>DEPOSITS WITH FINANCIAL INSTITUTIONS</b>	<b>1.8</b>	<b>1.7</b>	<b>3.6</b>
<b>OTHER ASSETS &amp; LIABILITIES</b>	<b>9.1</b>	<b>8.3</b>	<b>10.3</b>

# Manager's Report

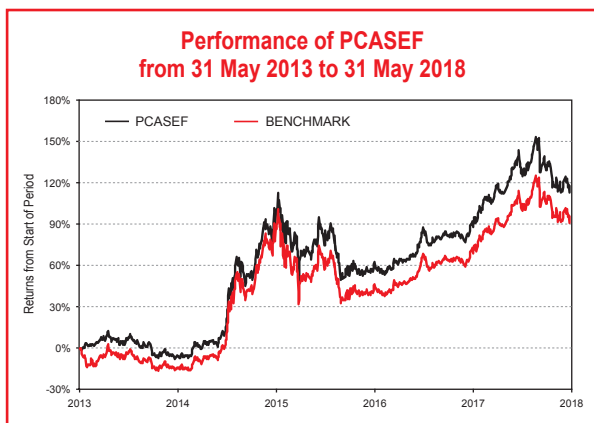
## Overview

This Interim Report covers the financial period from 1 December 2017 to 31 May 2018.

Public China Access Equity Fund (PCASEF or the Fund) aims to achieve capital growth over the medium to long-term period by investing in a portfolio of investments in the China market and China-based companies listed on domestic and foreign markets.

For the financial period under review, the Fund registered a return of -4.27% as compared to its Benchmark's return of -3.25%. The Fund's equity portfolio registered a return of -3.74% while its money market portfolio registered a return of +1.59% during the financial period under review. A detailed performance attribution analysis is provided in the sections below.

For the five financial years ended 31 May 2018, the Fund registered a return of +119.96% and outperformed the Benchmark's return of +97.31% over the same period.



The Fund's Benchmark is a composite index of 90% S&P/CITIC 50 Index and 10% 3-Month Kuala Lumpur Interbank Offered Rate (KLIBOR).

## Effect of Distribution Reinvestment on Portfolio Exposures

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

## Change in Portfolio Exposures from 30-Nov-17 to 31-May-18

	30-Nov-17	31-May-18	Change	Average Exposure
Equities & Related Securities	87.4%	89.1%	+1.7%	89.01%
Money Market	12.6%	10.9%	-1.7%	10.99%

# Manager's Report

## Returns Breakdown by Asset Class

	Returns On Investments	Average Exposure	Attributed Returns
Equities & Derivatives	-3.74%	89.01%	-3.33%
Money Market	1.59%	10.99%	0.17%
less:			
Expenses			-1.11%
Total Net Return for the Period			-4.27%

## Equity Portfolio Review

For the financial period under review, the Fund's equity portfolio registered a return of -3.74% and outperformed the equity Benchmark's return of -3.89%. The Fund's equity portfolio outperformed the equity Benchmark as the Fund's selected holdings within the Consumer sector outperformed the broader market during the financial period under review.

The Fund commenced the financial period under review with an equity exposure of 87.4% and its equity weight was generally maintained at above 85% over the financial period under review to capitalise on investment opportunities in the China A-shares market. The Fund ended the financial period under review with an equity exposure of 89.1%. Based on an average equity exposure of 89.01%, the Fund's equity portfolio is deemed to have registered a return of -3.33% to the Fund as a whole for the financial period under review. A full review of the performance of the equity market is tabled in the following sections.

## Sector Allocation

In terms of sector allocation within the equity portfolio, the top 5 sectors accounted for 83.4% of the Net Asset Value (NAV) of the Fund and 93.6% of the Fund's equity portfolio. The weightings of the top 5 sectors in China (unless otherwise indicated) are in the following order: Financial (47.7%), Consumer, Non-cyclical (16.1%), Consumer, Cyclical (10.1%), Industrial (7.6%) and Utilities (1.9%).

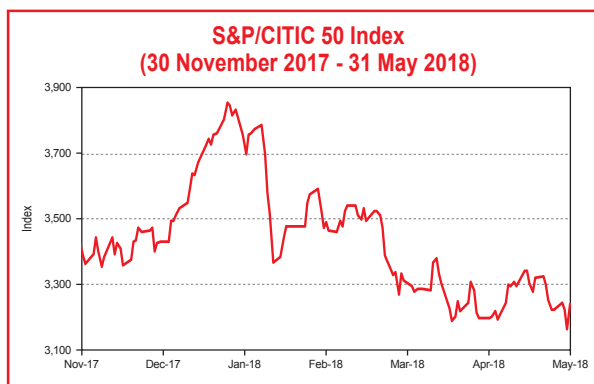
## Money Market Portfolio Review

During the financial period under review, the Fund's money market portfolio yielded a return of +1.59%. The Fund's exposure to money market investments decreased from 12.6% to 10.9% over the financial period under review as funds were mobilised into equity investments. Based on an average money market exposure of 10.99%, the money market portfolio is estimated to have contributed +0.17% to the Fund's overall return for the financial period under review.

## Manager's Report

### Stock Market Review

Commencing the financial period under review at 3,387.53 points, the China A-shares market, as proxied by the S&P/CITIC 50 Index, rallied in December 2017 and January 2018 amid positive sentiment post the Central Economic Work Conference and the central bank's announcement to ease liquidity conditions in China. The Index subsequently corrected from February to April 2018 in tandem with global equity markets amid concerns over inflationary pressures and escalating trade tensions between the U.S. and China before trading range-bound in May 2018. The S&P/CITIC 50 Index closed at 3,239.23 points to register a loss of 4.38% (-3.89% in Rongit terms) for the financial period under review.



### Money Market Review

The Bank Negara Weighted Average Overnight Interbank Rate commenced the financial period under review at 2.99% and ended the financial period under review higher at 3.22%.

### Economic Review

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 amid softer growth in financial activities and trade.

Led by slower new orders and production levels, China's manufacturing Purchasing Managers' Index (PMI) eased to 51.3 points in the first five months of 2018 compared to 51.6 points for the whole of 2017. Meanwhile, growth in China's fixed-asset investment moderated to 7.0% in the first four months of 2018 versus the 7.2% growth registered in 2017.

China's export growth strengthened to 13.7% in the first four months of 2018 from 7.9% in 2017 amid higher demand from the U.S. and Japan. Meanwhile, import growth increased to 19.6% from 15.9% over the same period. China's cumulative trade surplus narrowed to US\$77 billion in the first four months of 2018 from US\$103 billion in the corresponding period of the prior year.

To support China's economic activities, the People's Bank of China (PBOC) maintained its lending rate at 4.35%.

## Manager's Report

Driven by higher food prices, China's inflation rate climbed to 2.1% in the first four months of 2018 from 1.6% in 2017. Residential property prices, as measured by average sales price indices of new homes in 70 large and medium-sized cities, rose at a slower pace of 5.5% in the first four months of 2018 from an increase of 8.2% in 2017.

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

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

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 four 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 May 2017.

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 4.2% over the same period. At the Federal Open Market Committee (FOMC) meeting on 1-2 May 2018, the Federal Reserve maintained the Federal funds rate target range at 1.50%-1.75%.

Eurozone GDP growth was sustained at 2.5% in 1Q 2018 compared to a similar growth rate in 2017 on the back of resilient economic activities in Germany and France. At its monetary policy meeting on 26 April 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 experienced volatile trading conditions in the first five months of 2018 on concerns over the prospect of higher U.S. interest rates and the U.S. government's proposed protectionist measures. This caused profit-taking across selected equity markets after a strong start to the year. Fund outflows from emerging markets to the developed markets were seen in April and May on the back of weaker local currencies. While concerns over rising interest rates 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.

## Manager's Report

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 ease from 2.5% in 2017 to 2.3% in 2018 on expectations of a moderation in consumer and investment spending.

China's GDP growth is estimated to moderate from 6.9% in 2017 to 6.5% in 2018 as China continues to transform from a manufacturing-driven and export-led economy to one underpinned by services and domestic consumption. Consumer spending is expected to be underpinned by the government's ongoing policies to boost household incomes. Meanwhile, China's inflation rate is projected to increase from 1.6% in 2017 to 2.2% in 2018.

Hong Kong's GDP growth is expected to slow 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.

Based on closing prices at the end of May 2018, China 'A' shares market was trading at an estimated P/E of 10.5x as compared to its 10-year average of 11.7x.

Given the above factors, the Fund will continue to rebalance its investment portfolio accordingly with the objective of achieving capital growth over the medium to long-term period by investing in a portfolio of investments in the China market and including China-based companies listed on 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 period under review, PCASEF has not received goods or services by way of soft commissions.

## Extracts Of Financial Statements

The following pages are extracts of the audited financial statements of the Fund for the financial period ended 31 May 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 May 2018

	31.5.2018 MYR'000	30.11.2017 MYR'000
<b>Assets</b>		
Investments	168,036	172,086
Other receivables	1	1
Deposits with financial institutions	3,454	4,525
Cash at banks	17,502	20,780
	188,993	197,392
<b>Liabilities</b>		
Due to the Manager, net	307	319
Due to the Trustee	10	10
Other payables	115	100
Distribution payable	-	4,558
	432	4,987
<b>Total net assets</b>	188,561	192,405
<b>Net asset value ("NAV") attributable to unitholders (Total equity)</b>	188,561	192,405
<b>Units in circulation (in '000)</b>	155,543	151,923
<b>NAV per unit (in MYR)</b>	1.2123	1.2665

## Extracts Of Financial Statements (cont'd)

### Statement of Income and Expenditure

For the Financial Period Ended 31 May 2018

	1.12.2017 to 31.5.2018 MYR'000	1.12.2016 to 31.5.2017 MYR'000
<b>Income</b>		
Interest income	81	70
Dividend income	404	393
Net (loss)/gain from investments	(6,628)	4,510
Net realised/unrealised foreign exchange loss	(18)	(412)
	(6,161)	4,561
<b>Less: Expenses</b>		
Trustee's fee	63	50
Management fee	1,886	1,490
Audit fee	28	28
Tax agent's fee	1	1
Brokerage fee	142	77
Administrative fees and expenses	78	55
	2,198	1,701
<b>Net (loss)/income before taxation</b>	(8,359)	2,860
<b>Taxation</b>	(43)	(42)
<b>Net (loss)/income after taxation</b>	(8,402)	2,818
<b>Net (loss)/income after taxation is made up as follows:</b>		
Realised	6,612	(574)
Unrealised	(15,014)	3,392
	(8,402)	2,818

## Extracts Of Financial Statements (cont'd)

### Statement of Changes in Net Asset Value

For the Financial Period Ended 31 May 2018

	Unitholders' capital MYR'000	Retained earnings MYR'000	Total MYR'000
As at 1 December 2016	70,659	87,908	158,567
Creation of units	2,992	-	2,992
Cancellation of units	(9)	-	(9)
Net income after taxation	-	2,818	2,818
As at 31 May 2017	73,642	90,726	164,368
As at 1 December 2017	73,630	118,775	192,405
Creation of units	4,558	-	4,558
Net loss after taxation	-	(8,402)	(8,402)
As at 31 May 2018	78,188	110,373	188,561

## Extracts Of Financial Statements (cont'd)

### Statement of Cash Flows

For the Financial Period Ended 31 May 2018

	1.12.2017 to 31.5.2018 MYR'000	1.12.2016 to 31.5.2017 MYR'000
<b>Cash flows from operating activities</b>		
Proceeds from sale of investments	37,030	22,027
Purchase of investments	(39,751)	(17,931)
Maturity of deposits	425,006	357,438
Placement of deposits	(423,935)	(356,699)
Interest income received	79	67
Net dividend income received	363	351
Trustee's fee paid	(63)	(49)
Management fee paid	(1,898)	(1,473)
Audit fee paid	(4)	(4)
Payment of other fees and expenses	(85)	(48)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(3,258)</b>	<b>3,679</b>
<b>Cash flows from financing activities</b>		
Cash proceeds from units created	4,558	2,992
Cash paid on units cancelled	-	(9)
Distribution paid	(4,558)	(2,982)
<b>Net cash inflow from financing activities</b>	<b>-</b>	<b>1</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,258)</b>	<b>3,680</b>
<b>Effect of changes in foreign exchange rates</b>	<b>(20)</b>	<b>(415)</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>	<b>20,780</b>	<b>10,725</b>
<b>Cash and cash equivalents at the end of the financial period</b>	<b>17,502</b>	<b>13,990</b>