



KWAP

Kumpulan Wang Persaraan (Diperbadankan)
RETIREMENT FUND INCORPORATED

Evolving...

ANNUAL REPORT 2012

Dana Yang Berkat

*Usia tua sesantainya angin nyaman yang sihat,
renyai hayat anugerah Tuhan yang teramat nikmat.*

*Kini kita maruahi lagi sejarah kebajikan,
Menyemainya dengan benih jerih perih pendapatan
agar usia tua akan waras terpelihara:
damai di tangan, nikmat di hati dan indah di mata.*

*Dan tarikh lahirnya badan dana yang amat bertuah -
Mac - kini bulan yang molek, cahaya manis sejarah;
dengan wang dirancang untuk ranum ke usia sarat
peluh jujur rezeki subur mengisi dana berkat.*

*Sopan di tangan, jernih di mata dan santun di kalbu,
peranum labur jimat tercermat yang mengembang gebu.
Diurus tangan canggih amanah yang tulus berhemah
sehingga pepohon rezeki sempat merimbun buah.*

*Tulus petugas setia serasi bakti pekerja
ringani bahu pentadbir, suburi harta pesara,
alir pencen sumber harta yang luhur sepanjang hayat
tersimbah tuahnya ke yatim diri, ke badan sihat.*

*Dengan tekun berilmu, tindakan yang bersanubari,
yakin dipasti taman labur terindah harum ini.*

5 - 15, Februari, 2007

A. SAMAD SAID

Significance

...into a New Chapter of
Interpretation

Establishment

Towards new horizons, new goals, new challenges.

KWAP continues to evolve into a more dynamic entity to explore new possibilities

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Section I

CORPORATE OVERVIEW

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CORPORATE PROFILE

Vision

A high performing fund assuring sustainable pension benefit

Mission

Maximising returns through benchmarking, dynamic investment framework and sound risk management

Core Values

Achievement Oriented

- Create and sustain a culture of continuous improvement where all members of the organisation, individually or as a team, demonstrate initiative, drive and resilience to do their best
- Putting in our best efforts to obtain the desired results
- Continuously challenge ourselves to deliver results that exceed benchmark

Professionalism

- Adhere to a high ethical and moral standards
- Subordinate our own interest to the interest of the organisation
- Demonstrate a continuing commitment to excellence
- Reflect critically upon our actions and decisions for continuous improvements
- Accept and respond positively to feedback
- Competent in the body of knowledge for which we are responsible

Integrity

- Firm adherence to moral and ethical principles, soundness of moral character and honesty
- To challenge and be challenged
- Listen with an open mind, respect the views, ideas and experiences of others

Transparency

- Openness, clear communication and accountability
- Act visibly and consistently

Teamwork

- Work together for success to achieve our common goal
- Embrace diversity and promote an environment that enables us to reach our full potential
- Collaborate across teams to share ideas and achieve great outcomes

Continuous Learning

- To continuously learn, relearn and unlearn

BACKGROUND AND ROLE OF KWAP

Background

The Pensions Trust Fund Act 1991 (Act 454) was enacted to assist the Federal Government in funding its pension liability. With the enactment of this Act, the Pensions Trust Fund was established on 1 June 1991 with a launching grant of RM500 million from the Federal Government. The Pensions Trust Fund was administered by the Pensions Trust Fund Council.

On 1 March 2007, KWAP was established under the Retirement Fund Act 2007 (Act 662) replacing the repealed Pensions Trust Fund Act 1991 (Act 454). With the incorporation of KWAP, all powers, functions, activities, assets and liabilities of the Pensions Trust Fund were taken over in totality by KWAP. KWAP's mission is to manage the fund (the Fund) established under Section 3 of Retirement Fund Act 2007 (Act 662) towards achieving maximised returns through benchmarking, dynamic investment framework and sound risk management. The Fund shall be applied towards assisting the Federal Government in financing its pension liability.

Functions

The functions of KWAP are as follows:

- Management of contributions from the Federal Government, Statutory Bodies, Local Authorities and other Agencies; and
- Administration, management and investment of the Fund in equity, fixed income securities, money market instruments and other forms of investments as permitted under the Retirement Fund Act 2007 (Act 662).

KWAP's roles in the context of pensionable civil service are as follows:

Managing contributions

The Federal Government contributes 5% of the total annual budgeted emolument of the Federal Government employees while statutory bodies, local authorities and agencies contribute 17.50% of the basic salaries of their pensionable employees respectively to KWAP on a monthly basis.

Setting Investment Policy and Guidelines (IPG)

The Investment Panel and the Board are responsible to approve and review periodically KWAP's IPG which governs KWAP's investment activities.

Investment management and monitoring

The Fund invest in asset classes in accordance with KWAP's Strategic Asset Allocation (SAA) and with the IPG as approved by the Investment Panel and the Board. The investment activities of the Fund are carried out by a team of competent and experienced investment professionals. The status and performance of the Fund are reported monthly to the Investment Panel and the Board. The performance analysis includes relative performance against benchmark indices as well as absolute target return for each of the asset classes.

KWAP IN MALAYSIA'S PENSION SYSTEM

	Policy Setting	Member Contribution	Investment Policy & Guidelines	Investment Management & Monitoring	Members Administration	Benefit Payments
	Set policy for pension / provident fund	Manage collection of individual members' contributions	Set investment policy and guidelines	Execute & monitor investments	Manage members' accounts	Manage financial administration & payment
Pensionable Civil Service	Treasury Calculates financial impact & approves policies	Handles contributions from employers only	 KWAP <small>Kumpulan Wang Pensaraan (Diperebadankan) RETIREMENT FUND INCORPORATED</small>	 JPA	Calculates pension, gratuities, cash award & other benefits	Manages retirement benefit payment
	PSD Develops & reviews policy					
Armed Forces	MINDEF Develops & reviews policy	LTAT <ul style="list-style-type: none"> Collects contribution from armed forces personnel & Government Calculates LTAT's refund to KWAP 		Veterans Affairs (MINDEF) <ul style="list-style-type: none"> Communicates with retirees Calculates benefits 	<ul style="list-style-type: none"> Communicates with active members Administers members' account 	<ul style="list-style-type: none"> Disburses withdrawals Transfers refunds to KWAP
Private Sector & Non-pensionable Civil Service, Self Employed	EPF Provides input for policy setting					

Treasury : Treasury, Ministry of Finance
PSD : Public Service Department

MINDEF : Ministry of Defence
EPF : Employees Provident Fund

LTAT : Lembaga Tabung Angkatan Tentera

SUMMARY OF ETHICAL PRACTICES

KWAP is committed to the highest standards of honesty, integrity and accountability in its business and operations. It is determined to maintain these standards among its employees and ensure that the interest of the organisation is upheld at all times.

As a trusted custodian and manager of the retirement fund established under Section 3 of the Retirement Fund Act 2007 (Act 662), the key asset of KWAP is its integrity and reputation for professional and ethical conduct in all of its business activities and dealings. The credibility of the organisation and the stakeholders' confidence in the organisation are vital to its success.

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As a statutory body, KWAP has adopted the Statutory Bodies (Discipline and Surcharge) Act 2000 as part of its Terms and Conditions of Employment to all employees that forms KWAP's Code of Ethics and Conduct (the Code). The Code aims to create awareness of the standard of conduct among all employees and outlines the principles they are committed to in discharging their duties. Through this Code, KWAP is able to foster a healthy and professional corporate environment.

MILESTONES FROM 2007 TO 2012

2007

- Incorporation of KWAP on 1 March 2007
- Relocation from Putrajaya to new office at Menara Yayasan Tun Razak, Kuala Lumpur
- Introduced Balanced Scorecard to create a performance driven culture
- Developed key policies or procedures such as Board Charter, Financial Procedures and Investment Policy and Guidelines
- Formulated Corporate Values
- Launched Leadership Series, Golden Hour Series and corporate website

2008

- Redefined Corporate Values and formulated Vision and Mission
- Formulated Strategic Asset Allocation
- Rolled out a Transformation Program which entailed implementation of 20 initiatives aimed at enhancing organisational management, risk and investment management practices
- Established Risk Management & Compliance Department to spearhead the inculcation of strong risk management culture within the organisation
- Implemented Human Resource Information System
- Initiated collaboration with selected rural schools

2009

- Collaborated with Ministry of Finance and Public Service Department in undertaking Pension Liability Study with the aim of establishing options available for KWAP to assist the Federal Government in funding its pension liability
- Completed the new dealing room, which was launched by the Minister of Finance II, YB Dato' Seri Ahmad Husni Bin Mohamad Hanadzlah
- Held dialogue sessions with the Securities Commission and Bursa Malaysia on corporate governance and issues related to equity and fixed income markets
- Adopt new operating model for Equity and Fixed Income Departments
- Set up Portfolio Strategy Department to track and monitor the implementation of the Strategic Asset Allocation Transition Masterplan
- Set up Business Performance Department that enabled the performance of investment departments to be independently and objectively measured
- Initiated and developed Integrated Fund Investment Management System (IFIMS)
- Implemented Business Continuity Management Framework
- Implemented Operational Risk Event Reporting (ORE)
- Established Investment Settlement Department and Custodian Department to enhance segregation of duties and internal controls
- Initiated regular contribution of articles to a major business publication to promote greater understanding of investment related subjects
- Initiated annual Financial Planning for Retirement Seminar for Government employees approaching retirement age
- Introduced CFA Financial Assistance Scheme for Investment staff

MILESTONES FROM 2007 TO 2012

2010

- The Cabinet approved the proposed role of KWAP in assisting the Federal Government in funding its pension liability
- Study visit to California Public Employee's Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS)
- First announcement of financial results and launch of New Website by the Minister of Finance II, YB Dato' Seri Ahmad Husni Bin Mohamad Hanadzlah
- Appointed State Street Global Advisors and World Bank Treasury as external fund managers to manage KWAP's international equity and fixed income investment respectively
- Acquired first international property in Melbourne, Australia and initiated a joint venture with the Employees Provident Fund to purchase properties in the UK
- Appointed BNY Mellon to provide global custodian services
- Developed Internal Credit Rating Scoring Model
- Completed procurement of Enterprise Risk Management System
- Business Continuity Plan for all critical and non-critical functions developed and Disaster Recovery Plan tested
- Participated in the Ministry of Finance's Cross Fertilisation Program
- Held English Workshop at selected rural schools to increase interest among students to communicate in English

2011

- Conducted discussion with the Ministry of Finance and Public Service Department to implement Cabinet's decisions on the approved role of KWAP in assisting the Federal Government in funding its pension liability
- In-country host for 2011 Asian Pension Fund Roundtable organised by Pacific Pension Institute with two KWAP representatives participated as speakers
- Dato' Azian Mohd Noh named as one of the 25 most influential women in asset management in the Asia-Pacific region by the AsianInvestor
- Mohamed Izwan Moriff Bin Mohamed Shariff, KWAP's MGS & Government Quasi Fund Manager nominated as one of the most astute investors in Malaysian Ringgit Bonds 2011 by The Asset Benchmark Research
- Invested USD100 million in Global Sukuk mandate
- Acquired second international property in Sydney, Australia
- Subscribed to the first Islamic foreign denominated currency bond and hedged it via Islamic Cross Currency Swap by KWAP's internal manager
- Secured Sovereign Immunity Exemption from UK Tax Authority
- Obtained ISO 9001:2008 Quality Management System for Investment Management in Domestic Equity
- Operationalised global custodian function to facilitate international investments by external and internal managers
- Rationalised domestic external custodians from six to a single custodian reporting directly to KWAP
- Established Whistle Blowing Policy and Strategic Risk Management Framework
- Developed monthly performance attribution report for internal equity and fixed income managers and domestic external fund managers
- Established Credit Manual to govern Fixed Income credit evaluation process
- Implemented KWAP's Corporate Governance: Principles and Voting Guidelines
- Three employee development programs implemented namely Talent Exchange Program, Individual Development Plan and Performance Improvement Program

2012

- Invested RM1.50 billion in Perpetual Sukuk (which is the first Islamic Perpetual Sukuk issued in the world)
- Utilised 6.58% of total fund size for international investments exceeding 6% minimum target set for 2012
- Acquired first property in UK, namely the 10 Gresham Street, London for RM1.0 billion
- Operationalised the office of Prima Ekuiti (UK) Limited with GBP100.0 million or RM494.5 million invested in UK equity market
- Set up an internal team for direct investment for Asia Pacific ex Japan equity mandate with RM250 million invested in 2012
- Obtained ISO 9001:2008 certification for domestic fixed income and international property
- Completed the development of Integrated Contribution Management System (ICMS)
- Completed the development of Risk Performance Strategy System (RPSS)
- Rolled out Employee Education Assistance Scheme
- Conducted e-learning program with World Bank whereby 30 employees participated in the program
- KWAP's Management participated as speakers at:
 - IDC's ASEAN Security Conference in April 2012; and
 - 4th Annual Southeast Asia Institutional Investment Forum in December 2012.
- KWAP participated as a member for the Corporate Governance Working Committee [whose members include Employees Provident Fund (EPF), Khazanah Nasional Berhad, Permodalan Nasional Berhad (PNB), Lembaga Tabung Angkatan Tentera (LTAT) and KWAP]

YEAR 2012 AT A GLANCE

- Total fund size grew by 12.41% to RM88.73 billion in 2012 from RM78.93 billion the previous year.
- Gross investment income stood at RM5.75 billion in 2012 from RM4.66 billion registered in 2011. This is translated to Return on Investment (ROI) of 6.84%
- Net income increased to RM5.69 billion in 2012 from RM4.30 billion in 2011.
- Achieved Net Return on Investment (ROI) of 6.79% and Total Weighted Rate of Return (TWRR) of 8.63%.
- At the group level, gross investment income increased by RM1.03 billion to RM5.66 billion in December 2012. Net income increased to RM5.91 billion from RM4.81 billion in 2011.
- Gross ROI and Net ROI registered at group level are 6.57% and 6.86% respectively.
- Performance of TWRR by asset class are as follows:

Asset Classes	Benchmark	Outperformance/Underperformance (%)
Domestic		
Equity	FBM100	5.51
Malaysian Government Securities Quasi Bond (MGS & Quasi)	Quantshop MGS (All) Yield	1.51
Private Debt Securities (PDS)	Quantshop Corp (Medium) Yield	1.99
Loans	Quantshop MGS (All) Yield + 50 bps	1.33
Money Market	3-month KLIBOR	(0.56)
External Fixed Income	Quantshop MGS (All) Index + 130 bps	0.65
International		
Equity	MSCI All Country World	1.18
Fixed Income	JP Morgan Global Aggregate Bond Index	6.29

5-YEAR FINANCIAL RESULTS SUMMARY

	2008 (1 Jan-31 Dec)	2009 (1 Jan-31 Dec)	2010 (1 Jan-31 Dec)	2011 (1 Jan-31 Dec)	2012 (1 Jan-31 Dec)	Average (2008 - 2012)
Fund Size at cost (RM Billion)	52.04	61.50	70.52	78.93	88.73	70.34
Income and Expenses (RM)						
Gross Investment Income (Billion)	2.98	3.24	4.62	4.66	5.75	4.25
Operating Expenses (Million)	28.17	25.63	40.07	43.77	62.82	40.09
Net Investment Income (Billion)	0.56	5.70	4.85	4.30	5.69	4.22
Income and Expenses (%)						
Gross Return on Investment (Gross ROI)	5.86	5.62	7.07	6.30	6.84	6.34
Accounting Rate of Return (Net ROI)	1.12	10.04	7.34	5.75	6.79	6.21
Operating Expenditure to Gross Income	0.95	0.79	0.87	0.94	1.09	0.93
Operating Expenditure to Average Fund	0.06	0.05	0.06	0.06	0.08	0.06
Return and Risk (%)						
Time Weighted Rate of Return	NA	11.64	8.88	5.30	8.63	NA
Volatility	NA	2.64	1.97	3.80	2.86	NA
Contribution (RM Billion)						
Pension Contribution	1.77	2.67	3.18	2.52	2.67	2.56
Federal Contribution	1.65	1.10	1.00	1.50	1.50	1.35
Investment Portfolio Composition at cost (RM Billion)						
Domestic						
Equity	13.52	16.16	16.08	23.73	27.37	19.37
PDS and Loan	15.85	18.16	17.74	16.42	25.72	18.78
MGS and Quasi Bonds	10.06	14.72	15.64	18.04	22.01	16.09
Money Market Deposits	14.17	11.69	18.31	16.97	7.80	13.79
Private Equity	0.52	0.52	0.43	0.43	0.43	0.47
International						
Equity	NA	NA	0.63	0.81	1.89	1.11
Fixed Income	NA	NA	NA	1.02	1.54	1.28
Private Equity	NA	NA	0.13	0.23	0.24	0.20
Property	NA	NA	0.38	1.00	1.99	1.12
Management of Fund						
Internally Managed (%)	94.69	95.25	94.69	92.60	91.06	93.65
Externally Managed (%)	5.31	4.75	5.31	7.40	8.94	6.35
Number of Contributing Employers	493	538	568	601	613	562.40
Number of Members	106,944	121,572	128,384	134,055	145,855	127,362
Number of KWAP's Employees	99	108	126	152	175	132.00
Income Per Employee (RM Million)	30.41	30.33	36.25	30.68	32.87	32.11

Note: Figures are based on KWAP level performance.

MESSAGE FROM THE CHAIRMAN

DATO' SRI DR MOHD IRWAN SERIGAR BIN ABDULLAH
Chairman



“On behalf of the Board, I am pleased to present our Annual Report for the financial year ended 31 December 2012.”

OPERATING ENVIRONMENT

2012 was by no means an easy year. The advanced economies have yet to stage a meaningful rebound despite countless efforts by European governments to revive growth amidst concerns over sovereign debt in the Eurozone. Understandably, Asian monetary policies were generally on an easing bias as they bid to offset external weaknesses. At times, hopes for an eventual turnaround abound but were often frustrated whenever “risk-off” mode sets in. Like most institutional funds, pension funds such as KWAP were not spared from such predicaments.

On a positive note, fear for a break up in Eurozone countries faded later in the year judging from the commitment among European leaders. The extension of Greece’s deficit reduction target for another two years was testament to European governments’ resolve which helped ensure that the common currency pact continued to prevail. Moreover, the US Fed, through its open-ended liquidity measures alleviated concerns on the “fiscal cliff” issue. All this, improved sentiment towards external demand.

It is also heartening to note that Malaysia’s economy remained resilient throughout the uncertainties. The Malaysian economy registered an impressive real GDP growth of 5.6% during 2012 on account of steady domestic spending. The Economic Transformation Program (ETP) continues to be the impetus for strong investment activities, as reflected in the double digit expansion in private investment growth. In addition, stable labour market conditions coupled with better consumer sentiment and income growth allowed private consumption to record stellar performance during the year.

Despite the external turbulence, the FBM KLCI ended the year at another record high of 1,688.95, translating into an 11.6% increase compared to the beginning of the year. The local equity market was also broadly buoyant given the better than expected response to a series of multi-billion ringgit and high profile initial public offerings (IPOs) which took place last year. The foreign and domestic institutional interest shown in these IPOs provided additional support to the Malaysian equity market despite the volatile external environment.

In the bond market, issuance of Malaysian Government Securities (MGS) and Government Investment Issues (GII) were generally sustained at more than RM90 billion while ownership by foreigners in these instruments remained at record highs. Movement in bond yields was erratic during the year despite the Overnight Policy Rate (OPR) remaining unchanged as investors grappled between slower growth from abroad and tentative measures undertaken in debt-stricken economies within the Eurozone.

MESSAGE FROM THE CHAIRMAN

FINANCIAL PERFORMANCE

Amidst the economic uncertainties, I am glad to announce that KWAP has delivered an impressive performance in 2012. For the year ending 31 December 2012, KWAP's gross ROI and net ROI stands at 6.84% and 6.79% respectively. In addition, KWAP's fund size also expanded by 12.41% to RM88.73 billion at the end of 2012. In the past five years, KWAP's fund size continues to grow by an average growth rate of 13.04% per annum. In light of this, the challenge to produce consistent result is greater especially in the context of international investment diversification.

PHASE II SAA PROJECT

To this end, the second phase of KWAP's Strategic Asset Allocation (SAA) project was completed in April 2012. The study was done between the Portfolio Strategy Department and the external consultant. Subsequently, various initiatives have been proposed based on the project findings. This, among other things, includes consideration of new asset class such as resource based assets and infrastructure investment.

ISO 9001:2008

The quest for best practices has been relentless especially for a public institution such as KWAP. In this regard, I am delighted to say that KWAP has been awarded with ISO 9001:2008 certifications with expanded scope in domestic fixed income (PDS) and international property on 26 June 2012. I believe with such recognition, it will instill greater confidence level among the stakeholders particularly the government civil servants.

PERFORMANCE ATTRIBUTION ANALYSIS

In order to enhance investment decision criterion, performance attribution analysis will certainly help KWAP to improve its close surveillance on investment performance. On this score, I wish to highlight that performance template to analyze international fixed-income and equity investment has been designed in-house and was completed in October 2012. This, itself, manifests our management team's capability to establish such robust system enhancing KWAP's investment process.

GOING FORWARD

In 2013, the global economy is expected to remain challenging as advanced economies continue to address weaknesses in their public finances. In the process, subpar growth in developed nation will be the order of the day and will invariably impact Asian countries, including Malaysia, through their external demand. Additionally, wider interest rate differentials in favour of Asian countries imply that foreign capital flows will be a source of instability and will affect market volatility, contributing further to an already challenging environment. Despite these concerns, the Malaysian economy is expected to be resilient to withstand such adverse scenarios, following the increasing role played by the domestic forces. The implementation of ETP related projects will continue to underpin the country's growth trajectory through higher private investment activities, a critical element for Malaysia in its pursuit of becoming a high income nation by 2020. Against such backdrop, the country is well on track to reach the Government's targeted GDP growth of 4.5% to 5.5% in 2013.

CLOSING STATEMENT

I am delighted to note that KWAP continues to deliver a set of good results, despite the numerous challenges and uncertainties. In this occasion, I am glad that KWAP was in good hands under the stewardship of my predecessor, Tan Sri Dr. Wan Abdul Aziz Bin Wan Abdullah. His invaluable guidance and contributions will always be our guiding principle to shape KWAP's future. On behalf of the board of directors, I would like to congratulate Dato' Azian Mohd Noh and her dedicated management team, as well as all employees of KWAP for their continuous support and undivided attention for steering KWAP to where it is today.

While 2013 will continue to have its fair share of challenges, I trust that with the rigorous strategy which has been put forward as well as due consideration given to risk, KWAP will deliver sustainable results going forward.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



DATO' AZIAN MOHD NOH
Chief Executive Officer

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

“Contrary to dismal expectations in early 2012, the year did not turn out to be an entirely bad year. Still, there is no denying that the external environment particularly in the Eurozone was volatile and remained incomprehensible most of the time.”

The damage done in the developed nation seemed irreparable in the near term given the sheer size of public debt level compounded further by high unemployment rates. Central banks have deployed possibly everything in their policy tool kit including both conventional and unconventional measures. The decision to embark on injecting massive liquidity into the system helped avert further economic distress and helped calm sentiments. Notwithstanding, the intended result remain to be seen and Asian economy is left with its domestic engine to propel the overall growth.

The inconclusive election in Greece triggered talks of a possible breakup in Eurozone particularly in the first half of 2012 while concerns over China’s hard landing resurfaced when the government revised its GDP growth forecast to sub 8% during the year. The US “fiscal cliff” became the talk of the town as fear of a stalemate and inaction intensified following the Presidential Election on November 6.

Regardless of these events, Malaysia’s economy was isolated from the global noises. Businesses, particularly domestic-oriented industries were almost in business-as-usual mode although exporters experienced occasional headwinds. The strong double digit growth in private investment and sustained expansion in consumer spending helped solidify the strength in domestic demand, leading to 5.6% GDP growth for the whole year of 2012.

FINANCIAL PERFORMANCE

In view of the market volatility observed in the external environment, Malaysia’s financial market was generally resilient aided by its strong underlying fundamentals. The FBM KLCI posted a remarkable 11.6% gain during the course of 2012, bringing the equity benchmark to 1,688.95 points by end of the year. In addition, a number of large initial public offerings (IPO) were offered to institutional investors. In the fixed income space, the ownership of foreign investors in Malaysian Government Securities (MGS) continued to be at an all-time high in 2012. This reflects great confidence among international investors in Malaysia’s capital market despite the protracted turbulence in the global financial markets. Apart from this, sound fiscal and monetary policy also helped steer the country’s economic growth, creating a conducive environment for financial markets to perform well. Against such a backdrop, KWAP managed to record Return on Investment (ROI) of 6.84% in 2012, higher compared with the 6.3% registered in the previous year. In absolute terms, KWAP’s ROI stood at RM5.75 billion in 2012, an impressive year on year increase of 23% from RM4.66 billion in the preceding year.

It is also heartening to note that our fund size continues to grow despite the uncertainty. KWAP’s total fund size stood at RM88.73 billion as at 31 December 2012. This is 12.41% higher than the previous year’s fund size of RM78.93 billion. This was made possible by the increase in investment income amounting to RM5.75 billion, employer’s contributions of RM2.67 billion and Federal Government contributions of RM1.50 billion.

We continued to ensure that our investment process will remain robust despite having to face market uncertainties that demand constant scrutiny in how we manage our investment portfolio. In this regard, the creation of a dedicated Research Department complemented our stringent criteria for stocks selection. As for the bond market, higher primary issuance in Private Debt Securities (PDS) offers attractive yields helped us improve KWAP’s returns in our fixed income portfolio.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

OPERATIONAL ACHIEVEMENT

Our quest for sustainable investment returns have gone beyond Malaysian boundaries as we strive to diversify our portfolio universe. In this communiqué, it is with the most heartfelt joy to witness the official launch of Prima Ekuiti (UK) Limited on April 2012 which will be the primary vehicle for KWAP to invest in the UK's capital market. A sum of GBP100 million has been injected to this special vehicle with an equity mandate.

Apart from that, KWAP continues to make significant inroad to international property investment during 2012. The latest addition, the 10 Gresham State Office Buildings located in UK, costing GBP200 million has been successfully acquired on October 2012. The above market rental yields would make such value proposition investment to be ROI accretive in view of its attractive prices. I must say the decision has never been easy if one were to look at the ongoing austerity policy. However, given the nature of our long term investment goal commensurate with the risk, our strong conviction will prevail over time.

While investment decision has always been at the forefront, our attention to other details will never be neglected as we believe KWAP should progress holistically. This may include other qualitative aspects which will guarantee the success of our organisation in the years to come.

In addition, KWAP's Live Disaster Recovery Exercise was successfully conducted in November 2012. Key critical functions involving equity and fixed income trade, investment settlement and share transfers were performed at KWAP's Disaster Recovery Centre in Petaling Jaya. Relevant systems were also successfully recovered at KWAP's Menara Yayasan Tun Razak.

We have recently completed the implementation of Risk Performance-Strategy system. The new system, Barra One has been on 'live' and supporting the Risk Management & Compliance Department for market risk metrics generation and analysis as well as the Business Performance Department and Portfolio Strategy Department for performance attribution and analysis and portfolio strategy optimization purposes.

Enhancements to Risk Management Framework were completed in March 2012 based on ISO 31000. The objective of the review is to ensure Risk Management Framework can cater and support KWAP's current operations as well as future undertakings.

HUMAN CAPITAL

In today's context, competing to get the best brain with the right DNA for an organisation can be a daunting task. The same is also true for retaining the existing talent pool in order to ensure a smooth sailing ship in the face of rough seas ahead. As such, a proactive strategy has been engaged and the outcome is beyond expectation.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

I am pleased to announce that KWAP continues to grow from strength to strength in terms of the total number of headcount. In this regard, KWAP's staff strength has increased from 152 to 175 as at end December 2012 with a fair share coming from a highly skilled worker. In order to instill sense of high achievers among KWAPians, a number of Leadership Series was conducted where captains of the industries have been generous enough to impart their insightful thoughts and experiences. Most of our staff has benefited from the program, judging from the lively questions and answers session. As wise man says, knowledge is power. In our pursuit for knowledge, we have encouraged our employees to partake professional programs such as Chartered Financial Analyst (CFA) and tertiary education to further improve their skill sets and thought processes.

CORPORATE SOCIAL RESPONSIBILITY

Despite our hectic schedule during the year, our care for the society has never been neglected especially in relation to those who are less fortunate. In 2012, our management and staff visited Rumah Ehsan Kuala Kubu Bharu during the month of Syawal. The residents were clearly delighted to have people celebrate Hari Raya with them. Basic necessities and healthcare supplies were handed out based on the home's wish list. Since its establishment in 1998, Rumah Ehsan provides proper care and protection for the elderly to ensure proper treatment and to assist them in getting a better quality of life.

Our employees also have been regularly quoted in the press through articles which pen down their critical issues ranging from economics to investment. This, in itself, is our symbolic way to share with the public on our thoughts with respect to government policies as well as current issues, which may affect the daily lives of Malaysians.

CLOSING STATEMENT

Our achievements today would not have been possible without the foresight and wisdom of our past leaders who have steered KWAP through ups and downs. I would like to take this opportunity to express gratitude to Tan Sri Dr. Wan Abdul Aziz Bin Wan Abdullah who helmed this organisation for nearly 6 years. His invaluable contribution to the organisation will always be remembered.

I would also like to extend a warm welcome to Dato' Sri Dr. Mohd Irwan Serigar Bin Abdullah for your appointment as KWAP new Chairman since August 2012. We look forward for your invaluable support and guidance to navigate into challenging prospect that lies upon us. To our members of the Board and Investment Panel, thank you for your trust and support.

Section II

OUR STRATEGIES

021 Review of Corporate Scorecard 2012

028 Corporate Scorecard for 2013

030 International Expansion – Prima Ekuiti (UK) Limited

031 Inventing New Perpetual Sukuk

REVIEW OF CORPORATE SCORECARD 2012

Stakeholders Objectives	KPI Measurement	Annual Target	Full Year Performance
1. Grow fund size	a) % of growth in fund size	a) Increase fund size (at cost) by circa 9.9% from estimated opening balance 2012	a) Outperformed target Fund size increased from RM78.93 billion to RM88.73 billion, an increase of 12.41%
2. Funding Government's pension liability	a) Identification of funding solution (in relation to Government's contribution to KWAP)	a) Submission of funding solution	a) Collaborated with MOF to conduct comprehensive study on funding solution. The study was completed in November 2012.
Financial Objectives	KPI Measurement	Annual Target	Full Year Performance
1. Achieve target ROI	a) GDP of 2012	a) ROI of 5.00%	a) Outperformed target Gross ROI is 6.84%
	b) Customised benchmark (weighted average of all asset classes benchmarks)	b) Outperform customised benchmark	b) Outperformed target TWRR of 8.63% exceeds customised benchmark by 323 bps (customised benchmark is 5.40%)
2. Higher utilisation of international asset allocation	a) % of international asset allocation utilised from total fund size	a) More than 6% of total fund size	a) Outperformed target 6.58% of total fund size has been utilised for international investments
Operational Objectives	KPI Measurement	Annual Target	Full Year Performance
1. Enhance investment practices	a) No. of operational initiatives completed as identified under 'enhance investment strategy objective'	a) 6 operational initiatives i. Implement Phase II of SAA Project and study on new asset classes such as resource based asset class for inclusion in the SAA	a) Completed: 4 Partially completed: 1 Deferred to 2013: 1 i. Completed The recommendations of the study were proposed to the Board and Investment Panel in April 2012 and then tabled in November 2012 in a separate study

REVIEW OF CORPORATE SCORECARD 2012

Operational Objectives	KPI Measurement	Annual Target	Progress To Date
1. Enhance investment practices (Continued)	a) No. of operational initiatives completed as identified under 'enhance investment strategy objective'	a) 6 operational initiatives	a) Completed: 4 Partially completed: 1 Deferred to 2013: 1
		ii. Conduct study on proposed set up of fixed income international investment unit based in UK	ii. Completed
		iii. Develop economic projections and outlook for new potential markets / economies / currency: <ul style="list-style-type: none"> Initiate & Update Regional Economic Coverage, Currency & Country Risk Research Develop Economic Forecast for Key Economies 	iii. Completed <ul style="list-style-type: none"> 17 research reports have been generated covering 10 countries Economic forecast has been developed for countries such as Australia, UK, US and China on key areas such as interest rate call, direction of monetary policy and exchange rate <p>For Malaysia, forecast exercise was developed encompassing areas such as trade, inflation, production and fiscal policy</p>
		iv. Develop Performance and Attribution Analysis for international investments	iv. Completed
		v. Roll out risk budgeting at portfolio / fund manager level	v. Partial completion Completed risk budgeting framework with roll out at portfolio / fund level to be conducted in 2013
		vi. Develop a methodology to measure risk adjusted return for ex-post (historical basis) and ex-ante (forward looking basis)	vi. Deferred to 2013 pending the implementation of the Risk-Performance-Strategy (RPS) system
	b) % of investment proposals approved by the Investment Panel	b) 90%	b) 95% approved (95 out of 100 proposals)

REVIEW OF CORPORATE SCORECARD 2012

Operational Objectives	KPI Measurement	Annual Target	Progress To Date
2. Adopt best practices	a) No. of operational initiatives completed as identified under 'adopt best practices'	a) 13 operational initiatives i. Conduct study on global best practice for EFM monitoring	a) Met target i. 1 st phase of the study (which entailed research via publications and media) was completed in December 2012.
		ii. Establish Foreign Exchange function to support international investment	ii. Completed Established Foreign Exchange Desk and related capabilities to cater for KWAP's international investment requirements (including SOP and IPG).
		iii. Complete development of Risk-Performance-Strategy (RPS) System	iii. Completed
		iv. Enhance Risk Management Framework based on ISO 31000	iv. Completed
		v. Obtain ISO 9001:2008 certification with expanded scope in domestic fixed income (PDS) and international property	v. Completed KWAP has been awarded with clean certificate on 26 June 2012.
		vi. Implement Information Security Management System (ISMS) and prepare for ISO certification process	vi. Completed Scope for ISO certification has been identified
		vii. Evaluate outcome of FRS study for possible implementation in 2012	vii. Completed Proposal for FRS implementation received from the consultant and shall be implemented over 2012-2014.

REVIEW OF CORPORATE SCORECARD 2012

Operational Objectives	KPI Measurement	Annual Target	Progress To Date
2. Adopt best practices (Continued)	a) No. of operational initiatives completed as identified under 'adopt best practices'	a) 13 operational initiatives	
		viii. Complete development of Integrated Contribution Management System (ICMS)	viii. ICMS has been fully completed and delivered on 31 December 2012.
		ix. Review and enhance mobile computing security	ix. Completed
		x. Conduct security penetration assessment on network, servers and endpoints	x. Completed
		xi. Implement web enabled application system and desktop virtualisation	xi. Completed
		xii. Conduct live Disaster Recovery Exercise	xii. Completed
		xiii. Implement new Real-Time Electronic Transfer System (RENTAS)	xiii. The implementation of new RENTAS has been initiated and is expected to be completed in 2014
	b) % of compliance to legislations / regulations	b) 100% compliance	b) Met target
	c) % of audit observations closed over stipulated time	c) 100% closure	c) Met target
	d) Opinion by statutory auditor	d) Unqualified Audit Certificate for the Financial Statements	d) Met target (obtained on 23 rd March 2012)
e) Opinion by Auditor General in relation to performance audit	e) No material findings raised by Auditor General and all non-material findings raised to be resolved within 6 months	e) Met target	

REVIEW OF CORPORATE SCORECARD 2012

Operational Objectives	KPI Measurement	Annual Target	Progress To Date
3. Conduct feasibility study on KWAP's plan to:	Completion of study as per timeline	Table to the Board in May 2012	
a) Build capabilities in Islamic finance			a) KWAP is exploring the feasibility of acquiring Islamic asset management company
b) Participate in the Private Retirement Scheme industry			b) In view of Securities Commission's licensing requirements and guidelines on the scheme KWAP decided not to participate
Learning & Growth Objectives	KPI Measurement	Annual Target	Progress To Date
1. Enhance talent management model			
a) Progress of HRM Initiatives on:			
i. Talent Development	i. Number of new initiatives developed pursuant to review	i. 4 initiatives	i. Met target Talent development initiatives conducted in 2012: <ul style="list-style-type: none"> • Talent Pool Identification • Talent Pool Assessment • Competency Development for Critical Position • Drafting of Talent Pool Development Plan / Program
ii) KWAP's Competitiveness Level against market (Remuneration for Attraction and Retention)	ii. Timely approval by the Board	ii. December 2012	ii. Benchmark study and revision on: <ul style="list-style-type: none"> • Position Grading, Salary Range and Benefits Competitiveness completed in 2012 <p>It was subsequently approved by the Board in December 2012</p>

REVIEW OF CORPORATE SCORECARD 2012

Learning & Growth Objectives	KPI Measurement	Annual Target	Progress To Date
1. Enhance talent management model (Continued)			
b) Revised compensation and benefits	b) Timely approval by the Board	b) April 2012	b) Proposed revised compensation and benefits completed and tabled to the Board in December 2012.
c) Promote learning organisation	c) i. Implementation of Employee Education Assistance Scheme	c) i. January 2012	c) i. Employee Education Assistance Scheme launched in January 2012. As at 31 December 2012, 4 employees have enrolled for this program
	ii. No. of programs	ii. 12 programs	ii. Outperformed target Conducted 12 scheduled programs and 3 additional programs: <ul style="list-style-type: none"> • E-learning with World Bank • Values Program • Professional Grooming Program
d) High performance culture	d) No. of programs implemented	d) 3 programs	d) Met target 3 programs implemented: <ul style="list-style-type: none"> i. Rolled out Culture Survey 2012 ii. Conducted 'Embracing Your Values' in-house workshop iii. Posted articles on high performance culture to all employee
e) Learning	e) Average training days per employee	e) 7 training days per employee	e) Average 8.2 days per employee

REVIEW OF CORPORATE SCORECARD 2012

Learning & Growth Objectives	KPI Measurement	Annual Target	Progress To Date
1. Enhance talent management model (Continued) f) Succession planning	f) Completion of Succession Planning Framework	f) Establish Succession Planning Framework by August 2012	f) Framework has been presented to the Management and is subject to minor changes prior to implementation.
2. Employee engagement	a) Conduct and implement Employee Engagement Survey	a) Minimum 2 programs	a) Met target 2 programs rolled out: i. Engagement Survey ii. Team building program
	b) % of participation rate in Employee Engagement Survey	b) Participation rate 65%-75%	b) Outperformed target (Participation rate: 97%)
3. Profiling of KWAP in local and international arena	a) No. of conferences / seminars where KWAP's staff participated as speaker	a) 2 conferences / seminars	a) Met target i. IDC's ASEAN Security Conference in April 2012 ii. Asian Investor's 4th Annual Southeast Asia Institutional investment Forum in December 2012
	b) No. of Government / regulators / industry associations led working committee participated by KWAP	b) 1 participation	b) Met target Corporate Governance Working Committee (whose members include EPF, Khazanah, PNB, LTAT and KWAP)

CORPORATE SCORECARD FOR 2013

Stakeholders Objectives	KPI Measurement	Annual Target
1. Grow fund size	a) % of growth in fund size	a) Increase fund size (at cost) by circa 9.7% - 10.4% from estimated opening balance 2013
2. Initiate merger with Post-Service Division, Public Service Department	a) Completion timeline	a) Concept paper on merger finalised by March 2013
3. Develop Strategic Blueprint (2013 – 2015)	a) Completion timeline	a) Strategic Blueprint to complete by June 2013
4. Develop capability to offer Shariah-compliant investment management	a) Completion timeline	a) Complete potential acquisition of an Islamic asset management company b) The study on setting up of Shariah-compliant fund and its operating model to complete by November 2013
Financial Objectives	KPI Measurement	Annual Target
1. Achieve target ROI	a) Benchmark: GDP of 2013	a) ROI in 2013 of: 5.25% (low target) 5.50% (base target) 5.87% (best target)
	b) Customised benchmark (weighted average of all asset classes benchmarks)	b) Outperform customised benchmark
2. Increase allocation and utilisation for international investment	a) % of international asset allocation utilised from total fund size	a) Minimum of 10%

CORPORATE SCORECARD FOR 2013

Operational Objectives	KPI Measurement	Annual Target
1. Implement new investment strategies	a) No. of operational initiatives completed as identified under new investment practices	a) To introduce at least 5 new investment strategies in 2013
2. Enhance investment practices	a) No. of operational initiatives completed as identified under new investment practices	a) To introduce at least 3 new investment practices in 2013
	b) % of investment proposals approved by the Investment Panel	b) At least 90% approval on investment proposals by the Investment Panel
3. Enhance operational and risk management practices	a) No. of operational initiatives completed as identified under "enhance operational and risk management practices"	a) To implement at least 7 operational and risk management initiatives in 2013
	b) % of compliance to legislations / regulations	b) 100% compliance
	c) % of audit observations closed over stipulated time	c) 100% closure
	d) Opinion by statutory auditor	d) Unqualified Audit Certificate for the Financial Statements
	e) Opinion by Auditor General in relation to performance audit	e) No material findings raised by Auditor General and all non-material findings raised to be resolved within 6 months
Learning & Growth Objective	KPI Measurement	Annual Target
1. Enhance talent capabilities and capacity	a) Completion timeline	a) To formalise talent attraction, retention and reward strategies by August 2013 b) To complete talent pool audit and assessment gap analysis by June 2013 c) To complete Individual Career Development Plan by October 2013
2. Succession planning	a) Completion timeline	a) To develop succession planning for critical positions by December 2013
3. Talent retention	a) Retention rate	a) 80% retention of talent under IDP
4. Learning and development	a) Learning days	a) Average 7 days per employee

INTERNATIONAL EXPANSION - PRIMA EKUITI (UK) LIMITED

In search of higher sustainable growth within the acceptable risk framework; there was a growing need for KWAP to look at investment opportunity globally to address two of KWAP's strategic pillars namely to enhance risk adjusted return through diversification as well as attract, develop and retain talent.

KWAP's Board and subsequently Minister of Finance have approved the Strategic Asset Allocation (SAA) of 10% for international investments in 2009 for selected asset classes. The asset classes are Equity, Fixed Income, Property and Private Equity.

KWAP's maiden investment in the international frontier was made through private equity fund Lombard Asia III in June 2010. The next step was taken when KWAP became one of the cornerstone equity investors in AIA Group Limited's Initial Public Offering (IPO) with initial investment of USD200 million. AIA Group Limited was subsequently listed on Hong Kong Stock Exchange. In addition to that, KWAP has also formed partnerships with other entities.

As at 31 December 2012, KWAP has utilised 6.58% of the SAA with international exposure at market value of RM1.69 billion for Fixed Income, RM2.04 billion for Equity, RM1.99 billion for Property and RM238.18 million in Private Equity.

The launch of Prima Ekuiti (UK) Limited (Prima Ekuiti) was a major break through in KWAP's international expansion, Prima Ekuiti is KWAP's first physical office set up outside Malaysia in London. The incorporation of Prima Ekuiti was done following a resolution taken by KWAP Board in its meeting on 22 August 2011, as part of KWAP's ongoing initiatives to develop capabilities in managing active investments of foreign assets. Prima Ekuiti was eventually incorporated and registered with the UK Registrar, Companies House on 6 October 2011 to provide professional investment advice and management services to KWAP. Investments made by Prima Ekuiti on behalf of KWAP are also partially non-taxable as KWAP was accorded Sovereign Immunity Exemption by the UK HM Revenue and Customs whereby KWAP is exempted from paying income tax, corporation tax and capital gains tax for investments made directly under its name.

Prima Ekuiti's London office was successfully launched by the then Chairman of KWAP, Tan Sri Dr Wan Abdul Aziz bin Wan Abdullah on 30 April 2012, witnessed by the Malaysian High Commissioner to the UK, Datuk Seri Zakaria Sulong and respected guests from the industry. The office is strategically located in the heart of the West End, at Berkeley Square House, Mayfair.

Prima Ekuiti is headed by a Board of Directors consists Dato' Mohammed Azlan Hashim as the Chairman, who is currently a member of KWAP Investment Panel, Dato' Azian Mohd Noh who is currently CEO of KWAP, Puan Nik Amlizan Mohamed who is the Director of KWAP's Equity Department and Cik Mushida Muhammad, the Principal Officer of Prima Ekuiti. The office is managed by the Principal Officer, assisted by a portfolio manager and an office manager.

KWAP has given the mandate for Prima Ekuiti to invest GBP200 million in the UK equity market whose fund shall be benchmarked against UK FTSE 100 Index. Prima Ekuiti commenced its investment activities on 2 May 2012. In future, the company may extend its investment activities to include other markets and asset classes.

The successful establishment of Prima Ekuiti and the opening of its London office is not merely a momentous occasion for KWAP to rejoice, but far more than that, it signifies the opening of new growth, standing and future.

INVENTING NEW PERPETUAL SUKUK

As a result of sovereign debt issues in Europe and recession in US, Asia has become investors' new darling. Liquidity is flash in Asia and driven a record low interest rate in this region. The search for yield has driven the spur in the demand for innovative products in the Islamic market.

Perpetual sukuk is a debt-equity hybrid. From some perspective, perpetual sukuk resembles equity: they are deeply subordinated, carry very long or perpetual maturities, and profit payments can be deferred. Another trait for perpetual sukuk is that rating agencies classify them as "equity" which improves issuer's gearing ratio and relieves ratings pressure (if any). On the other hand, they are also similar to a financing instrument / debt - like as profit is fixed with an option for issuers to call, or repay, the sukuk on specified dates. That provides a lower cost of funding than equity and allows traditional sukuk holder to buy in the belief that companies might call redeem on the call date.

The concept of perpetual capital securities is not new. There have been a number of conventional perpetual bonds issued by corporate in recent times. However, we have not seen any Shariah-compliant perpetual sukuk before year 2012. Malaysia Airlines (MAS) is the world's first corporate issuer which put in place an Islamic Perpetual Junior Sukuk Programme of RM2.5 billion based on the Islamic principle of Musharakah and Musawamah. Musharakah is a common profit-sharing certificate which would set up the initial sukuk, and Musawamah is a negotiated-sale arrangement that will be executed if there is any deferment of periodic profit payments. This instrument best fits to MAS financial requirements as it captures the essence of equity at a relatively lower cost of capital compared to common equity. The first and second tranche of MAS perpetual sukuk were fully subscribed at a yield of 6.9% p.a. The perpetual sukuk is redeemable at MAS option after ten years, and on every distribution date thereafter.

MAS perpetual sukuk marked a key milestone for the Islamic finance industry. It serves as a catalyst, encouraging more innovative Islamic transaction and further deepening the Islamic finance market. Following MAS landmark deal, Abu Dhabi Islamic Bank, a top-tier Islamic financial institution, joined the fray to issue perpetual sukuk. The bank recently issued a USD1 billion non-call six-year Shariah-compliant hybrid perpetual tier-1 sukuk at an expected profit rate of 6.375%.

In good times, perpetual sukuk sets a win-win platform for both issuer and investor. Issuer reaps the benefits of its equity features, whilst providing attractive yield to investor compared to traditional sukuk. However, fund manager should fully understand the embedded risk in the perpetual sukuk. Investors need to be comfortable with the issuer's repayment ability over a very long term because of the unspecified duration of perpetual sukuk. While there are some risks attached to its equity-like nature, investors therefore shall ensure that the additional return is sufficient to compensate for this risk. On top of that, investors need to be aware that in periods of global risk aversion, their trading liquidity can become thin and erratic. Therefore, the perpetual sukuk is suitable only for investors who have corresponding long dated liability, for instance a pension fund.

Falling sukuk yields are prompting fund managers to diversify across countries, sectors as well as new structure like perpetual sukuk to boost returns. For investors, especially Islamic fund managers, perpetual sukuk return would be an added dish to the Shariah-compliant investment menu. To protect investors' funds from the eroding effect of inflation, it is not wise for fund manager to ignore this product.

Notwithstanding the perpetual sukuk is equity-like, investor's interest can be protected via a few terms such as dividend stopper, dividend pusher, and cumulative distribution, in which, the issuer is restrained from paying dividend unless the issuer has fulfilled their obligation to bond investor under the sukuk's terms. Despite the fact that there is no maturity date, perpetual sukuk will typically provide that if the securities are not redeemed in whole on the first occurring call date (for eg: at year-10), the issuer is subject to a step up profit.

Section **III**

OUR PERFORMANCE

033 Economic Review of 2012

034 Fund Performance

039 Investment Performance

053 Contribution Management



ECONOMIC REVIEW OF 2012

The uncertainty over political economy in eurozone grabbed most of the limelight in the first half of 2012. Talks of possible dismantling within economic bloc in European continent gained more credence when politicians who are aligned with the anti-austerity measures won support from their citizens. In addition, a series of credit downgrades in sovereign debt and financial institutions wreaked havoc on financial markets as heightened default risk could spell disaster if the thought of a break up in eurozone becomes a reality.

However, the second half of 2012 was a great relief. Central bankers across the globe have shown more resolve in fixing the mess as measures to pump prime liquidity intensified. The European Central Bank (ECB) phrase of “whatever it takes” in July has become the household name within investing community while Funding for Lending Scheme (FLS) in UK raised hope for fast turnaround in credit growth. In the meantime, swift policy response by the US Fed on open-ended Quantitative Easing (QE) also adds the “feel-good” factor to the financial market.

The much anticipated power transition in China happened in a most conducive way. Leaders in the Political Bureau (Politburo) have pledged to ensure that economic reforms will be their utmost priority. On this score, financial liberalisation especially on the convertibility of Renminbi (RMB) and further development of China’s capital market would be seen as the key catalyst for growth. In particular, bond issuance by the Local Government Financing Vehicle (LGFV) is expected to increase rapidly following calls for more public housing as well as other infrastructure projects.

On the domestic front, the Malaysian economy continues to exhibit its resilience as GDP growth in 2012 persistently surprised on the upside. At 5.6% growth, the economy surpassed the government’s forecast range of 4.5% to 5.0% in 2012. Sources of growth were from domestic activities namely the private consumption as stable labour market condition and income growth managed to sustain higher growth in consumer spending. Additionally, projects under the Economic Transformation Program (ETP) were able to stimulate private investment to grow at double digit pace. Despite that, policy by Bank Negara Malaysia (BNM) remains supportive to growth as Overnight Policy Rate (OPR) was left untouched at 3.00% for the whole year. Tame inflation rate at 1.6% in 2012 has allowed accommodative monetary policy to prevail.

FUND PERFORMANCE

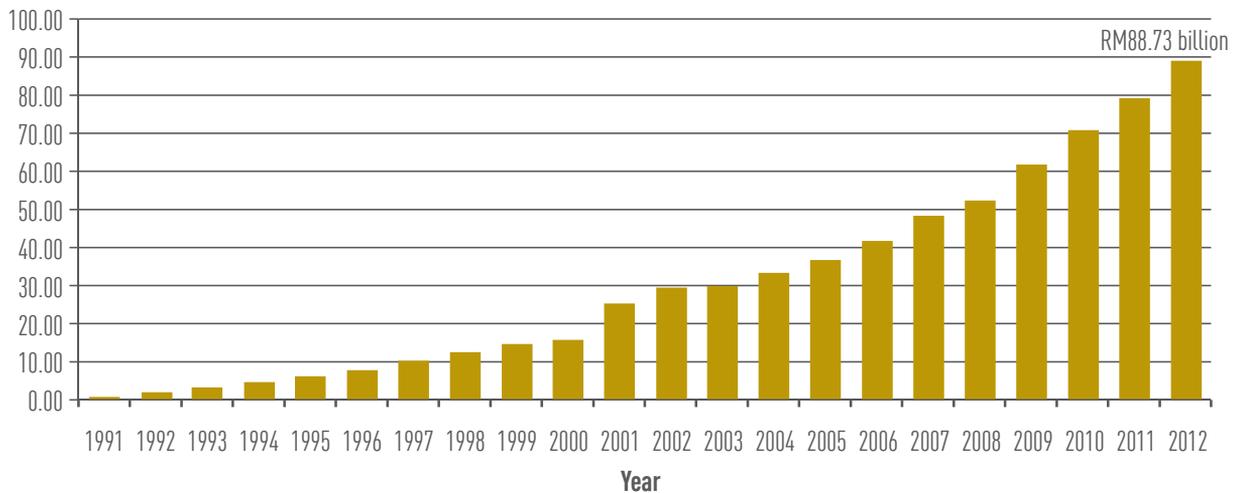
INVESTMENT PERFORMANCE

Despite the challenging external environment, KWAP's total fund stood at RM88.73 billion as at 31 December 2012, which is 12.41% higher than the previous year of RM78.93 billion. The largest contributor to the fund growth was investment income of RM5.75 billion, followed by employers' contributions and Federal Government's contribution at RM2.67 billion and RM1.50 billion respectively.

Over a period of five years, the fund recorded an average growth of 13.04% per year, with investment income continuing its role as the largest contributor to asset growth. Cumulatively, income from investments contributed the highest by 52.09% while employers' contributions contributed second largest at about 31.37%. Contribution by the Federal Government put together the remainder of 16.54%. Achieving sustainable asset growth is of utmost importance to enable KWAP effectively manage its future liabilities.

FUND GROWTH FROM 1991 – 2012

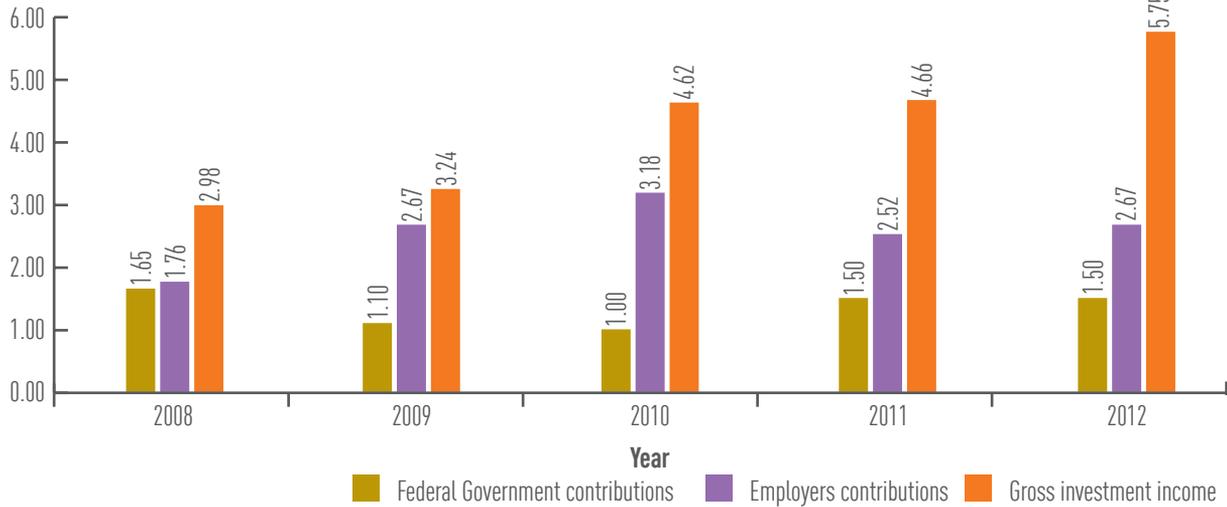
RM Billion



FUND PERFORMANCE

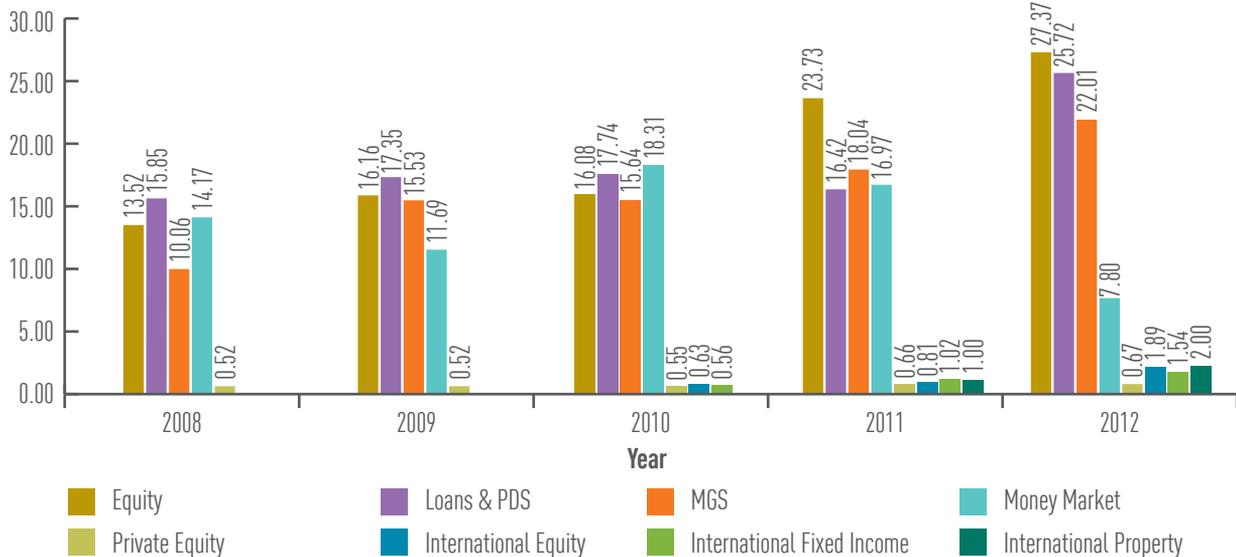
BREAKDOWN OF SOURCE OF FUND

RM Billion



INVESTMENT FUND ALLOCATION (AT COST): 2008 - 2012

RM Billion

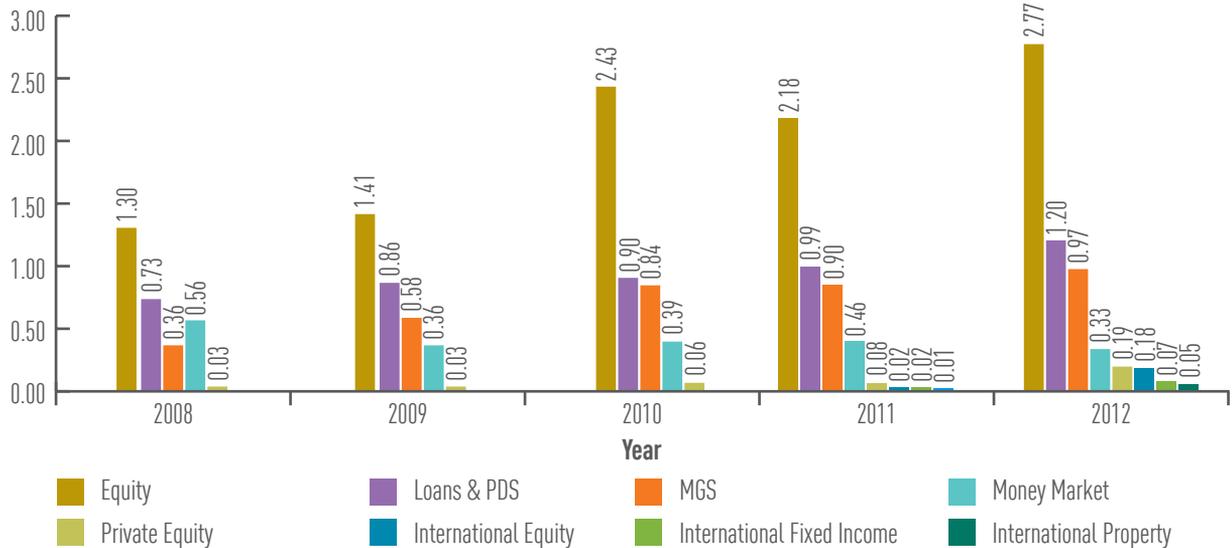


As at 31 December 2012, a total of RM57.07 billion (64.13%) of the fund was invested in fixed income securities, RM29.26 billion (32.88%) in equities and RM2.66 billion (2.99%) in alternative investments. In addition, RM7.96 billion was channelled to the external fund managers for investments in domestic as well as the international markets. By December 2012, 91.06% of the fund was internally managed and 8.94% was externally managed. KWAP continued the year by expanding its international investments covering wider asset classes which saw the proportion increased to RM5.66 billion by December 2012 from RM3.07 billion in the previous year.

FUND PERFORMANCE

GROSS INVESTMENT INCOME : 2008 - 2012

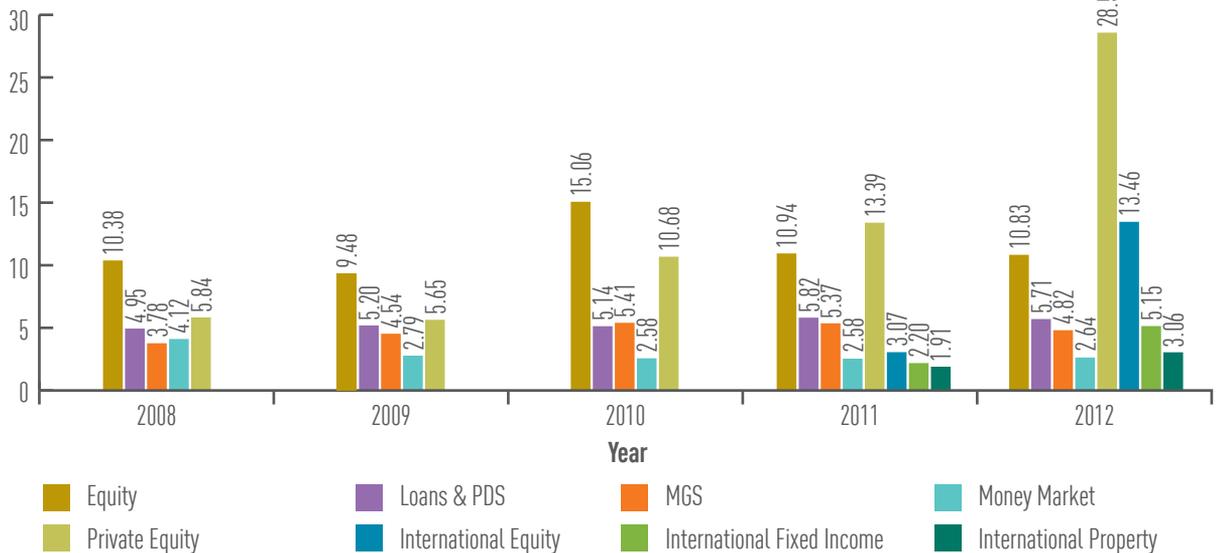
RM Billion



As at December 2012, KWAP registered a gross realised investment income amounted to RM5.75 billion. This is an increase of RM1.09 billion (23.40%) compared to the preceding year of RM4.66 billion. The highest income contributor was equities at RM2.95 billion (51.26%) of the total income. Loans and Private Debt Securities (PDS) generated RM1.27 billion (22.06%), Malaysian Government Securities (MGS) RM0.97 billion (16.80%), Money Market at RM0.33 billion (5.79%) and alternative investments RM0.23 billion (4.09%).

GROSS RETURN ON INVESTMENT : 2008 - 2012

Percentage (%)



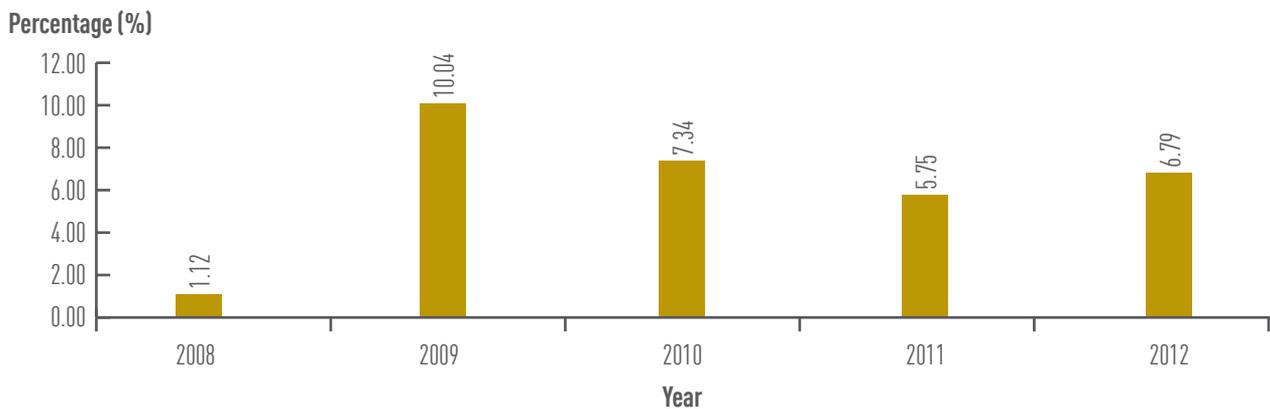
FUND PERFORMANCE

The overall gross ROI achieved as at December 2012 was 6.84% which is higher than the previous year of 6.30%. Gross ROI of Private Equity investments registered the highest at 28.54%, followed by Domestic Equity at 10.83% and PDS and Loans at 5.71%, MGS and Quasi Bonds and Money Market contributed 4.82% and 2.64% respectively. On the international front, International Equity and Fixed Income recorded gross ROI of 13.46% and 5.15% respectively. International Property Investment registered gross ROI of 3.06% as at December 2012.

Via a disciplined adherence to KWAP's long term Strategic Asset Allocation (SAA), the fund proved to be highly resilient and able to add value in the long term. Over a span of 5 years, KWAP has managed to sustain the average gross ROI of not less than 6.0% annually.

NET INVESTMENT INCOME

HISTORICAL NET RETURN ON INVESTMENT : 2008 - 2012



Net ROI achieved for the year 2012 was 6.79% against the previous year of 5.75%.

TOTAL RETURN

As at 31 December 2012, total return for Domestic Equity was 15.11% which outperformed benchmark by 5.51%. Total return for Domestic Internal Fixed Income (MGS, PDS, Loans and Money Market) stood at 4.62% as at 31 December 2012. The total return for External Fixed Income as at 31 December 2012 on the other hand was 6.17% which has outperformed the stipulated benchmark by 0.65%.

On the international front, Equity recorded total return of 10.68% outperforming the benchmark by 1.18% as at 31 December 2012. International Fixed Income recorded total return of 6.73% outperforming the benchmark by 6.29%.

FUND PERFORMANCE

The next table shows the total return of each asset class relative to their respective benchmark indices:

	TWRR (%)	Benchmark	Outperformance / (Underperformance) (%)	ROI (%)
Equity				
Domestic	15.11	FBM100	5.51	10.57
International	10.68	MSCI All Country World	1.18	13.46
Fixed Income				
Domestic				
MGS & Quasi Bond	4.82	Quantshop MGS (All) Yield	1.51	4.82
PDS	6.11	Quantshop Corp (Medium) Yield	1.99	6.11
Loans	5.14	Quantshop MGS (All) Yield + 50 bps	1.33	5.14
Money Market	2.64	3-month KLIBOR	(0.56)	2.64
External Fixed Income	6.17	Quantshop MGS (All) Index + 130 bps	0.65	6.28
International	6.73	JP Morgan Global Aggregate Bond Index	6.29	5.15

INVESTMENT PERFORMANCE

EQUITY

Whilst the global equity markets traded on choppy waters throughout the year 2012 and the general election fatigue continued to dampen investors' sentiments, it was a record breaking year for the Malaysian equity market nonetheless. The main market barometer, FBM KLCI index which began the year at 1,530.7 points gained 10.3% to scale an all time high closing of 1,688.95 points on 31 December 2012. The index started on a strong note surging 4.3% in the first quarter before consolidating during April to May period on heightening eurozone debt crisis and rising fear of global economic slowdown, in particular China, the world's second largest economy. As risks in eurozone abated and crisis appeared to have been ring fenced by the European policymakers, the Malaysian equity market regained its stability and firmed its way up to historical high year end closing. Overall, market performance was largely driven by liquidity as interest rates were kept low and central banks such as the Federal and the European Central Bank (ECB) continued with their quantitative easing measures.

Against a challenging market backdrop in 2012, it was indeed a year of many successes for KWAP as we endeavour to achieve investments and operational targets set forth at the beginning of the year. The following initiatives were undertaken to support the achievement of these targets:

- i. Commencement of operation of Prima Ekuiti (UK) Limited, a wholly owned subsidiary of KWAP based in London to manage investments in UK equities;
- ii. Setting up of international equity fund management unit to manage Asia-pacific ex-Japan portfolio;
- iii. Segregation of equity research from the Equity Department to promote independence of views and analysis;
- iv. Allocation of additional funds for internal Shariah compliant portfolios;
- v. Strengthening of the Shariah compliant investment system infrastructure and expanding the Shariah universe of stocks;
- vi. Appointment of external fund managers for domestic Islamic equity mandate;
- vii. Enhancement and improvisation of internal equity investment processes;
- viii. Ongoing review and analysis on industry issues and the impact on KWAP's internal equity investments.

INVESTMENT PERFORMANCE

As part of KWAP's rigorous investment screening and evaluation processes, regular meetings and visits were conducted on various listed companies throughout the year. Given KWAP's increasing equity investments in listed companies in the domestic and international markets, it is imperative that the operational and financial performances of these listed companies are monitored regularly. In 2012, KWAP attended 79 AGMs / EGMs, 138 analyst briefings, 147 company visits and 1 senior management visit to various listed companies locally and overseas.

Investments in equity constitute up to 32.88% of KWAP's total fund size at cost value as at 31 December 2012. The allocation comprises 30.75% in domestic equities and 2.12% in international equities. In terms of market value, KWAP's total exposure in equity has recorded a marked increase of 21.13% to RM29.93 billion as at 31 December 2012 from RM24.71 billion at the beginning of the year. Domestic equities make up for 93.19% of KWAP's total exposure in equity at market value, whilst the balance of 6.81% was invested in international equities. In terms of segregation between internally managed equities against those externally managed, 85.58% out of the total exposure are managed internally by KWAP equity portfolio managers and the remaining 14.42% are outsourced to external fund managers appointed by KWAP.

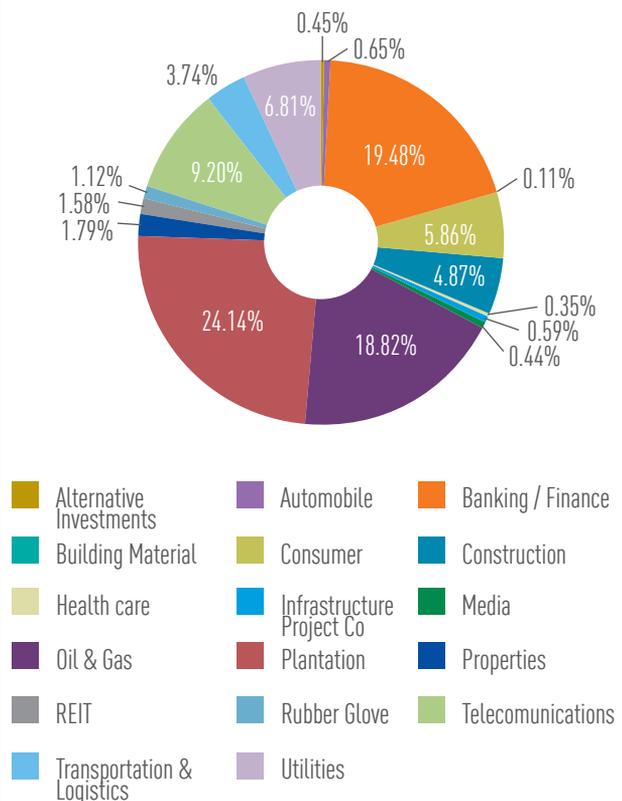
For the year ended 31 December 2012, KWAP equity investments recorded a total realised income of RM2.95 billion, which translates to an ROI of 10.96%. A significant portion of the income, 93.83%, was contributed by domestic equities, whilst international equities accounts for the remaining 6.17%. On a separate note, internally managed equities makes up for 89.12% of KWAP's total income from equity and the balance 10.88% is derived from equities outsourced to external fund managers. Similar to the preceding years, the realised income from equities contributed to more than half of KWAP total income for the year ended 31 December 2012, 51.26% to be specific, further emphasising the significance of equity as an asset class to KWAP as a whole.

INTERNALLY MANAGED EQUITY

Domestic

Despite the challenging market, KWAP's exposure to domestic equities managed internally has increased to RM24.31 billion, an increase of 15.30% from RM21.09 billion at the beginning of the year. KWAP continues to exercise prudence in its investments by employing rigorous screening methodology and evaluation processes favouring companies that are fundamentally sound with strong management track record, low earnings risk, good dividend yield and high liquidity. Such approach has proven to yield good performance when the internal domestic portfolio recorded a total return of 14.80% as measured by the Time Weighted Rate of Return (TWRR). The return compares favourably against FBM100 return of 9.60%. In terms of realised return, internal domestic equity recorded a total ROI of RM2.40 billion which translates into an ROI of 10.56%. Of the total investment income, RM1.59 billion or 66.26% was derived from sale of shares whilst the balance of RM808.72 million was derived from dividend income net of tax.

SECTOR ALLOCATION 2012



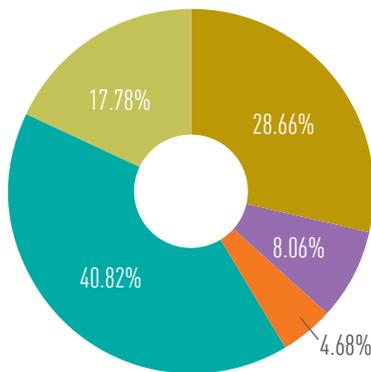
INVESTMENT PERFORMANCE

International

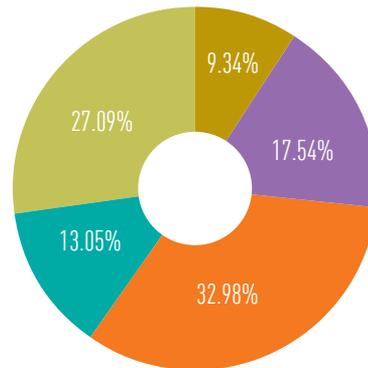
The year 2012 was marked as the year of the set up of our Asia Pacific ex-Japan (APEX) equity portfolio. The initiative was undertaken as part of KWAP's long term progression towards greater geographical diversification, having reaping the reward from our maiden international equity investment foray in AIA Group Limited (AIA), Hong Kong in 2011. The APEX portfolio is managed out of KWAP's Kuala Lumpur office and has commenced trading on 2 July 2012 with an initial fund size of USD100 million.

For the year ended 31 December 2012, KWAP's internally managed international equity investments recorded a total income RM165.13 million, which translates into an ROI of 20.79%. The commendable performance was mainly attributed to the profits derived from the disposal of AIA shares. Of the total investment income, RM153.24 million or 92.80% was derived from sale of shares whilst the balance of RM11.89 million was derived from dividend income.

COUNTRY ALLOCATION 2012



SECTOR ALLOCATION 2012



As a newly set up team, several initiatives were taken to enhance our capabilities. Regular meetings with prospective companies as well as sector teach-in were continuously organised.

Against all odds, the MSCI Asia ex-Japan index performed relatively well in 2012 despite the lingering concerns on the European debt crises and the patchy global economic recovery. The MSCI Asia ex-Japan index recorded a gain of 15% in 2012.

The Asian bellwether, China, performed well above expectation as its index gained 20% in 2012 as investors buy into its resilient domestic demand and accommodative monetary policy. However, Korea and Taiwan equity markets performed poorly as its GDP was badly affected by Europe and US economic slump. ASEAN indices in particular were strong, supported by exceptionally strong corporate earnings growth momentum in 2012, with very high possibility of maintaining the positive momentum in year 2013.

EXTERNALLY MANAGED EQUITY

KWAP allocates a portion of its equity investments to selected domestic and international external fund managers (EFMs). To further add value to KWAP's equity investments and to tap on the experience, expertise and investment infrastructure of some of the reputable domestic and international EFMs, funds are outsourced on different mandates, namely conventional, shariah, domestic and international (active or passive).

INVESTMENT PERFORMANCE

Domestic

As at 31 December 2012, the total funds at cost that are managed by domestic EFMs stood at RM3.05 billion, an increase of 15.69% from RM2.64 billion in 2011. In proportionate terms, the total equity portfolios managed by domestic EFMs accounts for 3.43% of KWAP investment fund at cost. Out of the 8 domestic EFMs, 3 managers have been entrusted with Shariah equity investment mandate while the rest are on conventional mandate.

List of Domestic External Fund Managers as at 31 December 2012

DOMESTIC EFM	FUND SIZE (%)
CIMB-Principal Asset Management	35.10
Aberdeen Asset Management	19.68
Nomura Asset Management	13.06
Nomura Asset Management (B)	4.92
RHB Investment Management	6.56
Kenanga Invest Berhad	8.04
Kenanga Invest Berhad (B)	2.80
i-VCAP Management Sdn Bhd	3.28
CIMB Principal Islamic Asset Management	3.28
Amlslamic Fund Management Sdn Bhd	3.28

In an effort to ensure the EFMs' performance delivery and operational compliance, KWAP held meetings with each EFM on quarterly basis. In the process, we took the opportunity to learn by observing and subsequently emulating the best business practices adopted by the other reputable industry players. Throughout the year, 20 quarterly meetings were conducted, typically held at the beginning of each quarter with each EFM.

As part of KWAP's ongoing initiatives to outsource more funds across different mandates going forward, Request for Proposals (RFPs) have been sent out to local and foreign asset management companies to invite those with good track record to be on KWAP Panel of Approved EFMs.

As at 31 December 2012, KWAP's equity EFMs recorded an aggregate realised income of RM303.82 million, representing an average ROI of 10.69% (calculated based on injected capital). The aggregate realised income was derived from capital gains of RM205.95 million, dividend income of RM86.86 million and the balance of RM11.01 million from interest and profit income.

International

In 2012, KWAP's investments in international equity which are externally managed can be divided into two; one being investments in Asia Pacific ex-Japan (APEX) equities via a passive mandate, and the other is investments in UK equities, via an active mandate.

The passive mandate for APEX is managed by State Street Global Advisors (SSGA) with an initial seed capital of USD100 million, approximately RM310 million in ringgit terms. The fund is benchmarked against the widely tracked MSCI Asia ex-Japan index. Investments in APEX equities are expected to increase as more mandates are given to new managers, including active APEX equities and global Islamic equities.

KWAP held series of discussions with international EFMs, including site visits within their Asian office in an effort to better understand their investment and business operations. Regular conference calls, meetings and quarterly reviews were conducted to obtain updates on the portfolio performance as well as investment review and outlook.

Investment in UK equities is outsourced to Prima Ekuiti (UK) Limited (Prima Ekuiti), a wholly owned subsidiary of KWAP. The following report summarised the operations of Prima Ekuiti since its commencement of operation in April 2012.

Prima Ekuiti (UK) Limited

30 April 2012 marks a historic milestone for KWAP as Prima Ekuiti (UK) Limited (Prima Ekuiti), KWAP's wholly-owned subsidiary, was successfully launched.

KWAP has given the mandate for Prima Ekuiti to invest GBP200 million in the UK equity market whose fund shall be benchmarked against UK FTSE 100 Index. An initial GBP100 million was injected on 1 May 2012 whilst the remaining GBP100 million be disbursed when market condition is suitable for additional investment. Prima Ekuiti has, therefore, commenced its investment activities on 2 May 2012.

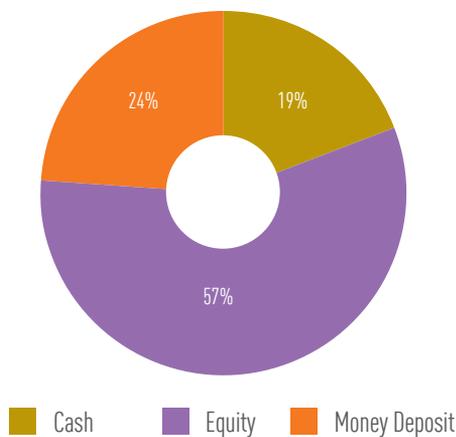
INVESTMENT PERFORMANCE

Market Review

At the portfolio's inception, global equity markets including the UK were impacted by a string of weak global economic data and worrying political developments in Europe. The inconclusive outcome of Greece election led the rising risk of Greece leaving the euro zone and heightened the risk of possible contagion on Portugal, Ireland, Italy and Spain. Investors were concerned that it could trigger a European financial crisis as credit market freeze. Nonetheless, the equity markets rebounded, relieved as the pro-euro parties won the mandate in the second round of Greece election held early June. The conclusive outcome of the EU summit also managed to sustain the positive sentiment in the markets into the second half of the year.

A more relaxed sentiment towards the eurozone's woes, optimism regarding the US economy, and signs that major central banks were committed to stimulate growth, had dominated the second half of 2012. Risky assets such as equities performed well despite the continuing soft patch in global activity. Central banks have played a key role in this by announcing more easing of monetary policy and hence reduced some of the tail risks feared by investors. There also seemed to be greater recognition on the part of investors of the challenges posed to growth by a world economy which continues to de-leverage in the wake of the financial crisis.

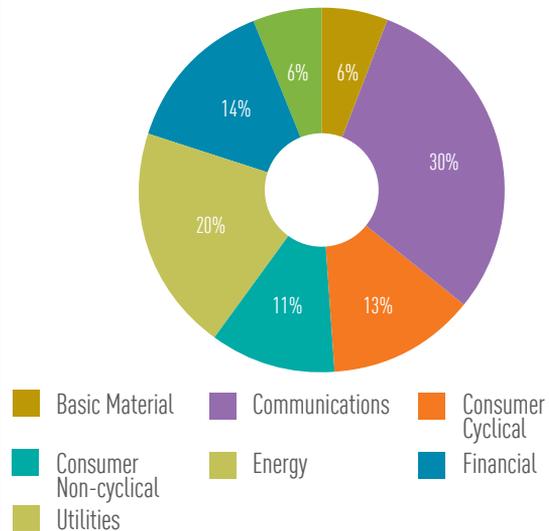
ASSET ALLOCATION



As at 31 December 2012, Prima Ekuiti's portfolio increased by 4.67% to GBP104.67 million compared to UK FTSE 100 Index which printed 2.79% gain since the portfolio's inception. The increase was the direct result of the cautious and disciplined investing approach adopted by the portfolio manager.

Of the total GBP104.67 million, 57% was invested in equity, 24% in money deposit whilst the remaining in cash.

EQUITY ASSET ALLOCATION



The portfolio managed to achieve gross investment income of GBP2.71 million or an annualised ROI of 4.06% as at 31 December 2012.

As part of capacity building, Prima Ekuiti undertook initiatives to enhance its investment processes which include establishing Investment Policy and Guidelines, proprietary screening system for stock selection and research database. Regular meetings with industry players and quarterly reviews were also conducted to keep abreast with investment ideas as well as to update on portfolio strategy and performance. Once the processes and capabilities are in place, Prima Ekuiti may explore investment opportunities beyond UK equity market.

INVESTMENT PERFORMANCE

FIXED INCOME

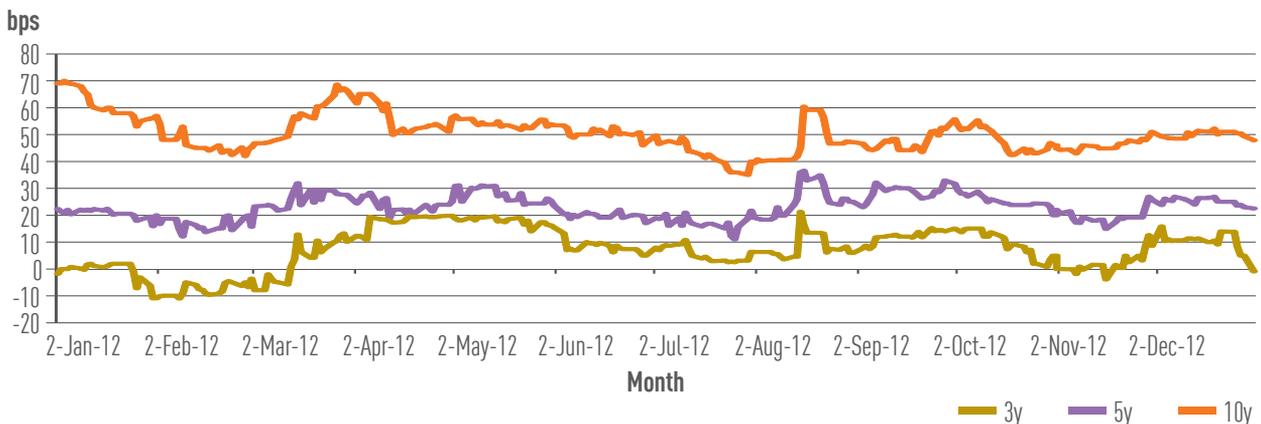
As the global economy hit a rough patch, fickle financial markets became a norm and correlation among major asset classes undesirably increased. In response to faltering growth and negative feedback loop in the financial market, major central bankers pledged to maintain their key interest rates low for an extended period and inject massive liquidity through prolonged unorthodox monetary policies, which essentially set a ceiling on both short to medium term interest rates. Regionally, more central bankers jumped on the rate-cut bandwagon to arrest the slowdown in external demand and saw another round of rate-cutting cycle. Although Bank Negara Malaysia refrained from cutting OPR, yields generally drifted lower particularly apparent on the longer tenures as investors took advantage of dovish interest rate environment and more receptive of duration risk for additional yield pick-up. In a similar vein, credit spreads tightened further, increasing the investment challenge and offering little differentiation between the spectrum of credit risks. Of note, in the face of sporadic bouts of risk aversion from external front, local bond markets have shown its resiliency and capacity to absorb the shock fairly unscathed.

Fixed Income Department will embark on regional fixed income direct investment to seek out investment opportunity and capacity building to prepare the next growth phase for KWAP growing investment portfolio. Meanwhile, there will be a new appointment for Asian debt external fund manager to tap into their expertise in managing Asian bond funds. The department will continue to carry out studies and due diligence on the proposed opening of KWAP's fixed income operations offshore. To facilitate rising foreign investment, Treasury Division will implement Foreign Currency Operating Model for

international investments. In addition, more investment products will be proposed to expand investment opportunity and exploit any discrepancy in investment risk and return. New proposed products will focus on Dual Currency Investment Product, Credit Link Notes and Repurchase Agreement Facility to enhance the liquidity of MGS and Bonds.

Contrasting to increasingly challenging landscape, performance for various asset segments were commendable. Overall ROI achieved as at 31 December 2012 was 4.67%, significantly higher than the average 10-year MGS yield of 3.50%. Besides, the duration profile (interest rate risk) of the overall fixed income portfolio was much lower than typical 10-year MGS. Individually, income for corporate bond as at 31 December 2012 rose RM678.88 million from RM559.59 million in the previous year while ROI was laudable 6.11% from 6.42% a year earlier, outperforming Quantshop Corp (Medium) yield by 199bps. MGS and Quasi Government Bonds delivered RM966.20 million income, compared favourably with RM903.99 million posted in the previous year. Although ROI tapered to 4.82% from 5.37% in the previous year, the ROI surpassed the Quantshop MGS All yield by 151bps. Performance of Domestic External Fund Manager's ROI was at 6.28% from 7.30% a year ago, attributed to steadier low yielding environment and fewer trading opportunities. International external fund manager's ROI edged a tad higher to 3.28% from 3.20% amid lacklustre performance in G7 government portfolio. Corporate Loan's ROI improved to 5.14% from 5.02% in 2011 as some loans were redeemed earlier on the back of easy financing conditions and extending more loans during the period. The income registered at RM457.68 million from RM383.29 million in 2011. Money Market's ROI grew to 2.64% from 2.58% on increased drawdown during the interim and lower closing balance.

MGS YIELD SPREADS AGAINST OVERNIGHT POLICY RATE



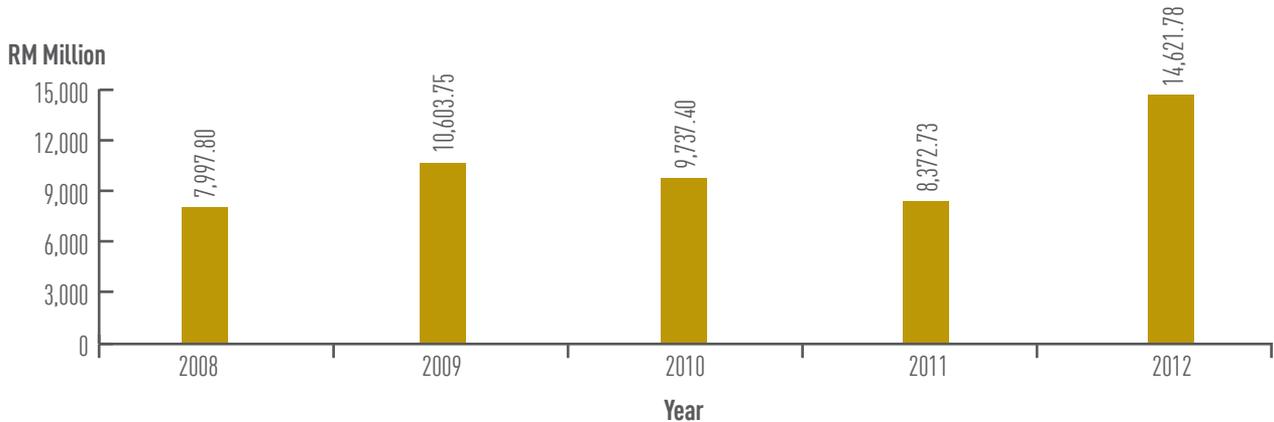
INVESTMENT PERFORMANCE

Private Debt Securities (PDS)

During 2012, domestic interest rates continued to be low following prolonged economic difficulties in the United States and Europe. The low interest rate environment coupled with excess liquidity pushed the yields down in the credit market space as the spread between the government and credit papers became compressed. PDS issuance in 2012 surged to a high of RM103.30 billion, largely contributed by PLUS Berhad's re-issuance of RM30.6 billion Sukuk in January 2012. In comparison, total issuance of PDS in the primary market in 2011 amounted to RM66.45 billion.

KWAP's PDS portfolio holding at cost value in 2012 increased to RM14.21 billion, up by 77.3% compared to holding in 2011 of RM8.01 billion. Maturities and early redemption in 2012 amounted to RM608.00 million compared to new purchases totalled RM6.98 billion. The bulk of the new purchase came from PLUS Berhad Sukuk re-issuance in which KWAP's subscription amounted to RM1.91 billion. Total holding of PDS portfolio from 2008 to 2012 is as follows:

2012 PDS INVESTMENT PORTFOLIO (MARKET VALUE)

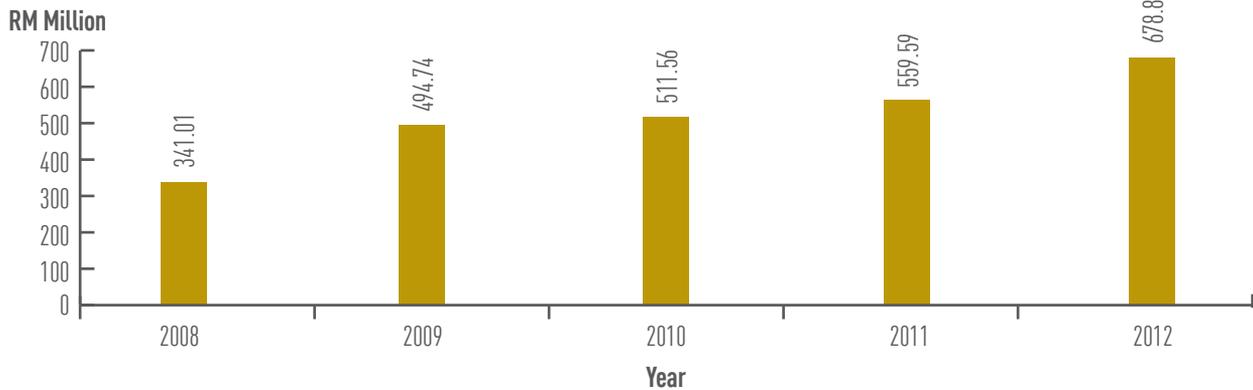


In line with increase in PDS purchase in 2012, KWAP's PDS portfolio (combined with Loans) increased to 28.93% compared to 21.29% in 2011. However the asset utilisation of both PDS and loans is still short of the limit imposed of 33%. The shortfall can be contributed largely among others by excess liquidity in the market resulting in smaller allocation for primary issuances as well as relatively expensive pricing (low yields) of the new papers.

Realised income from PDS portfolio increased to RM678.88 million from RM559.59 million in 2012. However due to continuous low interest rate environment, hence lower yields of credit paper, ROI from PDS portfolio decreased slightly from 6.42% in 2011 to 6.11% in 2012. The current ROI outperformed the benchmark Quantshop Corporate (Medium) Yield of 4.12% by 199 bps.

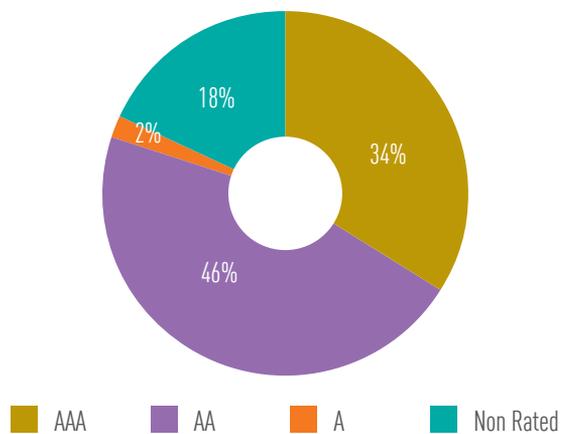
INVESTMENT PERFORMANCE

2012 PDS INCOME



On credit exposure, the average portfolio rating for PDS is maintained at AA1 (not inclusive of non-rated papers). Unrated papers constituted to 17.68% exposure in the PDS portfolio (at nominal value). The average duration of the portfolio meanwhile has increased to 5.71 years, up from 4.44 years in 2011. The increase is mainly due to extending the duration for yield pick-ups. Rating distribution of KWAP portfolio is as follows:

2012 PDS RATING DISTRIBUTION



Malaysian Government Securities and Government Investment Issues (MGS/GII)

The gross MGS/GII size had been amounted to RM96.24 billion for 2012. Despite the relatively huge gross issuance, the MGS/GII market remained well supported to the ample domestic liquidity. Foreign investors were seen buying more regional bonds including MGS in anticipation that regional economic growth would remain stable and to benefit from potential investment gain.

Trading scenario for 2012 had not changed much amidst ongoing concern over European debt crisis and uneven economic growth across the global. The implementation of QE3 in G3 countries has brought new wave of liquidity to regional market including Malaysia. The local bond market remained bullish with yields pushing to record lows. Overall, the yield curve flattened despite issuance of larger mid-to-longer tenures as investors had larger risk appetite for duration and liquidity. Foreign holdings in MGS remained healthy and reached a record of RM129.70 billion (as at end December 2012) or 43.70% of outstanding MGS amidst low inflation, steady OPR at 3.00% and strengthening local currency.

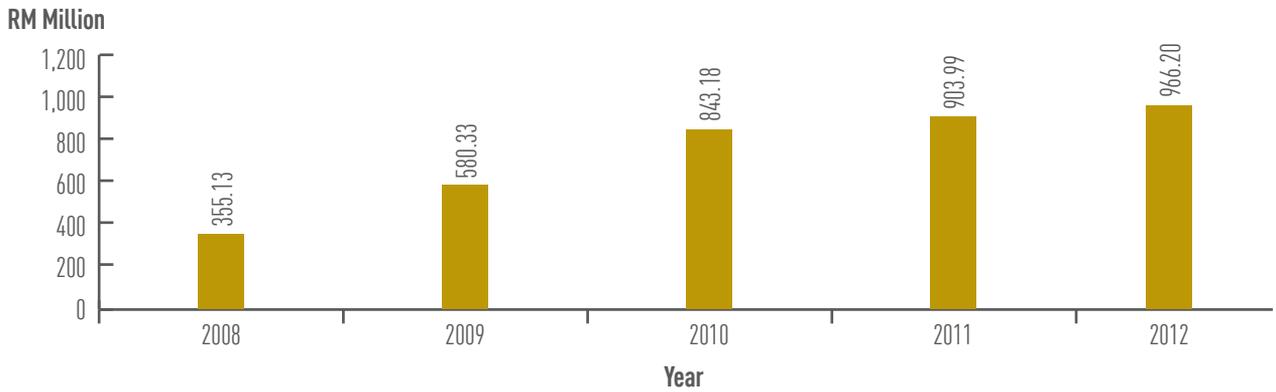
KWAP's total investment in Government Securities (MGS, GII and Quasi Government Bonds) at cost value as at 31 December 2012 stood at RM22.01 billion as compared to RM18.04 billion as at end of 2011. The gross investment income as at 31 December 2012 continued to grow by 6.88% to RM966.20 million as compared to last year's figure at RM903.99 million despite that the portfolio's SAA was reduced from 29% to 24% in year 2012. The portfolio also registered ROI of 4.82% as at 31 December 2012 on the back of 5.81 years duration as compared to last year's ROI at 5.37%. Current ROI outperformed the benchmark, Quantshop MGS All yield of 3.30% by 152 bps.

INVESTMENT PERFORMANCE

FLATTER GOVERNMENT YIELD CURVE



MGS AND QUASI GOVERNMENT PORTFOLIO INCOME



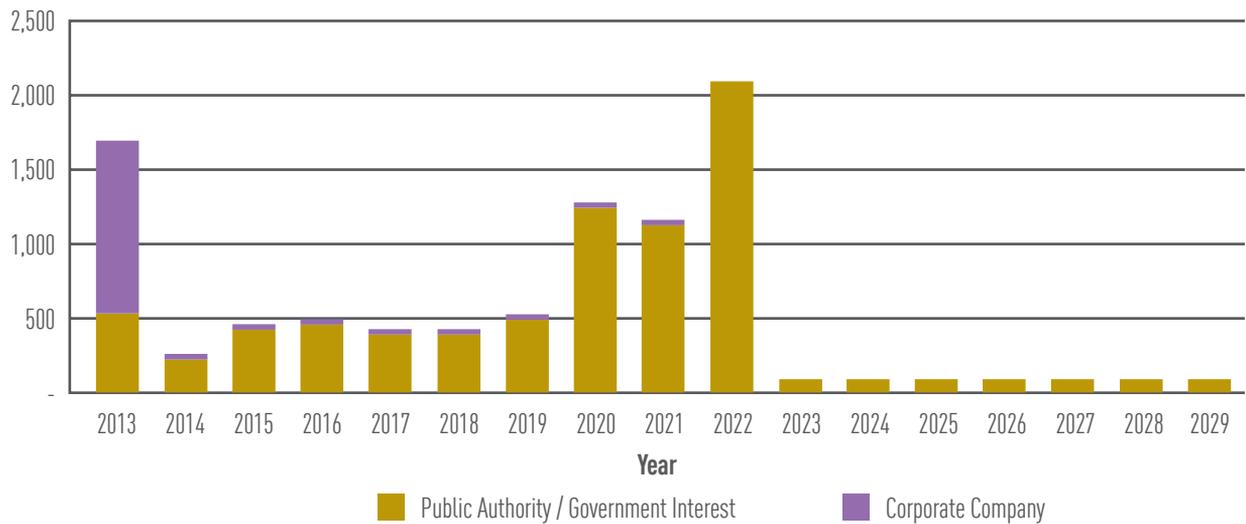
INVESTMENT PERFORMANCE

Loans

As at December 2012, total loan portfolio increased by 36.52% to RM10.28 billion in 2012 as compared to RM7.53 billion in 2011. The increase in the loan portfolio was mainly due to new long-term loans guaranteed by the Government or Government-linked entities amounted to RM3.20 billion.

LOAN MATURITY PROFILE AS AT 31 DECEMBER 2012

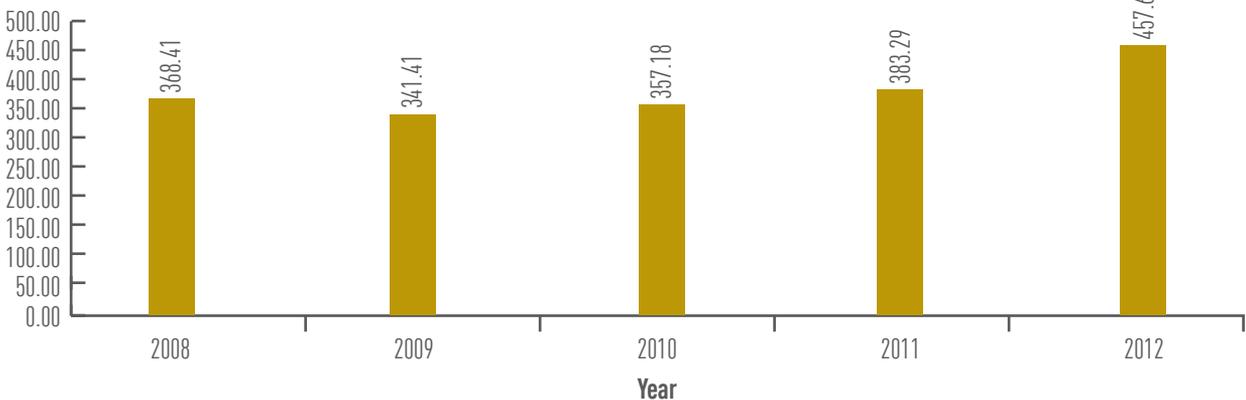
RM Million



The loan portfolio recorded RM457.67 million of investment income, as compared to RM383.29 in 2011. This showed an increased ROI rate of 5.14%. This ROI exceeded the benchmark Quantshop MGS All Yield (plus 50 bps) by 133 bps. The loans portfolio made up 11.35% of KWAP's SAA.

LOAN PORTFOLIO INCOME

RM Million



INVESTMENT PERFORMANCE

Money Market

As at 31 December 2012, KWAP's total Money Market investments balance stood at RM7.80 billion. At the beginning of the year, outstanding balance in the money market investment was higher at RM17.48 billion. In consideration of operation and drawdown for other asset class investments, KWAP will always maintain sufficient cash holdings.

The investment was largely in money market term deposits, followed by Negotiable Instrument of Deposit (NID), Floating Rate Negotiable Instrument of Deposit (FRNID) and Commercial Papers (CP), in both conventional and Islamic terms. The tenure ranges between overnight and five (5) years.

The gross income generated from money market investment in 2012 was RM333.31 million. The amount of RM333.31 million is lower compared to RM455.66 million gross income received in 2011. In line with our Strategic Asset Allocation (SAA) plan, the quantum of money market investment will be constantly targeted to the optimal level of 2.00%.

EXTERNALLY MANAGED FIXED INCOME

As at 31 December 2012, total outsourcing funds at cost managed by the fixed income fund managers stood at RM1.84 billion which accounted for 2.07% of overall KWAP fund size. In terms of geographical exposure, 66.70% of the externally-managed assets were invested in the domestic bond market and the remaining 33.30% invested globally by the external managers.

Domestic

As at 31 December 2012, total funds at cost managed by domestic fund managers amounted to RM1.23 billion, an increase of 39.77% from RM880.0 million a year ago. Total fixed income portfolios managed by domestic fund manager accounted for 2.16% of overall fixed income investments.

List of Domestic External Fund Managers as at 31 December 2012

DOMESTIC-EXTERNAL FUND MANAGERS	FUND INCEPTION (YEAR)
CIMB-Principal Asset Management Berhad	2006
AmlInvestment Management Sdn Bhd	2007
Hwang Investment Management Berhad*	2011
KAF Fund Management Sdn Bhd	2012

* formerly known as HwangDBS Investment Management Berhad

As part of KWAP's monitoring process, performance meetings were regularly held with all external fund managers and audit visits were conducted at their respective offices. Throughout the year, 13 quarterly meetings, 4 compliance audits and 1 due diligence audit were conducted to observe their compliance with relevant internal control procedures and best business practice with regard to day-to-day trading activities and back office operations.

As part of the unit's ongoing initiatives to diversify external managers portfolio return and investment style, a Request For Proposal (RFP) process was carried out during the year which was participated by several local bond fund managers. Based on the evaluation, 1 new external manager was approved to manage domestic fixed income portfolio.

As at 31 December 2012, domestic external fixed income fund managers recorded an aggregate realised income of RM66.22 million representing an average ROI of 6.28%.

International

In terms of the overseas investments, externally-managed fixed income investment exposure stood at USD200 million (RM614.05 million). Combined with in-house government bond portfolios, overall fixed income assets invested offshore accounted for 1.86% of KWAP fund size at market value as at 31 December 2012. SAA limit for international fixed income is set at 2% for 2012.

INVESTMENT PERFORMANCE

List of International External Fund Managers as at 31 December 2012

INTERNATIONAL-EXTERNAL FUND MANAGERS	FUND INCEPTION (YEAR)
CIMB-Principal Islamic Asset Management Sdn Bhd	2011
Amlslamic Funds Management Sdn Bhd	2011
PIMCO Asia Pte Ltd	2012

Amid concern on protracted uncertainties on the back of eurozone sovereign debt crisis, KWAP decided to cease G7 Government Bond portfolio managed by World Bank Treasury in 2012. However, KWAP continued to subscribe with capacity building training programs and advisory services offered by Reserves Advisory and Management Program (RAMP) as part of the technical assistance and consulting services. The programs that have taken place during the year includes in-house training in asset allocation workbench system, technical assistance for in-house team to manage an international bond portfolio and participation in selected RAMP workshop at World Bank Treasury headquarters in Washington DC.

In light of low yield environment, KWAP has mandated Emerging Market Debt (EMD) portfolio to a global asset manager in pursuit of higher portfolio returns. The selection process was evaluated based on RFP submissions received from several established international fixed income players which are eventually researched and recommended by external consultant. Coupled with the existing Global Sukuk portfolios, the EMD strategy is aspired to diversify fixed income investment risk profile at international front.

As part of its monitoring process, KWAP holds several discussions with regards to investment related or operational matters, including on-site visits at fund manager premises in ensuring their adherence to the terms of contract as well as understanding business best practice. Regular tele-conference discussions were conducted for latest investment review and outlook from their perspectives. Portfolio performance reviews are constantly held on quarterly basis to ensure their income targets are met. Throughout the year, 11 quarterly meetings, 3 compliance audits and 1 due diligence audit were conducted to observe their compliance with relevant internal control procedures.

As at 31 December 2012, international external fixed income fund managers recorded an aggregate realised income of USD6.80 million (RM22.45 million) representing an average ROI of 3.28%.

ALTERNATIVE INVESTMENT

Private Equity Market Review

From January to December 2012, a total of new 687 private equity funds have been raised globally, raising a total amount of USD311.6 billion, an increase of 13.9% as compared to 2011 where only USD262.4 billion raised. Out of that global amount, 76 new private equity funds have been established in Asia-Pacific, raising a total amount of USD20.4 billion¹. Although the total amount raised is slightly below the previous year's amount raised of USD25.6 billion, the Asia-Pacific region remains as the most attractive region for private equity investment amidst uncertainty in other regions².

The interest on Asia-Pacific markets is attributable to their favorable economic growth relative to the rest of the world. The emerging Asia-Pacific itself recorded a growth of 7.4% in 2012³. The foundation of this economic growth is the emerging Asia-Pacific market's middle class that is expected to rise in the proportion of its total population from 19% in 2010 to 30% by 2015, or at an 11% Compound Annual Growth Rate (CAGR). The aggregate population of those in the region's middle class is also anticipated to increase from 570 million in 2010 to 945 million by 2015; while consumption is expected to grow from USD2.9 trillion to USD5.1 trillion in the same period⁴. This continued growth of the middle class population of the Asia-Pacific markets is expected to spur demand for more sophisticated products and services.

Favourable economic development and demographic structure were translated into better investment returns in the Asia-Pacific region. The aggregate performance of Asia-Pacific private equity funds established from 2003-2008 has consistently outperformed the private equity funds in Northern America and Europe. Asia-Pacific funds established during these vintage years registered net Internal Rate of Return (IRR) of between 8-25% compared to net IRR of less than 15% for North America and Europe⁵.

¹ Preqin: 2012 Private Equity Fund Raising

² Preqin Special Report: Asia-Pacific Private Equity, September 2012

³ World Bank: EAP Update, December 2012

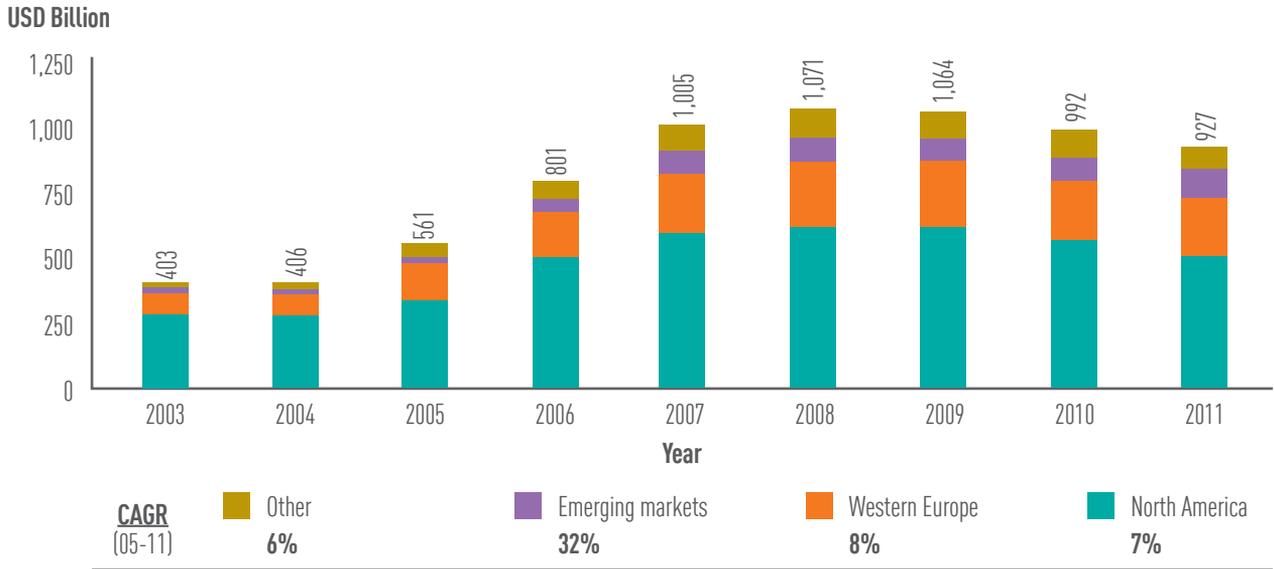
⁴ CLSA Asia-Pacific: Mr & Mrs Asia – Moving up the J-Curve, 2010

⁵ Preqin Special Report: Asia-Pacific Private Equity, September 2011

INVESTMENT PERFORMANCE

Despite the bright Asia-Pacific macro outlook, the region remains a challenge for private equity investments. The Asia-Pacific private equity space is experiencing an influx of capital at 32% CAGR over the past 5 years (refer to Table 1) with moderate capital deployment. This signals a high liquidity situation which in turn drives up deal valuations.

TABLE 1: CONCENTRATION OF AVAILABLE CAPITAL BY REGION



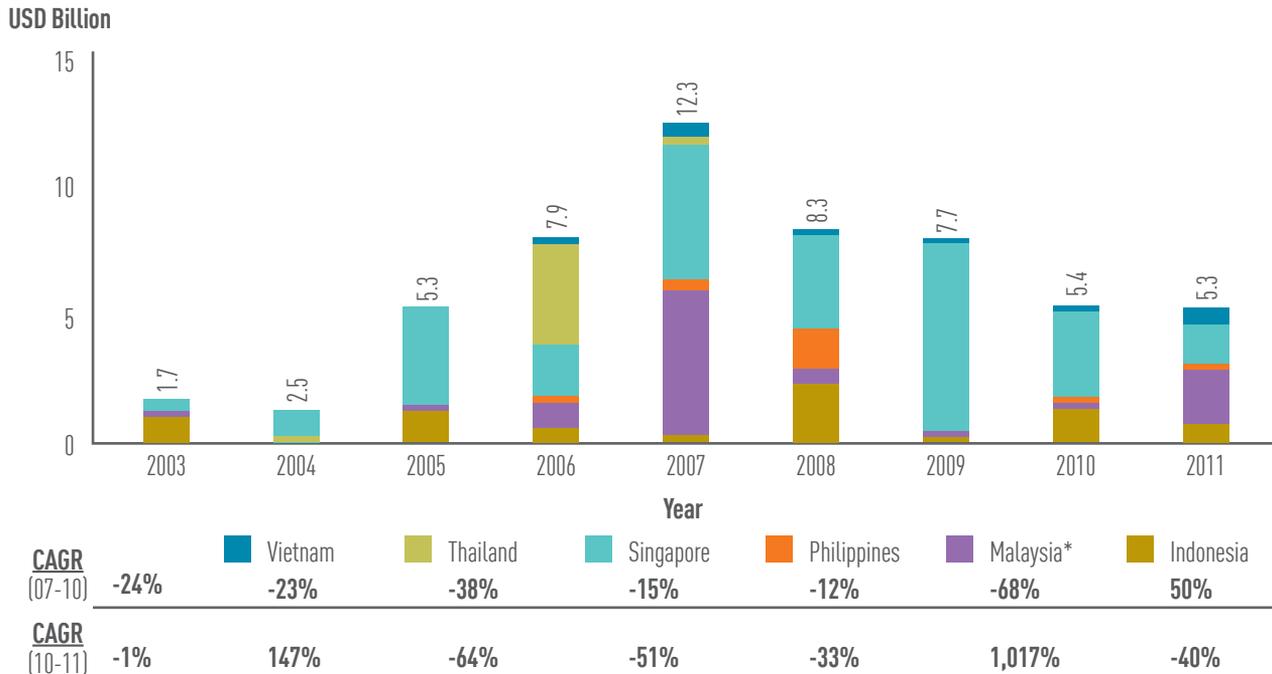
Note: "Other" includes developed countries outside of North America and Western Europe

Source: Preqin

INVESTMENT PERFORMANCE

The region had experienced a brief upsurge in private equity deals in 2007. Private equity deal making peaked at USD12.3 billion but has since dropped back significantly to USD5.3 billion in 2011. In 2011, private equity deals were flat and remained below its pre-financial meltdown peak. Deal count was stagnant at just 37 in 2011. Exit volumes totaled just USD4.2 billion, 30% below 2010 levels. The number of exits fell to just 25 in 2011, off by nearly one-fourth from 2010⁶.

TABLE 2: ASIA PACIFIC DEAL VALUE BY COUNTRY



Note: 2011 data as of December 2011; PE deals in 2011 exclude CVC / KFC deal, as it has not concluded;

* Malaysia totals in 2011 dominated by USD1.9 billion. Aabar investment in RHB Capital Berhad

Source: AVCJ; Bain analysis

The overall attractiveness of the region to private equity investments has also resulted in the comeback of a number of large global private equity funds. To name a few, Kohlberg Kravis Roberts (KKR Fund II), RRJ Capital Master Fund II, TPG Asia VI and Carlyle Asia Partners IV, are targeting total fund commitments of USD18.5 billion⁷ into Asia. The participation of these global funds into the region significantly increases competition in this space which in turn is expected to induce a crowding out effect in the private equity market.

Property Market Review

Direct commercial real estate investment recorded approximately USD295 billion transaction volumes on year to-date third quarter of 2012, a 7% decline compared to the same period in 2011⁸. Strong performers of established major markets in third quarter of 2012 were US (USD37.3 billion), UK (USD13.5 billion) and Australia (USD4.2 billion) with higher transaction volumes at 4%, 6% and 22% respectively. Investment activity in Europe for third quarter of 2012 was at USD33 billion which was a decline of 22% compared to third quarter of 2011 due to the sovereign debt crisis.

⁶ Asian Venture Capital Journal 2012, Bain Capital SEA PE Report 2012

⁷ Preqin Special Report: Asia-Pacific Private Equity, September 2012

⁸ Jones Lang La Salle Global Market Perspective Q4 2012

INVESTMENT PERFORMANCE

Australian CBD offices saw an increase in vacancy rate from 7.8% in second quarter 2012 to 8.3% in the third quarter 2012⁹. Top performer was the commodities driven Perth with 987,051 sq ft absorption of office space in the third quarter of 2012 with vacancy rate at 4.0%. Melbourne trailed behind with 8.3% vacancy rate and -29,063 sq ft of absorption. Sydney recorded a vacancy rate of 8.6% in third quarter 2012 with absorption at 104,410 sq ft. Commercial office accounted for 49% of investment activities in third quarter of 2012 with average yield of 7.46% for prime offices in Australia CBD.

In Central London, the average vacancy rate of commercial office reduced marginally to 7.4% in third quarter of 2012 from 7.8% in second quarter of 2012¹⁰ due to the decline in secondary space. The average prime office yield in Central London submarkets of City and West End in third quarter of 2012 were at 5.0% and 4.0% respectively, an unchanged position from 2011. In October 2012, the average yield for prime logistic properties in UK was at 6.0%. London was the most attractive city for global cross border investments due to its position as a well established transparent and liquid market. As at third quarter of 2012, international investors accounted for 68% of transaction volume in UK properties (54% in third quarter of 2011).

In third quarter of 2012, Tokyo ranked fifth after London, New York, Seoul and Paris as the most active cities in terms of cross border property investments at USD2.83 billion. Supported by favourable financing environment, J-Reits and domestic funds were active in the market. The average pricing yield for prime offices was at 3.5%¹¹. Vacancy rate improved to 9.30% in third quarter of 2012 from 10.3% in second quarter of 2012.

Office buildings in Kuala Lumpur recorded an average vacancy rate of approximately 16% in fourth quarter of 2012¹². Supply in fourth quarter of 2012 increased by 1.5 million sq ft as three new offices were completed during fourth quarter of 2012. Rents remained at an average of RM6.25 psf between first quarter and third quarter of 2012 and declined by 1.9% to RM 6.13 psf in fourth quarter of 2012. With substantial pipeline of supply of approximately 4.5 million sq ft in 2013, rents are expected to be under pressure. For 2012, Kuala Lumpur recorded an investment volume of approximately RM1.5 billion for purpose built office buildings.

Private Equity Investments

As at 31 December 2012, KWAP has invested in 14 private equity funds and maintains 2 direct private equity investments. KWAP's total private net equity investment amounted to RM668.99 million (0.74%) of KWAP's total fund size and is within the approved 2.0% SAA.

As at 31 December 2012, KWAP invested in 1 new private equity fund which is Lombard Asia IV, L.P. This fund intends to focus its investments into Asian high growth and emerging countries. Most of the private equity funds KWAP invested are still in investment stage or not fully divested to-date. One of KWAP's best performing funds is Lombard Asia III; which has generated 2.3 times multiple or TVPI (Total Value over Paid-In Capital).

As at 31 December 2012, KWAP maintains 2 direct private equity investments in Malaysia.

As at 31 December 2012, private equity investments have generated a total income of RM189.98 million with ROI of 28.5%. Out of the total income, 88.7% was derived from dividends received from direct investee companies and the remaining from private equity funds.

Property Investments

As at 31 December 2012, KWAP's total investment in international property is RM1,988.88 million or 2.42% of KWAP's total fund size and is within the approved international property investment SAA of 3.0%. Utilisation of the fund was for 737 Bourke Street (office building) in Melbourne, 20 Bridge Street (ASX Building) in, Sydney and 10 Gresham Street (office building) in London, UK acquired in October 2012.

As at December 2012, the three properties generated a net cash income of RM75.65 million. The net yield for the two Australian assets for 2012 were above 6% while the annualised net yield for the UK asset was at 5%.

⁹ Jones Lang La Salle Research November 2012

¹⁰ CBRE Research Central London Property Market Review Q3 2012

¹¹ CBRE Research Market View Tokyo Q3 2012

¹² DTZ Property Times Kuala Lumpur Q3 2012

CONTRIBUTION MANAGEMENT

PENSION CONTRIBUTION

One of KWAP's functions is to manage pension contributions remitted to KWAP by contributing employers in accordance to the Statutory and Local Authorities Pensions Acts 1980 (Act 239) and Service Circular No. 12/2008 on the Policy and Procedure of Appointment of Secondment, Temporary and Permanent Transfer. As stipulated by the Act, contributing employers comprising Statutory Bodies, Local Authorities and Agencies are required to remit pension contributions to KWAP for employees who have been granted pension status by the Public Service Department (PSD). Apart from employers' contribution, KWAP also receives Government's portion from Agencies such as the Employees Provident Fund (EPF), Armed Forces Fund Board (LTAT) and Teachers' Provident Fund (KWSG).

In 2012, KWAP received a total of RM4.17 billion comprising Federal Government's contribution of RM1.5 billion, receipts of Government's portion of RM1.84 billion and employers' contribution of RM0.83 billion.

EMPLOYERS' CONTRIBUTION

Collection of employers' contribution in 2012 is RM826.29 million.

Breakdown of employers' contributions:

CATEGORIES OF EMPLOYER	CONTRIBUTION (RM Million)
Statutory Bodies	665.77
Local Authorities	153.09
Agencies	7.43

RECEIPTS OF GOVERNMENT'S PORTION

Receipts of government's portion remitted to KWAP by EPF, LTAT, PSD and other government organisations in 2012 are RM1.84 billion.

GOVERNMENT AGENCIES	CONTRIBUTION (RM Million)
Employees Provident Fund	1,433.77
Armed Forces Fund Board	366.60
Public Service Department & other agencies	45.39

STATISTIC OF CONTRIBUTING EMPLOYERS AND MEMBERS

Total Number of Contributing Employers

EMPLOYERS	2012	2011	2010	2009	2008
Statutory Bodies	184	181	176	175	173
Local Authorities	149	149	148	145	144
Agencies	280	271	244	218	176
Total	613	601	568	538	493

Total Number of Members

EMPLOYERS	2012	2011	2010	2009	2008
Statutory Bodies	106,278	96,881	90,789	86,421	74,420
Local Authorities	38,798	36,349	34,924	34,497	31,991
Agencies	779	825	671	654	533
Total	145,855	134,055	126,384	121,572	106,944

CONTRIBUTION MANAGEMENT

TOP 20 CONTRIBUTORS

NO	CONTRIBUTING EMPLOYERS	RM (Million)
1	Universiti Teknologi MARA (UiTM)	96.17
2	Majlis Amanah Rakyat (MARA)	50.55
3	Universiti Kebangsaan Malaysia (UKM)	41.87
4	Universiti Teknologi Malaysia (UTM)	34.58
5	Universiti Putra Malaysia (UPM)	32.13
6	Dewan Bandaraya Kuala Lumpur (DBKL)	29.51
7	Universiti Malaya (UM)	28.33
8	Universiti Sains Malaysia (USM)	24.78
9	Hospital Universiti Sains Malaysia (HUSM)	22.34
10	Universiti Utara Malaysia (UUM)	18.49
11	Pihak Berkuasa Kemajuan Pekebun Kecil Perusahaan Getah (RISDA)	16.08
12	Pusat Perubatan Universiti Malaya (PPUM)	14.74
13	Lembaga Kemajuan Tanah Persekutuan (FELDA)	14.68
14	Lembaga Pertubuhan Peladang (LPP)	13.72
15	Institut Penyelidikan dan Kemajuan Pertanian Malaysia (MARDI)	13.72
16	Universiti Tun Hussein Onn Malaysia (UTHM)	9.47
17	Lembaga Minyak Sawit Malaysia (MPOB)	9.14
18	Universiti Pendidikan Sultan Idris (UPSI)	8.95
19	Universiti Teknikal Malaysia Melaka (UTeM)	8.68
20	Universiti Malaysia Sarawak (UMS)	8.30

NEW EMPLOYERS REGISTERED WITH KWAP IN 2012

NO	NEW EMPLOYERS	DATE OF REGISTRATION
1	Sustainable Energy Development Authority	4 January 2012
2	Perbadanan Hang Tuah Jaya	19 January 2012
3	Institut Penyelidikan Pembangunan Belia Malaysia	8 February 2012
4	Institut Sukan Negara Malaysia	4 June 2012
5	Pengurusan Air Pahang Berhad	29 June 2012

COLLABORATIONS WITH GOVERNMENT AGENCIES

Throughout 2012, as part of the departmental initiatives, Contribution Department has held meetings with relevant government agencies in the areas of pension contributions for seconded staff, waiver of penalties by the Ministry of Finance and approval of refund applications for individuals.

COLLABORATIONS WITH GOVERNMENT CENTRAL AGENCIES IN 2012

NO	DATE OF MEETINGS	GOVERNMENT AGENCIES
1	23 February	Ministry of Finance (Remuneration Policy, Public Money and Management Services Division)
2	10 April	Universiti Kebangsaan Malaysia & PSD (Pension Division)
3	10 May	EPF (Contribution Department)
4	17 July	EPF (Retirement & Pension Section)

CONTRIBUTION MANAGEMENT

COMPLIANCE AND ENFORCEMENT

Realising the needs to ensure total compliance by contributing employers, the compliance and enforcement visits were first introduced in 2007 whereby the initial emphasis was to visit employers with significant non-compliance issues. In 2012, the department has conducted routine compliance visits to the employers in the states of Kelantan, Terengganu, Perak and Sabah. The objective of the visit is to ensure total compliance to Act 239 and Service Circular No 12/2008. Briefings were conducted during these visits and discussions were held to resolve issues relating to contribution management such as registration of members, defaulters, penalties and refund. A total of 40 employers were visited in 2012:

STATES	NUMBER OF EMPLOYERS VISITED	DATE OF VISITS
Kelantan	16	2 – 22 March & 13 – 16 May
Terengganu	3	15 & 16 May
Perak	17	18 – 22 June & 2 – 6 July
Sabah	4	22 & 23 October
Total	40	

TRAINING PROGRAM

KWAP also conducted Employers' Training Program to guide employers on the usage of contribution forms, computation of penalties, refund issues and others. This program was conducted on the request of new employers. Employers which have attended the training program are:

- i. National Sports Institute - 26 April 2012
- ii. Majlis Perbandaran Kajang - 30 August 2012
- iii. Suruhanjaya Koperasi Malaysia - 13 September 2012
- iv. Majlis Daerah Ketereh - 19 October 2012

REFUND

There are 3 categories of refund which include refund to employers, EPF, PSD and individuals. In 2012, KWAP has approved 3,725 refund applications totaling RM9.39 million.

YEAR	2012	2011	2010	2009	2008
Amount of Refund (RM Million)	9.39	13.20	11.26	10.57	14.91
Number of Applications	3,725	4,801	4,087	3,403	5,008

Section **IV**

OUR BUSINESS OPERATIONS REVIEW

057 High Performance Culture

060 Review of 2012 Operations and Achievements



HIGH PERFORMANCE CULTURE

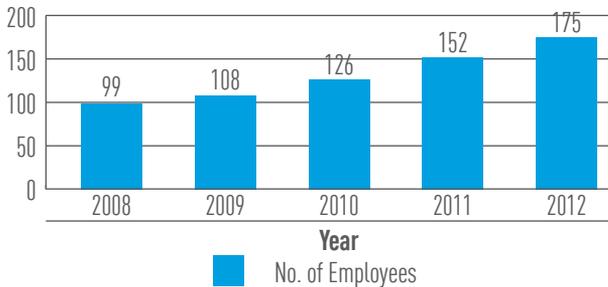
SELECTION AND RECRUITMENT

KWAP strives to be an employer of choice amongst employers in the investment industry and we endeavour to recruit the best talents that fit our unique DNA. We believe we provide an exciting work environment that motivates employees to perform their best and contribute towards the growth of the nation's public pension fund. KWAP welcomes employees that are able to not only contribute in their own area of expertise but those who can add value in other areas such as involvement in corporate projects, participate in corporate social responsibility activities and join projects that are designed towards developing others.

2012 saw KWAP recruiting the highest number of employees since its inception with total head count of 175 as at 31 December 2012.

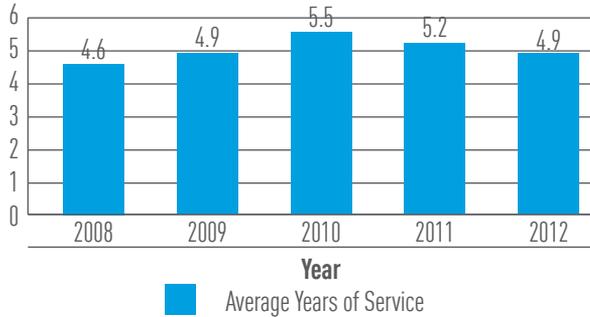
NUMBER OF EMPLOYEES

Head Count

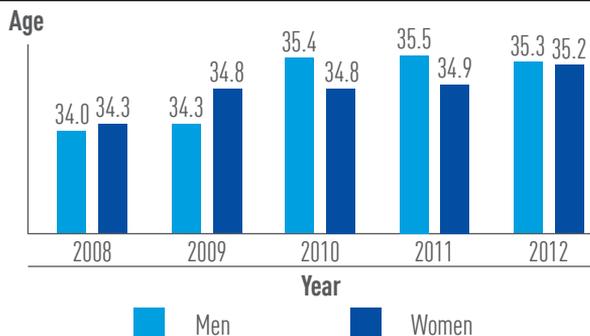


AVERAGE YEARS OF SERVICE

Services



AVERAGE AGE

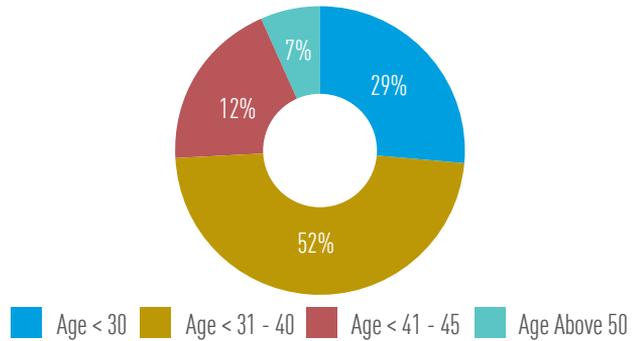


RECRUITMENT & TURNOVER

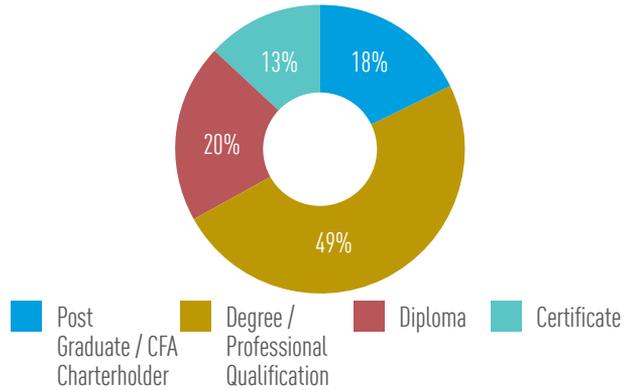
Head Count



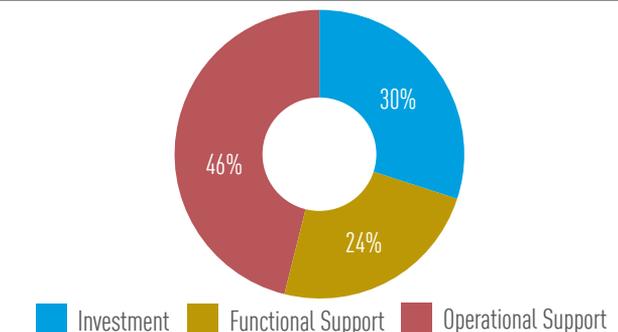
MANPOWER DISTRIBUTION BY AGE



PROFESSIONAL QUALIFICATION

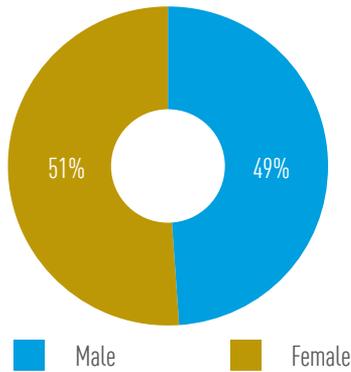


INVESTMENT & SUPPORT FUNCTION



HIGH PERFORMANCE CULTURE

GENDER DISTRIBUTION



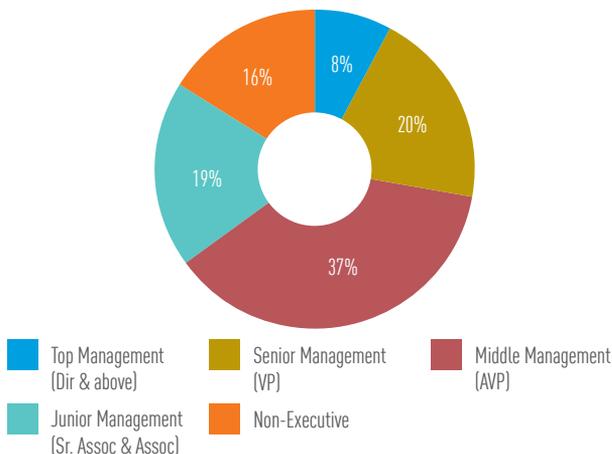
LEARNING AND TALENT DEVELOPMENT

In enabling our employees to continuously develop themselves, KWAP provides ample opportunities for learning and development through internal and external competency based programs organised throughout the year. This year, selected employees were also given the opportunity to enhance their knowledge and skills via online e-learning with the World Bank.

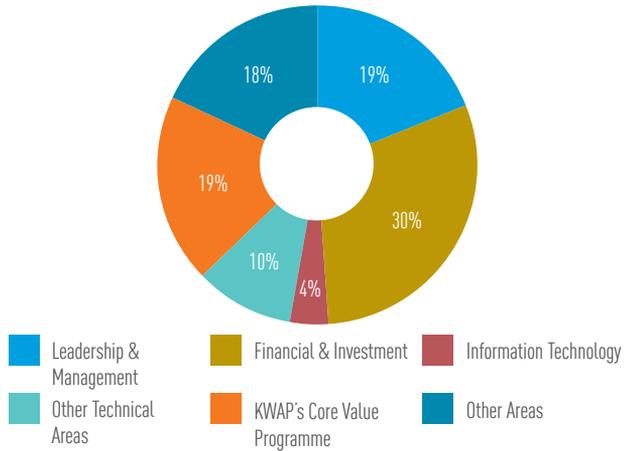
New recruits begin by attending the KWAP Familiarisation Program which provides new employees with an understanding of KWAP's mission and vision as well as a snapshot of all the various operations within the organisation.

In order to provide enhanced exposure and accelerated leadership capabilities, selected employees that meet the criterias are also provided job rotations, local and overseas attachments to reputable organisations as well as be placed on a Fast Track Talent Development Program.

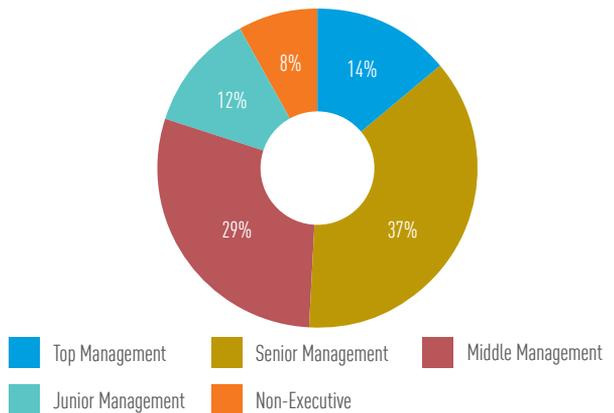
LEARNING DAYS BY CATEGORY OF EMPLOYEES



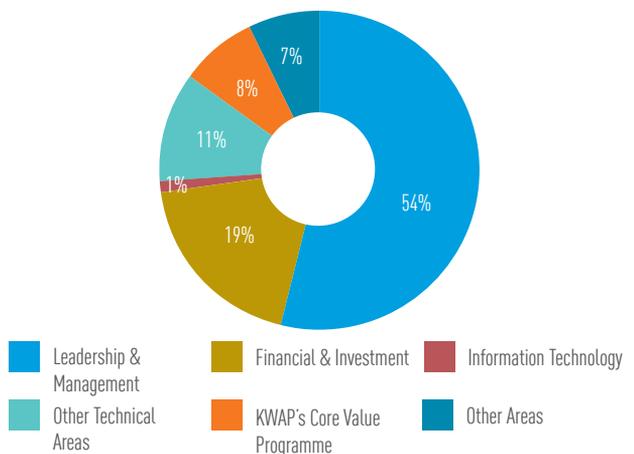
LEARNING DAYS ATTENDED BY EMPLOYEES (BY CATEGORY OF PROGRAMME)



TRAINING BUDGET EXPENDITURE BY CATEGORY OF EMPLOYEES



TRAINING BUDGET EXPENDITURE BY TYPE OF PROGRAMME



CORE VALUES PROGRAM

KWAP takes a lot of pride in its core values, namely: Achievement Oriented, Professionalism, Integrity, Transparency, Teamwork and Continuous Learning. The KWAP core values program is conducted internally by employees for employees. We believe that this is a positive approach towards inculcating the values within the organisation and enables employees to embrace the values better. In line with KWAP's core values, mini workshops and sharing sessions were conducted throughout the year. We also train our own employees to become facilitators in programs that can add value to the organisation.

PERFORMANCE AND REWARD

In hiring the best talents, it is also our duty to strive to retain, motivate and reward them for their contributions. KWAP's philosophy is to benchmark our overall employment package against the market to ensure competitiveness. Our reward philosophy however remains performance linked and bonuses are paid based on consistent performance and contributions that add value to the organisation.

REVIEW OF 2012 OPERATIONS AND ACHIEVEMENTS

DEPARTMENT	KEY ACHIEVEMENTS IN 2012
ACCOUNTS AND MANAGEMENT SERVICES	<ol style="list-style-type: none"> 1. Suppliers' List <ul style="list-style-type: none"> • Objective: To enable KWAP to maintain a preferred suppliers' list as a reference for future procurements. • Results: A suppliers' list was set up for KWAP's internal use including an evaluation process of suppliers in the list. 2. Customer Satisfaction Survey <ul style="list-style-type: none"> • Objective: To receive feedback from user departments of KWAP on the quality of services provided by Accounts & Management Services Department, including suggestions on improvements. • Results: The overall results were satisfactory. The feedback received from the user departments were reviewed and corrective actions taken on some of the suggestions. 3. Cost Saving Initiatives <ul style="list-style-type: none"> • Objective: To enable KWAP to review the cost saving areas of its administrative operations. • Results: Six (6) initiatives were identified and implemented to realise the operational cost savings for KWAP. 4. Revision to Administration and Finance Forms <ul style="list-style-type: none"> • Objective: To review and revise existing forms in usage to enable them to be more user friendly. • Result: 13 forms in usage were redesigned / reformatted. 5. Review of Standard Operating Procedures (SOP) <ul style="list-style-type: none"> • Objective: To review and revise the SOPs in usage at Accounts and Management Services Department. • Result: The relevant SOPs were revised to reflect improvements to some of procedures and process. GOING FORWARD Enhance KWAP's management reports <ul style="list-style-type: none"> • Enhancement of KWAP's management reports on operational matters in view of enhancing the overall quality of the reports. Cost saving initiatives <ul style="list-style-type: none"> • To review other cost saving areas within the department. Fixed Asset Register <ul style="list-style-type: none"> • To review and enhance the Fixed Asset Register. Record Books and Registers <ul style="list-style-type: none"> • To review and revise the record books and registers in usage. Finance Policies and Guidelines (FPG) <ul style="list-style-type: none"> • To review and revise the FPG. Accounting Policies <ul style="list-style-type: none"> • To review and update KWAP's accounting policies.

REVIEW OF 2012 OPERATIONS AND ACHIEVEMENTS

DEPARTMENT	KEY ACHIEVEMENTS IN 2012
CONTRIBUTIONS	<ol style="list-style-type: none"> <li data-bbox="566 348 1387 433"> 1. Collection Collection of pension contributions and receipts of government's portion totaling RM4.18 billion. <li data-bbox="566 461 1387 545"> 2. Implementation Integrated Contribution Management System (ICMS) An automated system which provides online registration of employees and members and submission of contribution details. <li data-bbox="566 574 1387 658"> 3. Publication and Issuance of Employer's Guide A complete guide to the users and employers on the management contribution was distributed to all employers. <li data-bbox="566 686 1387 771"> 4. Implementation of new contribution forms The forms include registration, contribution, refund, arrears and penalties were distributed to all employers. <li data-bbox="566 799 1387 883"> 5. Conduct ICMS Workshops A total of 572 participants representing 286 employers have attended the workshop from 5 November to 6 December 2012. <li data-bbox="566 911 1387 977"> 6. Compliance and Enforcement Visits As part of the compliance and enforcement exercise, visits were made to 40 employers. <li data-bbox="566 1005 1387 1202"> 7. Collaboration with government agencies on areas of secondment, refund, penalties and receipt of government's portion: <ul style="list-style-type: none"> <li data-bbox="612 1061 1121 1089">• Employees' Provident Fund (Contribution Department) <li data-bbox="612 1093 1295 1146">• Ministry of Finance (Remuneration Policy, Public Money and Management Services Division) <li data-bbox="612 1149 1041 1178">• Public Service Department (Service Division) <li data-bbox="612 1181 1182 1202">• Employees' Provident Fund (Retirement and Pension Section) <li data-bbox="566 1230 925 1371"> 8. Employers' Training Programme <ul style="list-style-type: none"> <li data-bbox="612 1268 848 1296">• Institut Sukan Negara <li data-bbox="612 1300 925 1328">• Suruhanjaya Koperasi Malaysia <li data-bbox="612 1331 887 1360">• Majlis Perbandaran Kajang <li data-bbox="612 1363 848 1371">• Majlis Daerah Ketereh
	GOING FORWARD <ol style="list-style-type: none"> <li data-bbox="566 1465 1387 1521">1. Facilitate the payment of pension contribution via e-Payment to all contributing employers. <li data-bbox="566 1549 1125 1577">2. Conduct ICMS Employers' Workshop in Sabah and Sarawak. <li data-bbox="566 1605 1041 1633">3. New SOP in line with the implementation of ICMS. <li data-bbox="566 1662 1387 1718">4. Proposal on the possibility of new entrants of government servant contributing to KWAP instead of the EPF. <li data-bbox="566 1746 1087 1774">5. Issue half-yearly Contribution Statement to employers.

REVIEW OF 2012 OPERATIONS AND ACHIEVEMENTS

DEPARTMENT	KEY ACHIEVEMENTS IN 2012
CUSTODIAN	<ol style="list-style-type: none"> <li data-bbox="566 348 945 377">1. Compliance, audit and regulations <ul style="list-style-type: none"> <li data-bbox="612 414 1028 442">• 100% compliance to rules and regulations. <li data-bbox="566 476 1148 504">2. Investment implementation, administration and control <ul style="list-style-type: none"> <li data-bbox="612 542 1387 602">• Setting up of KWAP's internally and externally managed accounts with global custodians in various international markets. <li data-bbox="612 607 1387 667">• Investment Policy & Guidelines together with KWAP's Limit of Authority (<i>Arahan Kuasa</i>) reviewed and updated. <li data-bbox="612 673 1141 701">• Engaged with related departments and developed SOPs. <li data-bbox="612 707 1387 767">• Engaged with external custodians in addressing various issues related to asset management and asset servicing. <li data-bbox="566 801 756 829">3. Human capital <ul style="list-style-type: none"> <li data-bbox="612 866 1387 958">• Engaged with external custodians and human resource department in organising trainings and job attachment for KWAP employees in related issue pertaining to asset servicing. <li data-bbox="612 964 1387 1024">• Participated in learning and development programs with external parties such as Bursa Malaysia, BNY Mellon and Citibank. <li data-bbox="566 1058 1074 1086">4. Disaster recovery and business continuity plans <ul style="list-style-type: none"> <li data-bbox="612 1123 1387 1183">• Developed business continuity plan and successfully conducted various tests to ensure custody operations run smoothly in the event of disruptions / disasters.
	<p data-bbox="566 1215 736 1243">GOING FORWARD</p> <ul style="list-style-type: none"> <li data-bbox="566 1281 1387 1373">• Focus on building capabilities that include continuous improvement on work processes, understanding market rules and regulations, and adoption of best market practices in providing custody services. <li data-bbox="566 1407 1325 1435">• To ensure all custody operations comply 100% with relevant rules and regulations.

REVIEW OF 2012 OPERATIONS AND ACHIEVEMENTS

DEPARTMENT	KEY ACHIEVEMENTS IN 2012
INFORMATION TECHNOLOGY	<p>1. IT Steering Committee (ITSC) A major milestone in KWAP's IT Governance is the approval by the Board for the IT Management Framework and the establishment of the governance body, the ITSC, whose members represent the business stakeholders and IT. The governance focus areas are as follows:</p> <ul style="list-style-type: none"> • Strategic Alignment • Value Delivery • IT Risk Management • Resource Management • Performance Management <p>The ITSC has convened 4 meetings in 2012.</p> <p>2. Security and Governance The unit helped ensure confidentiality, integrity and availability of data and systems through the following initiatives:</p> <ul style="list-style-type: none"> • Penetration Testing It was successfully carried out in 2012 to confirm that KWAP's network security controls are intact and functioning as intended. • Two Tier Firewall Successfully implemented the Two Tier Firewall configuration in 2012. System access is segregated and access rights granted on need basis for both external (internet) and internal (intranet) traffic. • Cloud Anti-Virus To enhance KWAP's security profile for end-points, Cloud Anti-Virus technology was successfully deployed in 2012 to ensure that mobile devices are updated with the latest signatures even when these mobile users are not connected to the office network. • Network Access Control (NAC) NAC is another complementing security control technology that was deployed in 2012 to ensure that only authorised users are able to access corporate network resources.

REVIEW OF 2012 OPERATIONS AND ACHIEVEMENTS

DEPARTMENT	KEY ACHIEVEMENTS IN 2012
INFORMATION TECHNOLOGY (continued)	<p>3. Infrastructure and Operations The unit which supports and facilitates the IT infrastructure and Operational services delivered the following initiatives in 2012:</p> <ul style="list-style-type: none"> <p>• Remote Office Architecture Successfully crafted and implemented the “remote office architecture” to support Prima Ekuiti (UK) Limited. Deployed secure private cloud technology over low-cost broadband without compromising on security controls and user experience.</p> <p>• Implementation of new Backup and Recovery Solution and Strategy Achieved multi-prong improvement through the implementation of a new Backup Recovery solution i.e. reduce operating complexity and extends utilisation to cover all systems, reduces risk of equipment, application and human failures, improves staff productivity and resource utilisation, improves Backup / Recovery system performance and Disaster Recovery (DR) capability.</p> <p>• Transformation of Business Continuity (BC) & Disaster Recovery (DR) Strategy (from Warm Site to Hot Site) Successfully facilitated KWAP’s inaugural Live BC and DR exercise in November 2012. Implemented a totally new backup recovery and replication solution over secure, low-cost broadband network. Renegotiated contract with the DR service provider (no incremental contract cost despite the higher level of services and provision of dedicated facility instead of shared). Heaps of planning, testing and teamwork by all BC participants ensured a successful and smooth Live DR Exercise. KWAP achieves higher level of BC preparedness and availability whilst lowering the risk and enjoying the cost benefits.</p> <p>• Wireless Infrastructure To address one of the weakest-link in the “security access control” chain, robust and secure commercial grade Wi-Fi technology has been incorporated in 2012. It provides distinct access rights for guest and different types of users. With this facility in place, KWAP is able to improve productivity by not needing fixed training room facilities. The Wi-Fi infrastructure was a key resource needed for the Contribution Department training for its members.</p> <p>• Desktop PCs and Laptop Refresh PC Refresh process was carried out in batches (allocation on need basis). This mode ensures that employees are equipped adequately and productivity is not compromised and at the same time avoiding costly bulk replacements.</p>

REVIEW OF 2012 OPERATIONS AND ACHIEVEMENTS

DEPARTMENT	KEY ACHIEVEMENTS IN 2012
INFORMATION TECHNOLOGY (continued)	<p>4. Business Support System The unit provides Business Analyst, Project Management and User Support Services to the KWAP system users. In 2012, the unit facilitates the following:</p> <ul style="list-style-type: none"> • Risk, Performance & Strategy (RPS) Successful in assisting the implementation of RPS system phase 1 in November 2012. The RPS is a business initiative of Risk Management and Compliance, Business Performance, and Portfolio Strategy departments to facilitate better decision making for the increased Assets Under Management. • Integrated Contributions Management System (ICMS) live implementation Successful in assisting Contribution Department in implementing the ICMS at end of December. • Fusion Charts Upgrades Upgraded Fusion Charts in Risk Management Dashboard, which provides better visualisation and different types of online charts. • eAsset Declaration in eP2P Assisted Human Resource Department in implementing eAsset Declaration module which automates the full process of Staff Assets declaration. • Rolling out the Integrated Fund Investment Management System (IFIMS) in Prima Ekuiti (UK) Limited Assisted in implementation of the IFIMS for Prima Ekuiti (UK) Limited. It included the integration of data with the SAGA accounting system. • Continuous improvements The IFIMS system was continuously enhanced to roll out new products such as Multi Currency Deposits, Equity Investment in APAC, Compliance Cut Loss Report, Multi Currency Reporting Enhancement, and Fixed Income Trade Date. <p>GOING FORWARD</p> <p>In 2013, ITD will strengthen its IT Management practices, continuing its journey towards ISMS certification based on the ISO27001 standards. To improve system availability, the end-of-life IT equipment / systems will be replaced and where necessary, system capacity will be upgraded to cater for new business initiatives.</p> <p>With the convergence of work / personal lifestyle IT technologies, the mobile computing platform will be developed (infrastructure as well as SOPs) to ensure the inherent risk are mitigated. ITD will be exploring new business applications / systems to ensure alignment of the systems functional capabilities with the business processes and direction. Last but not least, to ensure sustainable level of IT skilled resources through training and recruitment.</p>

REVIEW OF 2012 OPERATIONS AND ACHIEVEMENTS

DEPARTMENT	KEY ACHIEVEMENTS IN 2012
INTERNAL AUDIT	<p data-bbox="566 348 997 377">1. Setting Up of Internal Audit Department</p> <ul data-bbox="612 414 1387 795" style="list-style-type: none"> • Developed the Internal Audit Charter that defines the purpose, authority and responsibility of the internal audit activity of which was approved by the Board. • Established the Internal Audit Manual that describes the Internal Audit's code of ethics, planning and responsibilities, work processes and administration. The Manual was developed in accordance with IIA's International Standards for the Professional Practice of Internal Auditing. • Recruitment of key internal audit personnel, overseeing the Investment, IT & Operations Audit. • Performed Audit Risk Assessment using a risk-based approach in determining future Audit Plans. • On-going exercise in crafting Audit Work Programmes and Internal Control Questionnaires in preparation to conduct audit reviews. <p data-bbox="566 832 825 861">2. Meeting Stakeholders</p> <ul data-bbox="612 898 1387 1151" style="list-style-type: none"> • Participated in Disaster Recovery (DR) exercises to understand and familiarise with the DR processes. • Visited KWAP's Custodial Banks, BNY Mellon and Citibank in Singapore to understand the processes in performing due diligence review together with Risk Management and Compliance and Custodian Departments. • Visited the External Fund Manager (EFM), CIMB Principal Islamic Asset Management to understand the processes in performing due diligence review together with Risk Management and Compliance and Equity Department. <p data-bbox="566 1183 736 1211">GOING FORWARD</p> <ul data-bbox="566 1249 1387 1502" style="list-style-type: none"> • To complement Messrs. KPMG, the appointed internal auditor in performing audit review on Key Operations Activities (not covered by them). • To install and utilise Audit Command Language (ACL), a Computer Assisted Audit Techniques (CAATs) application system for audit review i.e. data analysis and mining. • To participate in major initiatives by KWAP as an independent observer or advisor on internal control matters.

REVIEW OF 2012 OPERATIONS AND ACHIEVEMENTS

DEPARTMENT	KEY ACHIEVEMENTS IN 2012
INVESTMENT SETTLEMENT	<p data-bbox="566 348 1195 377">1. Department Readiness for KWAP's International Investment</p> <ul data-bbox="612 414 1387 570" style="list-style-type: none"> • Enhancing employees competency and knowledge on rules and regulations of international market as well as attachment program with foreign-based asset management organisation. • Creation of new SOPs for Prima Ekuiti (UK) Limited, International Equity Investment (Asia Pacific Ex-Japan Portfolio) and International Bond. <p data-bbox="566 605 1387 664">2. On-going implementation of New Real-Time Electronic Transfer System (RENTAS)</p> <ul data-bbox="612 701 1387 795" style="list-style-type: none"> • Successful testing on Mini-RENTAS live test run throughout the year. • Successful connectivity and system configure testing of new RENTAS at KWAP Disaster Recovery Center. <p data-bbox="566 831 1079 859">3. Strengthening the Pre-Trade Settlement Division</p> <ul data-bbox="612 896 1387 990" style="list-style-type: none"> • Compilation of the latest Authorised Person for investment related activities. • Successful replacement of Investment Dealing Ticket to Summary of Daily Investment Transactions towards paperless environment. <p data-bbox="566 1018 736 1046">GOING FORWARD</p> <ul data-bbox="566 1084 1387 1628" style="list-style-type: none"> • To continue effort in improving and enhancing the capability of RENTAS in order to support cross-border payments and settlements, the onshore multi-currency funds and securities settlement facility towards reducing costs and ensuring finality of settlement. • To support the implementation of International Financial Reporting Standard (IFRS) in MFund Investment System. • To equip the department with adequate workforce and knowledge on international investments taking into consideration the increase volume of investment activities, complexity of the instruments and investment products diversification by Investment Units such as expansion of international equities - Asia Pacific ex-Japan i.e. Australia, New Zealand, South Korea, Taiwan & India; expansion of international bonds (Regional) i.e. South Korea, Australia, Indonesia & China; and segregation of Shariah and non-Shariah Portfolio. • In line with Fixed Income Department's initiative, Investment Settlement will enhance the department's readiness for Prima Ekuiti (UK) Limited – for Fixed Income investment.

Section **V**

CORPORATE GOVERNANCE

069 Managing Our Risks

081 Statement on Governance

090 Statement on Internal Control

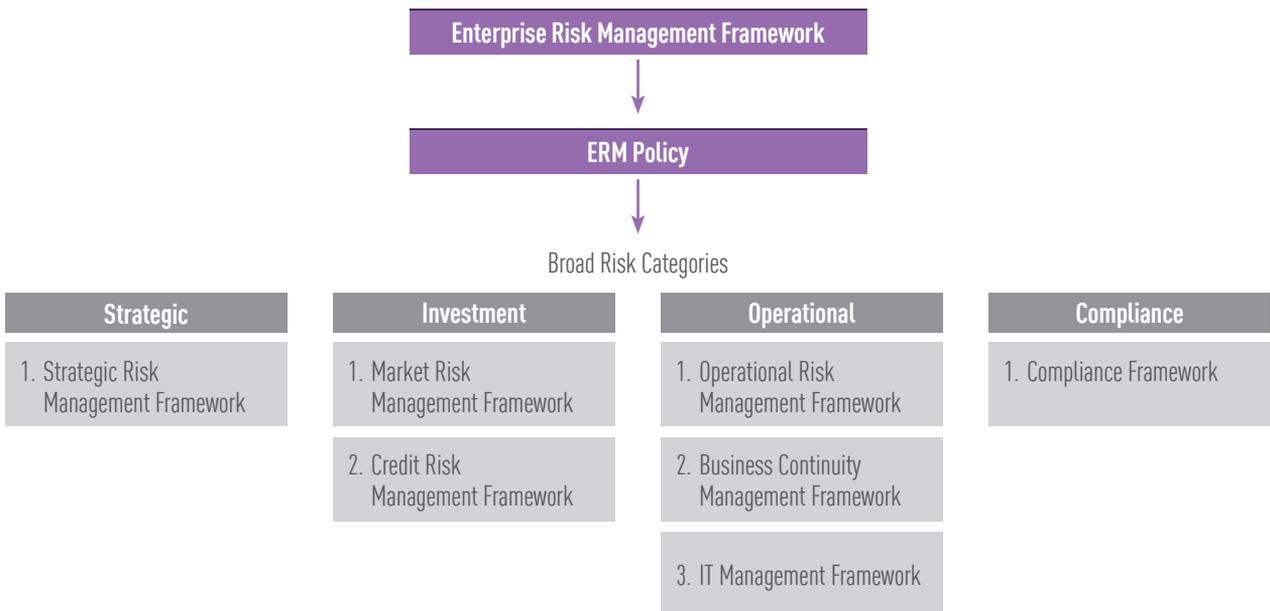


MANAGING OUR RISKS

ENTERPRISE RISK MANAGEMENT (ERM)

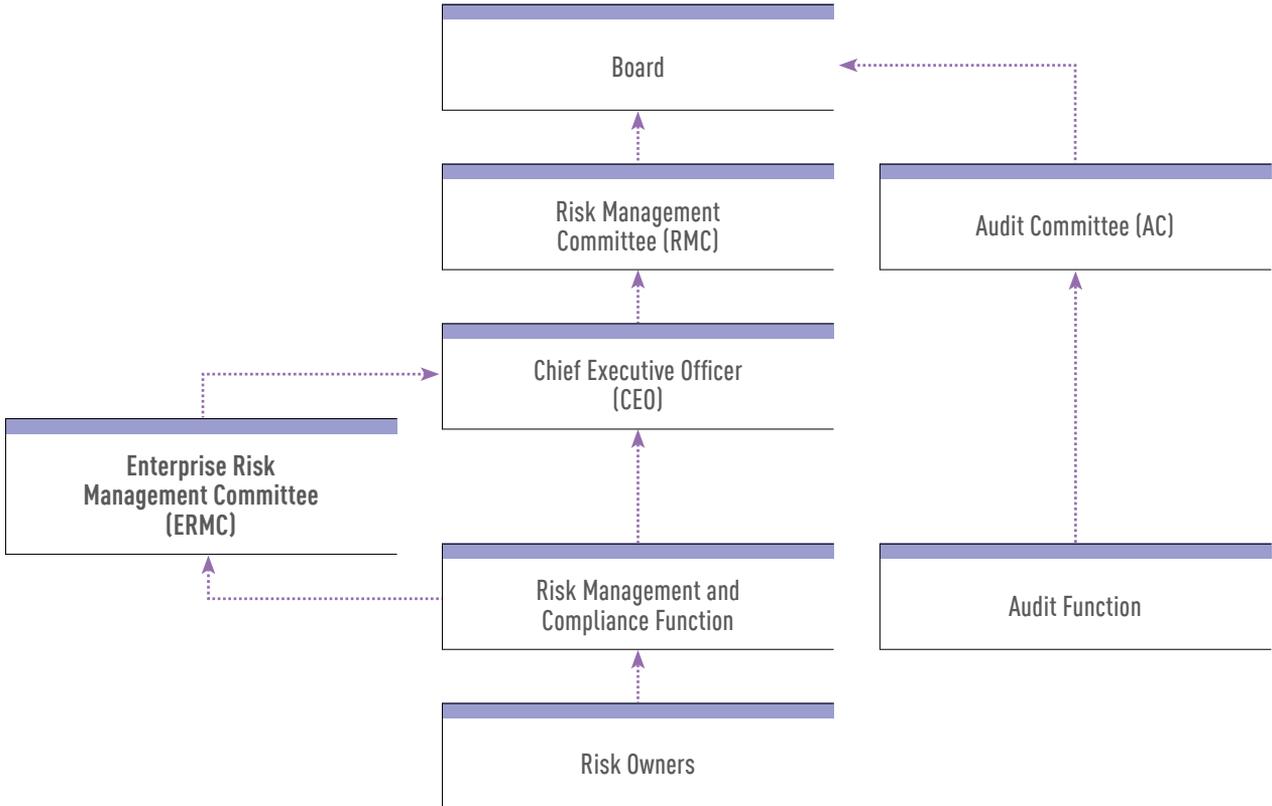
In 2012, KWAP formalised the adoption of the Enterprise Risk Management (ERM) Framework. This is the enterprise wide strategic approach designed to identify potential events or threats that may affect KWAP. It facilitates the management of risk within our risk appetite and provide reasonable assurance regarding the possible achievements of KWAP’s objectives. The approach is aligned to the ISO 31000:2009 Risk Management Standard and is documented in the Enterprise Risk Management Framework (ERMF) and supported by an ERM Policy.

KWAP has also developed risk management sub-frameworks for key risks e.g. Operational Risk Management Framework, Market Risk Management Framework and Credit Risk Management Framework. The sub-frameworks are developed on modular basis to provide for a fair degree of segregation, depth and clarity for key risks. KWAP has the flexibility to develop new sub-framework to address other risks if necessary.



MANAGING OUR RISKS

KWAP's ERM Oversight Structure



The Board is ultimately responsible for the oversight and management of KWAP's risks. The Board, through the Risk Management Committee (RMC) maintains overall responsibility for risk oversight within KWAP.

The RMC's responsibilities include, among others, reviewing and ensuring adequacy of risk management policies and procedures, reviewing risk exposures, and ensuring that infrastructure, resources and systems are put in place for risk management activities.

The Board is also supported by the Audit Committee whose responsibility is to provide an independent assessment of the adequacy and reliability of the risk management processes and system of internal controls, and compliance with risk policies and regulatory requirements.

The Enterprise Risk Management Committee which is chaired by the CEO serves as a platform where all risk related matters put forward by operational and investment units are being deliberated and addressed. Issues are then put forward to RMC for notification and decision if necessary.

The dedicated independent risk management and control functions, namely the Risk Management and Internal Audit are responsible for ensuring the approved risk management framework and policies are implemented and complied. They are also responsible for facilitating the risk management processes with operational units which include risk identification, assessment, mitigation and monitoring.

At the forefront, operational units are responsible for identifying and managing risks within their operations. They are to ensure all daily activities are carried out within the established framework and in compliance with the approved policies, procedures and limits.

MANAGING OUR RISKS

OPERATIONAL RISK MANAGEMENT**Operational Risk Event Reporting (ORE)**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. In 2012, the reported OREs did not have damaging impact to KWAP's operation as majority of them were rectified on timely basis. The reported OREs mainly fall under the following categories of risk events:

1. Clients, products and business practices
2. Execution, delivery and process management
3. Business disruption and system failures

In addressing the reported OREs, proactive measures were taken such as conducting a review on key processes to include new controls with clearly defined roles and responsibilities for parties involved.

Lifecycle Process Review (LPR)

Lifecycle Process Review (LPR) was introduced as one of the proactive tools to manage operational risks. It is aimed at ensuring operational risks inherent to key processes are adequately and effectively managed. The review involved documentation and analysis of process flow to identify and analyse risk points, control activities and areas for improvement. The scope for the review covers processes across relevant departments e.g. loan management, procurement and contribution management.

More importantly, discussions were also carried out with relevant departments to identify, formulate and agree on action plans to mitigate operational risks.

Business Continuity Management (BCM)

In 2012, KWAP continued with the implementation of its BCM framework and identified areas where improvements can be made to internal capabilities and competencies to mitigate the risk of severe operational disruptions.

Disaster Recovery Exercises remain on top of priority list, in which 2 exercises were carried out at our alternate site which was equipped with necessary infrastructure needed for resumption of critical business functions. It is a great achievement for KWAP as a "Live" Disaster Recovery was successfully conducted in 2012. The exercise requires identified critical functions be performed at KWAP's Disaster Recovery Center and upon completion be recovered back to primary office at Menara Yayasan Tun Razak. During the exercises, KWAP's personnel who

serve as members of the Business Continuity Team were mobilised and tasked to perform the recovery of critical functions within the required timeline.

STRATEGIC RISK MANAGEMENT

Strategic Risk Management is a process for identifying, assessing and managing risks and uncertainties, affected by internal and external events or scenarios, that could inhibit an organisation's ability to achieve its strategy and strategic objectives with the ultimate goal of creating and protecting shareholder and stakeholder value. It is a primary component and necessary foundation of Enterprise Risk Management.

KWAP has always ensured that the strategic risks are being managed on enterprise-wide basis rather than in silo. Corporate Planning and Development Department being the principal coordinator, monitors and assesses the ongoing implementation of KWAP's strategic objectives and goals. KWAP also conducts regular reporting to the Board and continuously reviews and assesses the progress made as well as a broader assessment of the macro and micro economic conditions. Periodic review of the Strategic Asset Allocation (SAA) in tandem with reassessment of our internal skill sets and capabilities is crucial in our drive to achieve our strategic goals.

MARKET RISK MANAGEMENT

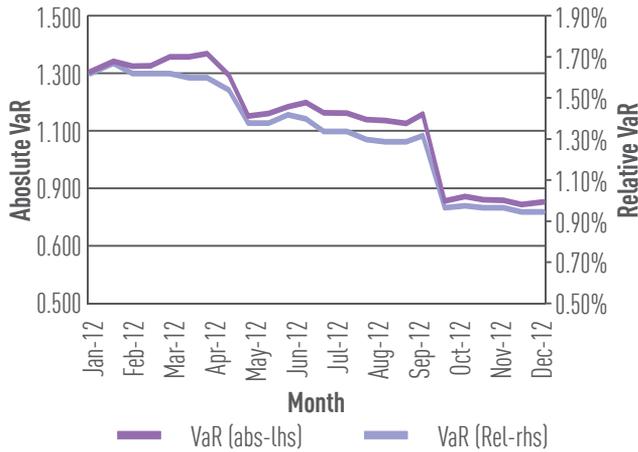
The diagram below illustrates the core risk categories under market risk. The predominant market risk drivers within KWAP are mainly Interest Rate Risk, Equity Risk and Credit Spread Risk. Currency Risk comes from international investments which are currently at 6.58% of total investment as at December 2012.

KEY MARKET RISK COMPONENTS

MANAGING OUR RISKS

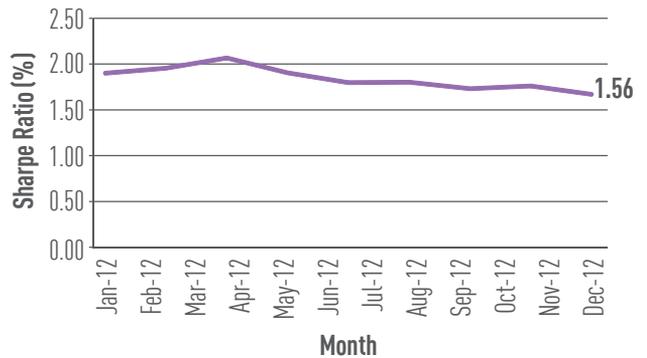
A key measure of Market Risk used in KWAP is Value-at-Risk (VaR). KWAP currently measures VaR as the worst possible loss that may occur at 5% probability, over a 10 days trading period. Overall, KWAP's VaR averaged at 1.34% of the fund's market value. In other words, for a 2 weeks period, there is a 95% probability that KWAP will not lose more than 1.34% of the fund's market value due to market risk.

TOTAL PORTFOLIO VALUE AT RISK



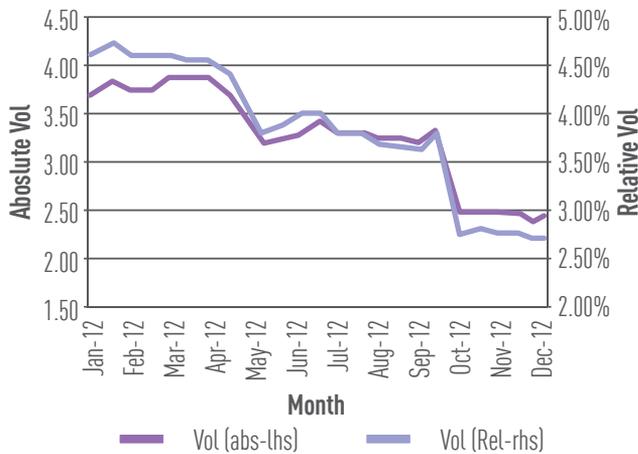
KWAP also measures portfolio volatility, which is defined as the likely forecast variability of the portfolio over a 1-year period, based on 1 Standard Deviation (or 68% probability). On average, volatility of KWAP portfolio is $\pm 3.79\%$. The model estimates that the portfolio can increase or decrease in value by 3.79% in 1-year time. The higher the number, the more volatile the portfolio, hence the more risky it is. We enhance our monitoring and understanding of portfolio volatility by supplementing it with risk return measures such as Sharpe Ratio as shown below.

TOTAL PORTFOLIO SHARPE RATIO (3-YEAR ROLLING)



KWAP's Sharpe ratio is at 1.56% in December 2012. Overall, KWAP's portfolio was able to add value by 156 basis points over the risk free rate.

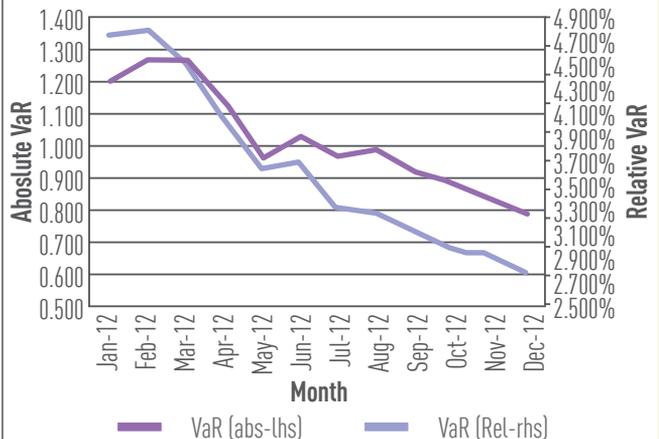
TOTAL PORTFOLIO VOLATILITY (VOL)



Equity Risk Exposure

Equity Portfolio represents on average 33.03% of the total portfolio market value. The other assets being Fixed Income at 55.40%, Money Market at 8.63% and alternative investments at 2.94%. Overall, KWAP's Equity VaR averaged at 3.65% of the fund's equity portfolio market value.

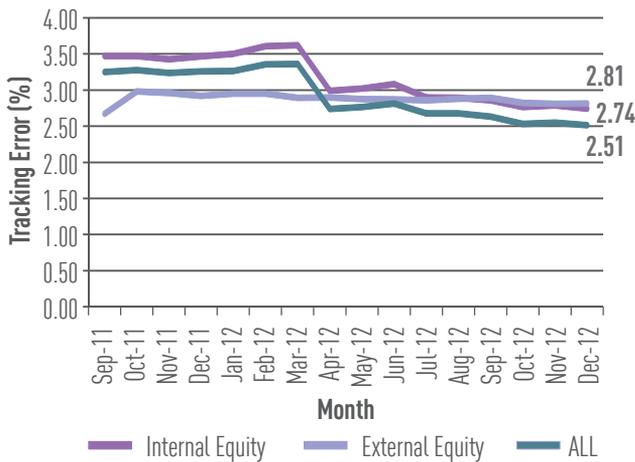
MONTHLY VALUE AT RISK



MANAGING OUR RISKS

Tracking error for Equity has been declining since the beginning of the year and stood at 2.51% in December 2012. Tracking error (also called active risk) is a measure of the deviation from the benchmark; an index fund would have a tracking error close to zero, while an actively managed portfolio would normally have a higher tracking error.

TRACKING ERROR (3-YEAR ROLLING)



Correlation to the benchmark (FBM100) is relatively high for the entire year at an average of 0.995 while Beta is on average 0.970. This indicates that when the index rises by 1%, our portfolio will increase by 0.970%. This is commonly seen as a defensive portfolio in line with KWAP's prudent investment strategy.

BI WEEKLY BETA & CORRELATION

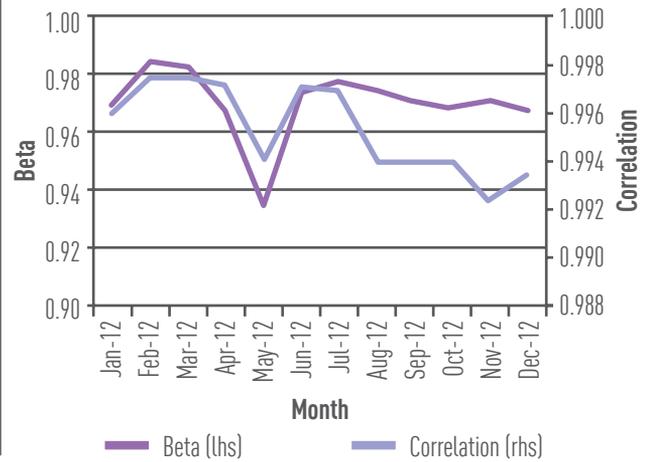
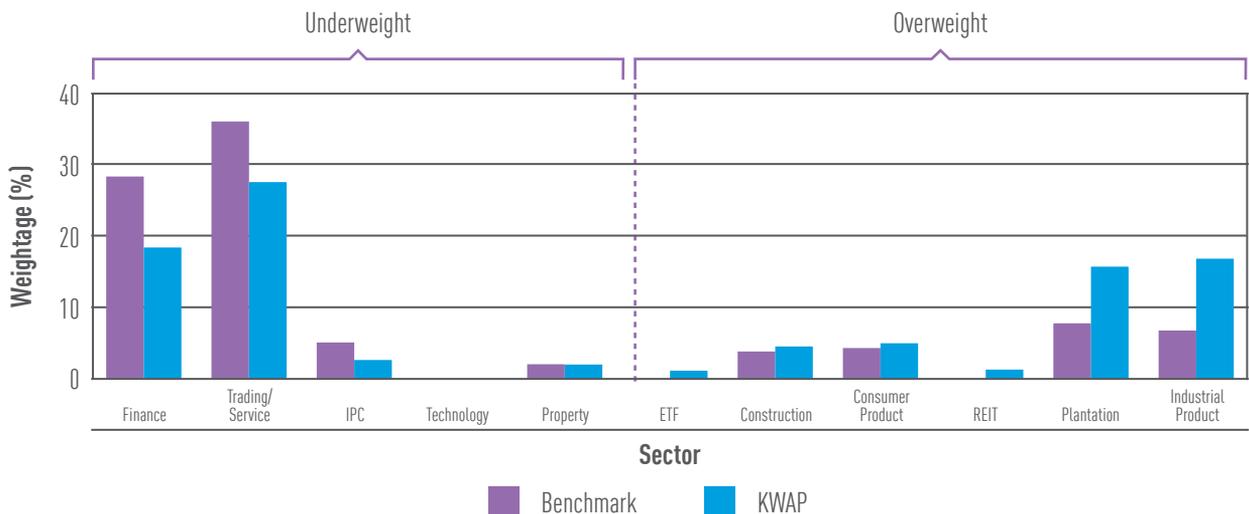


Diagram below illustrates KWAP equity exposure versus the FBM100 index. As at year end, our top 3 key overweight sectors were Industrial Product, Plantation and REIT, while top 3 key sectors being underweight were Trading/Services, Finance and IPC.

FBM100 VS KWAP WEIGHTAGE (BY SECTOR) AS AT 31 DECEMBER 2012

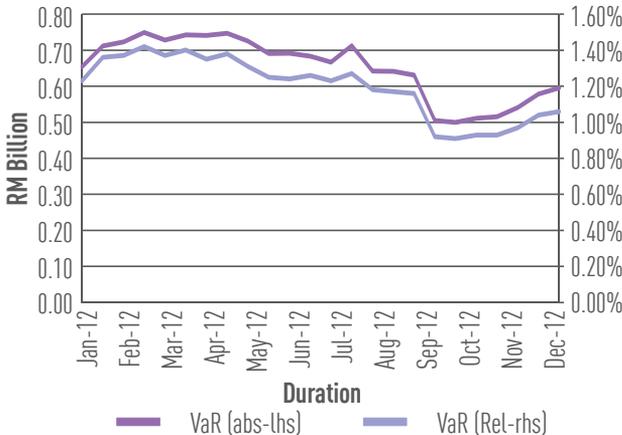


MANAGING OUR RISKS

Fixed Income Exposures

Fixed Income Portfolio represents on average 55.40% of the total portfolio market value. Overall, KWAP's Fixed Income VaR averaged at 1.20% of the fund's fixed income portfolio market value.

MONTHLY VALUE AT RISK



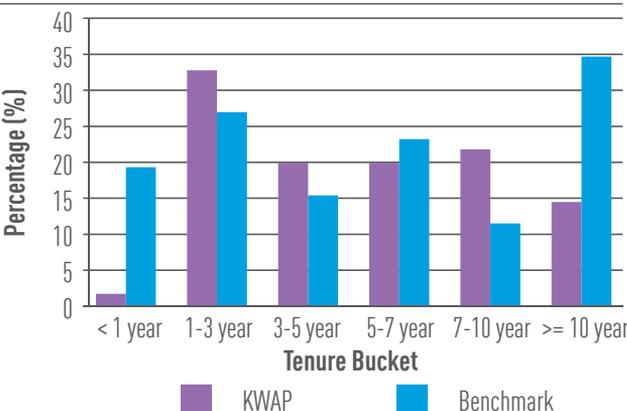
KWAP Fixed Income exposures are mainly in Malaysian Government Securities (MGS), Quasi-Government Bonds, Private Debt Securities (PDS) and international fixed income instruments, and Money Markets.

MGS and Quasi - Government Bonds

As a pension fund, our fixed income strategy takes into consideration risk objectives vis-à-vis return objectives, liquidity of the instruments and time horizon of liabilities. As such, our MGS and Quasi-Government Bonds maturity profile is skewed towards 1-5 years maturities.

Diagram below shows KWAP is overweight in all remaining maturity tenure buckets except on the <1 year, 5-7 years and >=10 years maturity compared to the benchmark Quantshop MGS (All) Index.

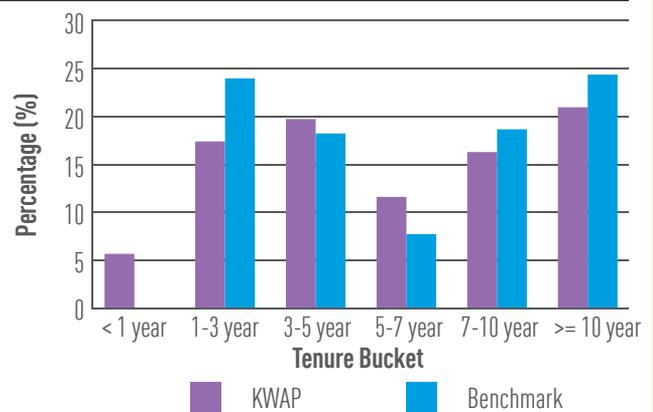
KWAP VS MGS ALL (BY TENURE)



Private Debt Securities (PDS)

As at December 2012, the maturity profile for PDS focuses on the medium term (3 to 7 years) as illustrated in the Diagram below. As at December 2012, KWAP is on average underweight on the tenor bucket 1-3 years, 7-10 years, and >= 10 years remaining maturity category compared to the benchmark Quantshop Corp (All) Index.

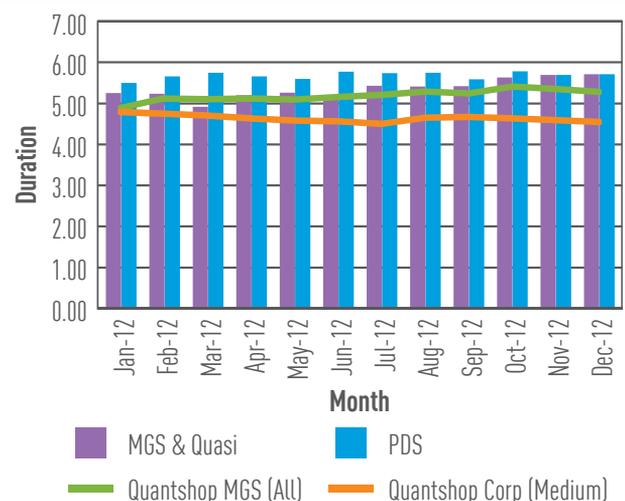
KWAP VS CORP ALL (BY TENURE)



Throughout the year, for MGS & GII, KWAP's average modified duration was 5.36 versus the benchmark Quantshop MGS (All) Index of 5.68. We believe that there is still ample demand for MGS & GII in the market, with demand far exceeding supply. Flight-to-safety flows will provide support for MGS & GII.

For PDS, KWAP has an average modified duration of 5.68 vs. the benchmark of 4.63. This reflects KWAP's strategy to extend portfolio duration while focusing on good quality credits.

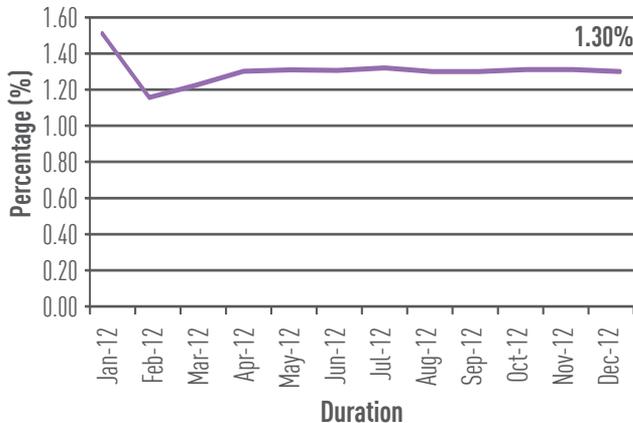
2012 INTERNAL VS. BENCHMARK MODIFIED DURATION



MANAGING OUR RISKS

The rolling 3-year tracking error of External Fixed Income portfolios slipped to 1.30%, this is mainly due to the phasing out of the data outliers during the Sub Prime Crisis circa 2008 to 2009. Going forward, this represents a more normalised tracking error.

TRACKING ERROR (3 YEAR ROLLING)



Derivative

In the year 2012, 1.05% of the total fund is invested in Range Accrual Deposit instruments. Furthermore, USD 240 million was in Cross Currency Swap which is used to hedge the USD denominated bonds, an overall 1.86% of total fund.

Alternative Investments

As at December 2012, Alternative Investment (Property (International), Private Equity or PE Fund (Domestic and International), and PE (Domestic)) remains a relatively small portion of total fund of 2.94%.

Property (International)

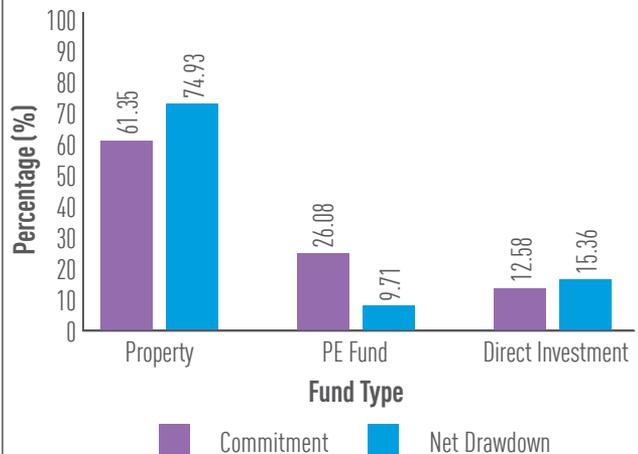
Our exposures of investment in Foreign Currencies are in AUD and GBP. The properties are invested mainly for the rental yield and are long term in nature; hence the risk is structural as opposed to transactional. We also make FX provision on a monthly basis based on the lower of cost or market value practice to ensure visibility and transparency.

PE Fund (Domestic and International), and Direct Investment (Domestic) As at December 2012, there are 14 PE Funds invested in USD and AUD currency and 2 direct investments invested in local currency. KWAP monitors the performance of investments in PE fund on a fund basis and at individual investments itself.

There are periodic reviews with the fund managers as well as total portfolio reviews. Performance metrics for the PE Funds include IRR, valuations and developments on existing investments.

Typically PE funds tend to be progressively drawn down with progressive capital and profit repayments. The more mature portfolios would have a mix of drawn down investments and undrawn capital commitments (as illustrated in the graph below). Risk management of PE funds is typically concentrated in pre-appointment evaluation of the fund managers and their investment strategies, taking into account our PE strategies and target maturities. Post appointment activities concentrate on operational risk management and monitoring of the funds itself.

PE FUNDS AND DIRECT INVESTMENTS' PROFILE

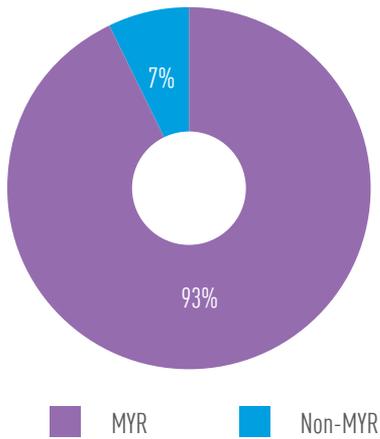


MANAGING OUR RISKS

Currency Risk

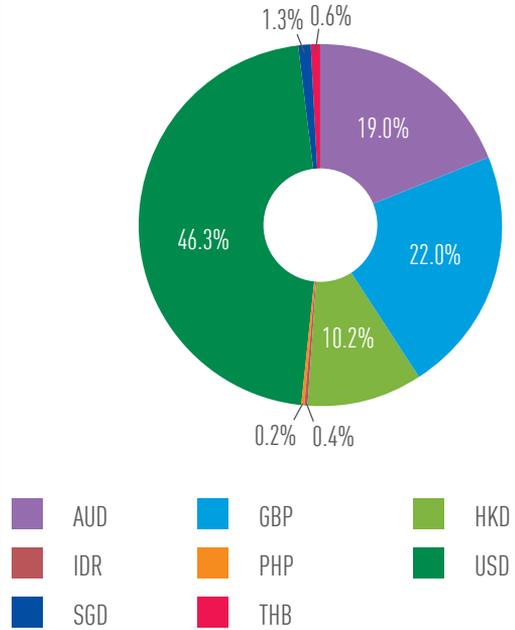
Total fund portfolio consists of 6.58% investment (Equity, Fixed Income, PE Fund and Property) in foreign currency, while the rest were in local currency (MYR).

TOTAL FUND PORTFOLIO



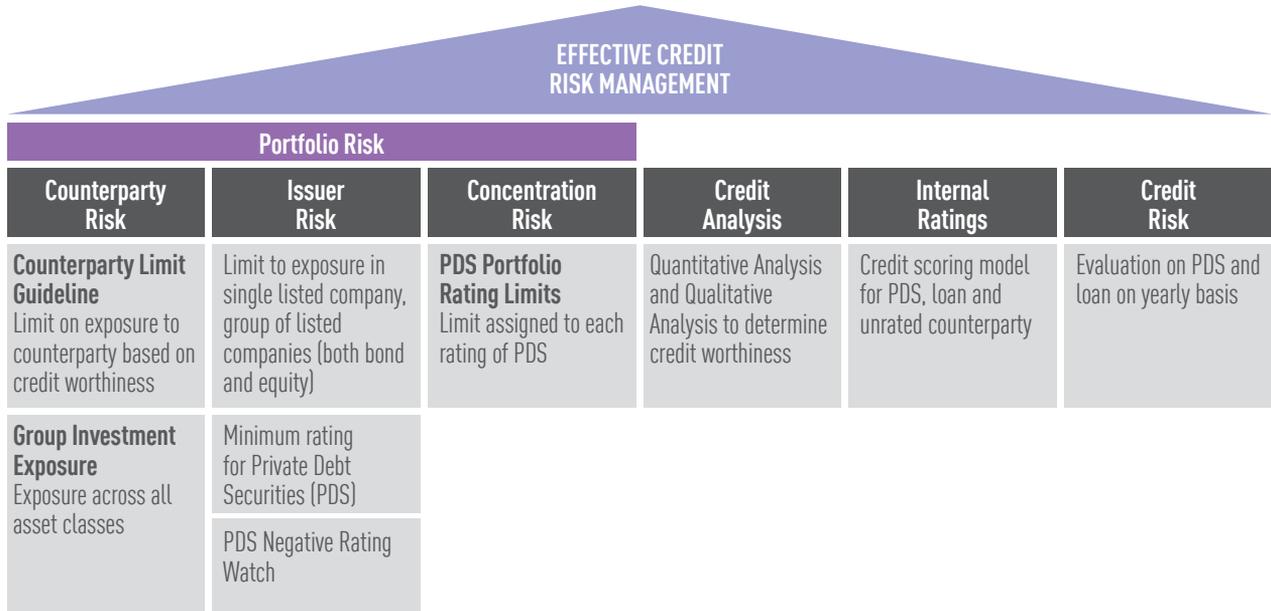
The foreign currency components can be broken down into 6 major types of currencies with percentage as illustrated below.

NET POSITION IN MYR CURRENCY



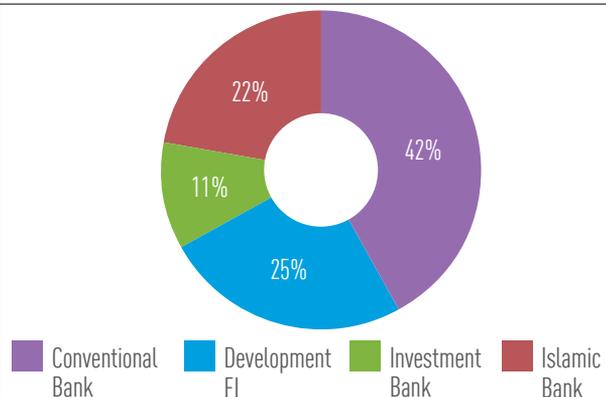
CREDIT RISK MANAGEMENT

Credit risk is the risk of losses as a result of defaults by KWAP's counterparties, i.e. bond issuers, deposit taking institutions, brokers and other intermediaries. KWAP, being an active player in the local fixed income and money markets with participation in both primary and secondary markets, requires strong credit risk policies to manage this risk. Industry best practices are instilled in the continuous updating of credit risk policies. The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital, and to ensure the returns commensurate with risks. With the introduction of Credit Risk Framework and Credit Risk Guidelines in KWAP, it helped to formalise the credit risk function in KWAP covering credit risk management measurement and credit risk assessment and monitoring.



KWAP actively provides liquidity to the market via placements of deposits which expose KWAP to counterparty credit risk. Exposures in fixed deposits, negotiable instrument deposits and other similar instruments are clean uncollateralised exposure to the issuing institutions, which are primarily licensed or regulated financial institutions. Furthermore, KWAP is expanding its instrument to include foreign exchange and derivatives which expose more counterparty credit risks. Counterparty Limits Guideline serves to manage the counterparty credit risk in a holistic approach. This guideline will address the limits to be allocated to the money market exposure, foreign exchange and derivatives exposure based on the credit worthiness of the financial institutions as reflected in external credit ratings or KWAP's own credit assessment.

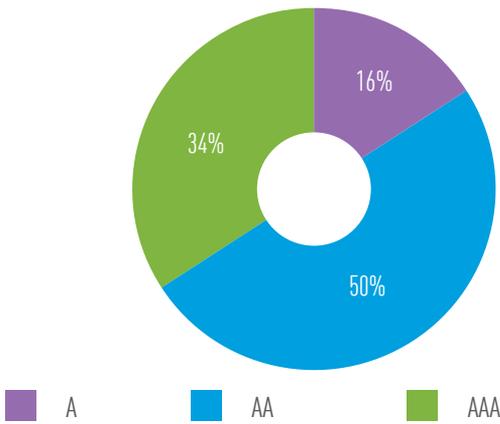
BY INSTITUTION TYPE



In managing the credit concentration risk, KWAP has introduced the Loan Portfolio Limit (LPL) and Single Borrower Limit (SBL) to control credit risk exposure in relation to KWAP's loan portfolio and the borrowers within that loan portfolio. The LPL will serve as a first layer of limit and control the risk at portfolio level. The SBL serves as a second level control and to prevent excessive concentration risk in any one particular borrower.

MANAGING OUR RISKS

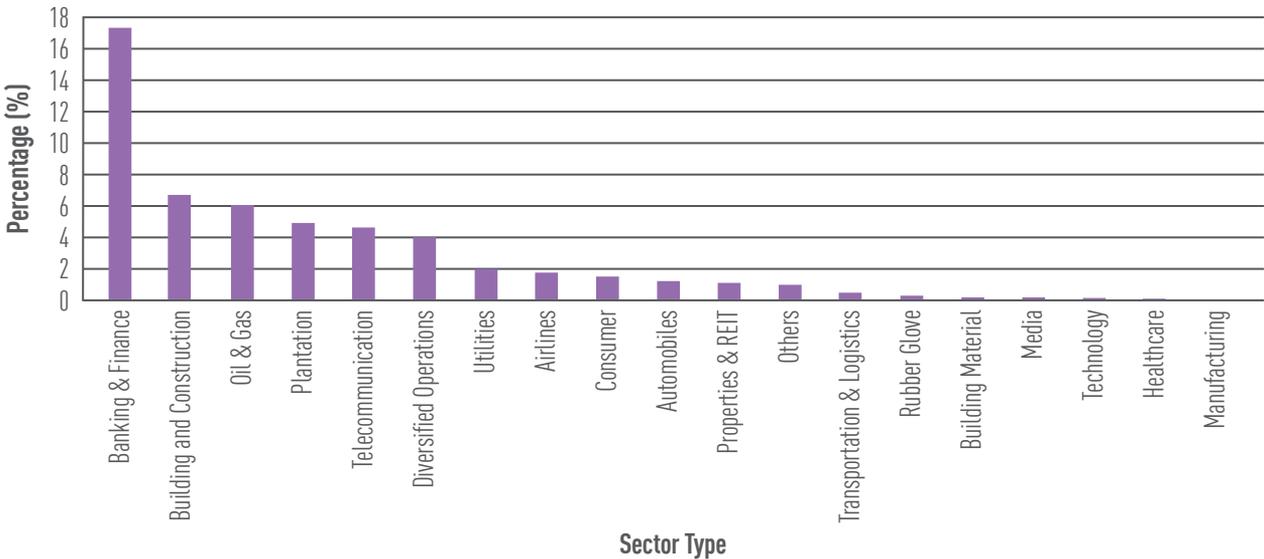
**INTERNAL PDS PORTFOLIO BY RATINGS (NOMINAL VALUE)
AS AT 31 DECEMBER 2012**



Being proactive in managing credit risk of PDS, KWAP has implemented ongoing monitoring of PDS on Negative Rating Watch. Rating Watch is an indicator issued by rating agencies to alert investors to possible changes in the existing long-term and short-term ratings assigned by them. The rating watch focuses on the identifiable events and short-term trends (e.g. mergers, acquisitions, regulatory changes, operational developments) that could alter the fundamental credit quality of a rated issue. A “negative” rating watch reflects the possibility of the rating being lowered. This mechanism serves as part of the pre-emptive measures in addressing the potential downgrade and or default of the bond. This will enhance visibility and promote better risk management in the PDS portfolio.

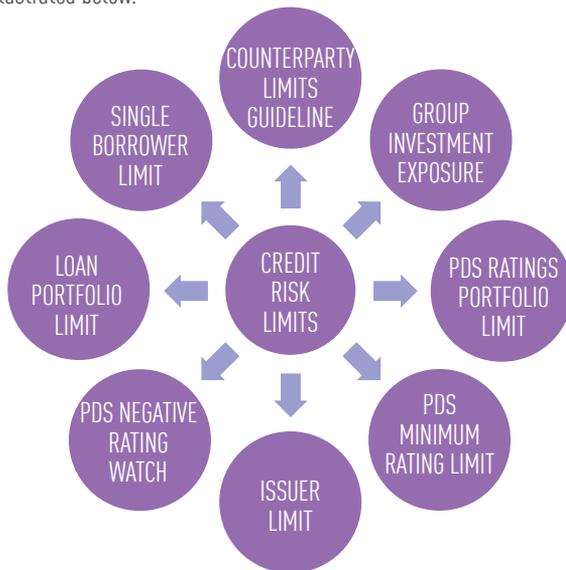
Apart from managing the counterparty risks by asset classes, KWAP also perform monitoring on the group investment exposure across all asset classes; fixed income, equity, loans and private equity. This is where we monitor the KWAP exposures in any single group of counterparties to manage possible contagion or cross default risk.

KWAP GROUP INVESTMENT EXPOSURE ACROSS SECTORS AS AT 31 DECEMBER 2012



MANAGING OUR RISKS

Aside from the above limits, there are several credit risk limits that have been implemented in KWAP in managing KWAP's credit exposures as illustrated below.



COMPLIANCE

The compliance function in the financial industry has gained prominence in recent years due to the nature and size of financial losses and loss of reputation that arises from compliance breaches. Compliance serves as an independent function that identifies, assesses, advises on, monitors and reports on the compliance risk, that is, the risk of legal or regulatory sanction, financial loss, or loss to reputation that the organisation may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct and standards or good practice.

The main objective of compliance is to preserve KWAP's reputation so that our competitive standing and reputation are not only maintained, but also enhanced. To achieve this objective, KWAP's underlying mission is to effectively measure and manage the compliance risk of the organisation to meet the expectations of all stakeholders. Compliance Risk within KWAP is defined as the risk of impairment to the organisation's business model, reputation and financial condition from failure to meet laws and regulations, internal policies and the expectation of the stakeholders. Providing the foundation to this aspiration is the Compliance Framework which was implemented in 2010; from which the building blocks of the compliance functions are shaped. In managing the roll-out of Compliance Framework, Compliance has adopted the Three Lines of Defense Model in managing the compliance risk in KWAP.

The three lines of defense model is adopted by KWAP for the internal control framework in the context of risk management, corporate governance and risk oversight. On a functional basis, top management and front liners form the first line of defense against compliance risk. They are principally responsible for monitoring and ensuring that the conduct of their business activities are carried out within the approved policies. Aside from that, the compliance liaison officer has been appointed in each department to act as reference point in any non-compliance issues and ensure that their departments are kept abreast of any implementation of new policies and guidelines.

Risk Management and Compliance Department forms the second line of defense. Compliance function has a key role in their control structure. The compliance team needs to find a careful balance between the fundamentally different mindset and approaches required by the proactive "trusted advisor" and the more reactive "independent watchdog". The role of trusted advisor tilts the focus towards preventive measures. This includes helping the business to anticipate the regulatory requirements, thoroughly assess the potential compliance risks and ensure that the business knows how to meet its obligations on a day-to-day basis.

The third line of defense is internal audit which undertakes independent and regular ex-post reviews of the overall organisation internal controls, and the risk and compliance to regulatory requirements. In other words, it ensures the effectiveness of the three lines of defense.

Scope of Compliance

- a) Regulatory Compliance

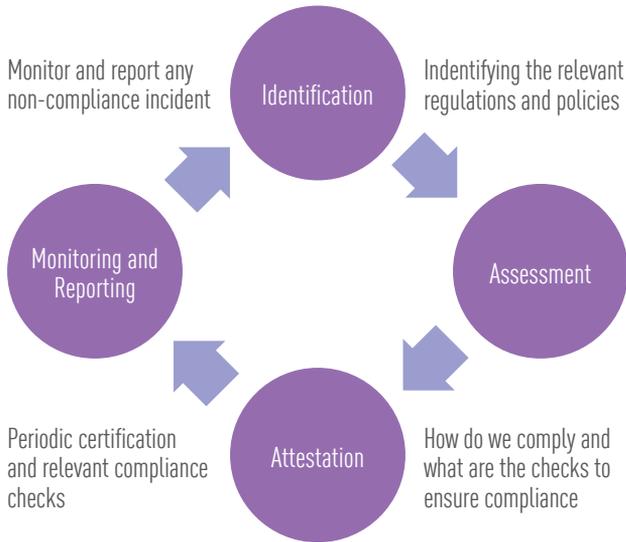
This covers the external regulations and guidelines which KWAP is bound to comply with such as the relevant Act of Parliament, Minister of Finance's Decree and relevant guidelines by regulatory bodies such as Bank Negara Malaysia, Securities Commission and Bursa Malaysia. The ownership of the regulatory compliance is with the relevant operating unit at transactional or operating level, where any potential breaches shall be identified upfront before the event. A proactive approach has been adopted as non-compliance to the regulatory compliance is not an option.
- b) Internal Compliance

This covers the compliance to the internal policies and guidelines, as example, Investment Policy and Guidelines, Discretionary Authority Limits and Standard Operating Procedures. The department's approach in ensuring the internal compliance are sustained through the risk limit control in the investment system and operational process controls are embedded in the Standard Operating Procedures.

MANAGING OUR RISKS

Compliance Process

Compliance activities are closely intertwined with compliance developments on the global front, existing legal requirements as well as KWAP's policies and procedures. The following diagram illustrates the compliance process and general approach taken in managing the compliance risk.



Compliance Toolkit

- a) **Attestation / Self-Compliance Checklist**
Self-Compliance Checklist serves as a toolkit to measure the level of compliance in the organisation. It has been successfully rolled-out to all respective departments in KWAP as a periodic attestation exercise. For this year, the attestation has been issued on a more robust basis where the sample checking has been carried out through the attestation covering eight departments. The coverage of Self-Compliance Checklist includes the regulatory compliance and internal policies and procedures. This toolkit may also serve as compliance awareness.
- b) **Gap Analysis**
A periodic departmental exercise in identifying the compliance requirements and who are the responsible parties in ensuring that all the compliance requirements are met. It assists in embedding the compliance culture in KWAP.
- c) **Compliance Report**
At the apex of the compliance is KWAP's management, which oversees and provides direction for compliance in KWAP. A periodic compliance report will be tabled by RMCD to the respective Risk Management Committee and Investment Panel. This enables the effective oversight of the KWAP's compliance activities by the Management whereby direction for appropriate risk management and mitigation actions are given.

STATEMENT ON GOVERNANCE

THE BOARD

The Board of KWAP recognises the importance of the principles of Corporate Governance in conducting the affairs of KWAP with integrity, transparency and professionalism which is the key components contributing to the organisation's continued progress and success in achieving an optimal governance framework, maximising the stakeholder's value and in ensuring the smooth running of its business.

KWAP acknowledges the important roles played by the Board members, the Investment Panel members and the Management to formulate and determine KWAP's direction and operations. KWAP is led and managed by experienced and skillful Board members with varied background from the Government, private sector, Bank Negara Malaysia and contributor's representative, which are important for the overall strategic achievements of KWAP.

Although KWAP is not required to abide by the Malaysian Code on Corporate Governance, the Board continues to ensure that the highest standards of corporate governance are practiced to protect and enhance shareholder's value. During the financial year, the Board Charter has been revised in line with KWAP's commitment towards realising the best practices in good corporate governance.

Among the revision made was that all the Board / Investment Panel members are required to disclose their personal holding of shares or any conflict of interest arising from their position as the Board / Investment Panel member of KWAP on annual basis instead of on voluntary basis as currently stated in KWAP's Act 2007. The frequency of the meetings has also been increased to ensure that the Board / Investment Panel can meet on regular basis to discharge their duties.

Composition of the Board

The Board consist of the following members that were appointed by the Minister of Finance:

- (i) a Chairman who is the Secretary General of Treasury, Ministry of Finance;
- (ii) a representative from Bank Negara Malaysia;
- (iii) a representative from the Ministry of Finance;
- (iv) the Chief Executive Officer who is an ex-officio member;
- (v) three (3) representatives of the Government of Malaysia;
- (vi) three (3) other persons from private sector with experience and expertise in business or finance; and
- (vii) a representative of the contributories to the Retirement Fund other than the representative of the Government of Malaysia.

The Chairman is primarily responsible for ensuring Board effectiveness and conduct. The Chief Executive Officer of KWAP, as duly appointed by the Board with the approval of the Minister of Finance, is responsible for the overall operations of the business and the implementation of policies and decisions made by the Board and the investment decisions made by the Investment Panel in accordance with the Act. The Chief Executive Officer is assisted by the Management in managing day to day administration of KWAP and the administrative control of the employees.

A brief profile of each Board member is presented on page 93 to 97 of this Annual Report.

STATEMENT ON GOVERNANCE

Responsibilities and Accountabilities of the Board

The Board is established to administer and manage KWAP in such a manner as would further enhance the respective interests of the contributors as well as the stakeholders. The function of the Board is to formulate administration and management policies and procedures and to ensure that KWAP achieves its objectives with success and excellence.

The Board assumes a number of specific tasks such as overseeing the proper conduct of operations, identifying principal risks area and ensuring the proper implementation of appropriate systems to manage these risks as well as reviewing the adequacy and integrity of the internal control systems as specified in the Act and the Board Charter.

BEST PRACTICES IN CORPORATE GOVERNANCE : PRINCIPAL RESPONSIBILITIES OF THE BOARD

The Board should explicitly assume the following six specific responsibilities, which facilitate the discharge of the Board's stewardship responsibilities:

- Reviewing and adopting a strategic plan for the organisation;
- Overseeing the conduct of the organisation's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management;
- Developing and implementing an investor relations programme or shareholder communications policy for the organisation; and
- Reviewing the adequacy and the integrity of the organisation's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Board Meetings

The Board meetings are scheduled in advance at the beginning of each year, whilst Special Board Meetings are convened as and when necessary for the Board to deliberate on matters that require expeditious decisions.

The Board members are provided with the agenda and the meeting papers containing information relevant to the matters to be deliberated in the meeting dates for their perusal.

At each meeting, the secretary ensures that a complete quorum is present at the commencement of each Board and Committee meeting in order to constitute a valid meeting.

During the financial year 2012, eleven (11) Board meetings were held.

STATEMENT ON GOVERNANCE

The summary of attendance of the Board Members is set out below:

NO	NAME	ATTENDANCE
1.	Dato' Sri Dr. Mohd Irwan Serigar bin Abdullah (Chairman) (*appointed effective 24 August 2012)	*7/11
2.	Tan Sri Dr. Wan Abd Aziz bin Wan Abdullah (Chairman) (*retired effective 23 August 2012)	*7/7
3.	Datuk Idrus bin Harun	11/11
4.	Dato' Yeow Chin Kiong	11/11
5.	Dato' Mat Noor bin Nawī (*appointed effective 1 December 2012)	*0/1
6.	Dato' Siow Kim Lun	10/11
7.	Dato' Muhammad bin Ibrahim	7/11
8.	Dato' Seri Ahmad Johan bin Mohammad Raslan (*retired effective 30 June 2012)	*3/6
9.	Encik Cheah Teik Seng	8/11
10.	Dato' Azmi bin Abdullah (*appointed effective 8 August 2012)	4/4
11.	Dato' Haji Omar bin Haji Osman	9/11
12.	Dato' Azian Mohd Noh	11/11

NO	SCOPE OF BOARD'S RESPONSIBILITIES AND ACCOUNTABILITIES AS PROVIDED BY THE ACT	BOARD'S DUTIES / ACTIVITIES FOR YEAR 2012
1.	To establish procedures with respect to financial and accounting matters, including keeping, closing and auditing of the accounts of KWAP and the creation of its own financial and accounting procedures;	<ul style="list-style-type: none"> Approved the Adoption of Malaysian Financial Reporting Standards Readiness (MFRS) Assessment for KWAP. Approved the Revised Financial Procedures. Approved KWAP's Expenditure Budget for Financial Year 2013.
2.	To prescribe the responsibilities of the employees of KWAP including matters in respect of remuneration, terms and conditions of service, period of service and leave of its employees;	<ul style="list-style-type: none"> Approved the Revised Salary Structure and Benefits Review for Employees of KWAP,
3.	To establish appropriate disciplinary authorities with respect to the conduct and discipline of the employees of KWAP;	<ul style="list-style-type: none"> No new procedure was approved in 2012. KWAP is currently adopting the Statutory Bodies (Discipline and Surcharge) Act 2000 to handle issues relating to employee conduct and disciplines.
4.	To establish committees and procedure of such committees;	<ul style="list-style-type: none"> Establishment of IT Steering Committee through the adoption of IT Management Framework.

STATEMENT ON GOVERNANCE

NO SCOPE OF BOARD'S RESPONSIBILITIES AND ACCOUNTABILITIES AS PROVIDED BY THE ACT	BOARD'S DUTIES / ACTIVITIES FOR YEAR 2012
<p>5. To regulate its internal procedures including procedures relating to operational matters;</p>	<ul style="list-style-type: none"> • Approved KWAP's Business Plan and Corporate Scorecard for 2013. • Approved KWAP's Income Target and Investment Strategy for 2013. • Approved the Revised Investment Policy and Guidelines. • Approved the Enterprise Risk Management Framework. • Approved the adoption of IT Management Framework. • Approved the Revised Discretionary Authority Limits. • Approved Risk Management Framework and Guidelines. • Approved the Loan Portfolio Limit and Single Borrower Limit. • Approved the Removal of Lower Tracking Error Limit for Domestic External Private Debt Securities. • Approved the New Limits on Modified Duration for Malaysia Government Securities and Quasi Government Bonds; and Domestic Internal Private Debt Securities Portfolio. • Approved the Passive Non-Compliance Investment Policy and Guidelines. • Approved the Revision of the Board Charter.
<p>6. To prescribe the manner in which documents, cheques and instruments of any description shall be signed or executed on behalf of KWAP;</p>	<ul style="list-style-type: none"> • No new procedure was approved in 2012.
<p>7. To provide for all matters which are required to be prescribed or which are necessary or expedient to give effect to and for the purposes of carrying into effect the provisions of the Retirement Fund Act 2007 (Act 662).</p>	<ul style="list-style-type: none"> • Appointment of International and Domestic Fixed Income Fund Manager, External Equity Fund Managers, Panel Stockbrokers as well as Appointment of Accounting Services Firms, Tax Agents, Auditors and Valuer for KWAP's Property Investment in Australia and UK.

STATEMENT ON GOVERNANCE

THE INVESTMENT PANEL

The Retirement Fund Act 2007 (Act 662) also requires the establishment of an Investment Panel to provide strategic directions on investment matters. It determines and approves investment policy and guidelines, policies on risk management, asset allocation and strategic directions on investment.

Composition of the Investment Panel

The Investment Panel consist of the following members who were appointed by the Minister of Finance:-

- (i) a Chairman who is the Chairman of the Board;
- (ii) a representative from the Central Bank of Malaysia;
- (iii) a representative from the Ministry of Finance;
- (iv) the Chief Executive Officer of KWAP who is the secretary; and
- (v) three (3) other persons from the private sector with experience and expertise in business or finance.

A brief profile of each Investment Panel member is presented on page 98 to 100 of this Annual Report.

Primary Duties and Responsibilities of the Investment Panel

The Investment Panel is generally responsible to approve inter-alia KWAP's strategic directions on investment matters, investment policy and guidelines, asset allocation and investment proposals. In executing its function, the Investment Panel shall report its activities to the Board and shall act in accordance with the general policy that may be issued by the Board and subsequently approved by the Minister of Finance.

Investment Panel Meetings

During the financial year 2012, twelve (12) Investment Panel Meetings and four (4) special Investment Panel Meetings were held. The summary of attendance of the Investment Panel Members is set out below:

Investment Panel Meeting Attendance:

NO	NAME	ATTENDANCE
1.	Dato' Sri Dr. Mohd Irwan Serigar bin Abdullah (Chairman) (*appointed effective 24 August 2012)	*4/4
2.	Tan Sri Dr. Wan Abd Aziz bin Wan Abdullah (Chairman) (*retired effective 23 August 2012)	*11/12
3.	Dato' Mohammed Azlan bin Hashim	14/16
4.	Dato' Sri Abdul Wahid bin Omar	7/16
5.	Datuk Nozilah binti Bahari	14/16
6.	Encik Cheah Tek Kuang	11/16
7.	Cik Che Zakiah binti Che Din	11/16
8.	Dato' Azian Mohd Noh	16/16

STATEMENT ON GOVERNANCE

Summary of Investment Panel Activities:

In circumstances where there is an immediate decision needed, and the Secretary is unable to convene a meeting, approval may be sought via circularisation to all members of the Investment Panel. Decision via circularisation requires unanimous approval which will be reported during the next panel meeting for ratification.

For year 2012, the Investment Panel deliberated and discussed 100 proposals whereby 95 proposals were subsequently approved including approval via circulation.

BOARD COMMITTEES

To assist the Board in discharging its duties, the Board has established several committees, namely the Audit Committee, Risk Management Committee, Remuneration Committee and Tender Board Committee. All Board Committees have its written terms of reference which are reviewed from time to time to ensure that they are relevant and up-to-date.

The detailed activities of Board Committees during the year are outlined below.

AUDIT COMMITTEE

The Audit Committee was established to ensure establishment and enforcement of internal controls and systems at KWAP.

Membership

Currently, Audit Committee comprises four (4) Board members, i.e. a Chairman and the following three (3) other members who have been appointed by the Board:

- (i) Encik Cheah Teik Seng - Chairman
- (ii) Datuk Idrus bin Harun
- (iii) Dato' Siow Kim Lun
- (iv) Dato' Azmi bin Abdullah

Dato' Azmi bin Abdullah is a member of the Malaysian Institute of Accountants (MIA).

Five (5) Audit Committee meetings were held throughout year 2012.

Duties and Responsibilities of Audit Committee

The following are the duties and responsibilities of Audit Committee:

- (i) To recommend and review financial regulations, accounting regulations, policies and practices;
- (ii) To review and discuss the nature and scope of internal and external audit plans and ensure co-ordination of approach between the internal and external auditors;
- (iii) To review the financial statements of KWAP with management and the auditors prior to them being approved by the Board;
- (iv) To discuss problems and reservations arising from the interim and final audits and any matter the auditor may wish to discuss (in the absence of management where necessary);
- (v) To review the external auditor's audit observations and management's response;
- (vi) To consider major findings of internal investigations and management's response;
- (vii) To direct any special investigations to be carried out by the internal auditor and review the internal auditor's findings;
- (viii) To consider any related party transactions that may arise within KWAP;
- (ix) To provide independent assessment of the adequacy and reliability of the risk management processes and system of internal controls and compliance with risk policies, laws, internal guidelines and regulatory requirements;
- (x) To review changes to Financial Procedures; and
- (xi) To consider other issues as defined by the Board.

KWAP's external auditor is the Auditor General of Malaysia as determined by Statutory Bodies (Accounts and Annual Reports) Act 1980 [Act 240].

Audit Committee Meeting Attendance:

NO	NAME	ATTENDANCE
1.	Encik Cheah Teik Seng – Chairman	5/5
2.	Datuk Idrus bin Harun	5/5
3.	Dato' Siow Kim Lun	5/5
4.	Dato' Azmi bin Abdullah (*appointed effective 20 September 2012)	*0/1
5.	Dato' Seri Ahmad Johan bin Mohammad Raslan (*retired effective 30 June 2012)	*2/3

STATEMENT ON GOVERNANCE

Summary of Audit Committee Activities:

Among the major issues / proposals deliberated and approved by the Audit Committee were:

- (i) Financial Statements of KWAP for Financial Year Ended 31 December 2011.
- (ii) Proposal of Financial Year 2013 Internal Audit Plan by Messrs. KPMG for KWAP.
- (iii) Proposal of KWAP's Internal Audit Charter.
- (iv) Proposal of KWAP's Internal Audit Manual and Internal Audit Review of several departments in KWAP.

RISK MANAGEMENT COMMITTEE

Risk Management Committee was established to assist the Board in discharging its functions with regards to risk management.

Membership

Currently, Risk Management Committee comprises four (4) Board members and one (1) Investment Panel member, i.e. a Chairman and the following four (4) other members who have been appointed by the Board:

- (i) Dato' Muhammad bin Ibrahim - Chairman
- (ii) Dato' Siow Kim Lun
- (iii) Dato' Mohammed Azlan bin Hashim
- (iv) Encik Cheah Teik Seng
- (v) Dato' Azian Mohd Noh

Four (4) Risk Management Committee meetings were held throughout year 2012.

Duties and Responsibilities of Risk Management Committee

The following are the duties and responsibilities of Risk Management Committee:

- (i) to formulate and carry out the risk management strategies and policies;
- (ii) to assess and approve proposal on risk management policies and procedures in business and financial risk areas such as market risk, credit risk, strategic risk, and operational risk;
- (iii) to determine risk appetite/tolerance/parameters to Board for adoption;
- (iv) to assess / evaluate existing and new policies, controls and recommend to the Board for final changes, approval and adoption;
- (v) to ensure the adequacy of risk management polices and systems and the extent to which these are operating effectively;
- (vi) to ensure that the infrastructure, resources and systems are in place to identify, measure, monitor and control risks;
- (vii) to determine KWAP's risk exposures and risk management activities;
- (viii) to formulate Business Continuity Management (BCM);
- (ix) to recommend to the Board for any changes to the Risk Management Framework; and
- (x) to consider other risk related issues as defined by the Board.

Risk Management Committee Meeting Attendance:

NO	NAME	ATTENDANCE
1.	Dato' Muhammad bin Ibrahim – Chairman	4/4
2.	Dato' Siow Kim Lun	3/4
3.	Dato' Mohammed Azlan bin Hashim	3/4
4.	Encik Cheah Teik Seng	4/4
5.	Dato' Azian Mohd Noh	4/4

STATEMENT ON GOVERNANCE

Summary of Risk Management Committee Activities:

Among major issues deliberated and approved by the Risk Management Committee during year 2012 were:

- Proposal on Enterprise Risk Management Framework
- Proposal on Enterprise Risk Management Policy
- Proposal on Market Risk Management Framework
- Proposal on Credit Risk Management Framework
- Proposal on Operational Risk Management Framework
- Proposal on Market Risk Management Guidelines
- Proposal on Credit Risk Management Guidelines
- Proposal on Changes for Compliance Process in The Compliance Framework
- Corporate Risk Profile
- Fund Performance and Fund Market Risk Report
- Counterparty Limits Policy
- Proposal on Strategic Risk Management Framework
- Group Investment Exposure
- Compliance Report
- Operational Risk Event Reporting
- Update on Business Continuity Management Implementation

REMUNERATION COMMITTEE

Remuneration Committee was established to assist the Board in discharging its functions with its primary responsibility to establish the relevant policy framework in determining the appointment and remuneration of the management and employees of KWAP and recommend to the Board the performance related remuneration of the respective employee.

Membership

Currently, Remuneration Committee comprises four (4) Board members and two (2) Investment Panel members, i.e. a Chairman and the following five (5) other members who have been appointed by the Board:

- (i) Datuk Idrus Harun - Chairman
- (ii) Dato' Siow Kim Lun
- (iii) Dato' Mohammed Azlan bin Hashim
- (iv) Dato' Haji Omar bin Haji Osman
- (v) Encik Cheah Tek Kuang
- (vi) Dato' Azian Mohd Noh

Two (2) Remuneration Committee meetings and one (1) Special Remuneration Committee meeting were held throughout year 2012.

Duties and Responsibilities of Remuneration Committee

The following are the duties and responsibilities of Remuneration Committee:

- (i) To recommend the minimum requirements on the skills, experience, qualifications and other core competencies of employees;
- (ii) To recommend and review terms and conditions of employment and service of employees;
- (iii) To recommend and review code of conduct and discipline of employees;
- (iv) To recommend the mechanisms for the formal assessment on the effectiveness of employees;
- (v) To recommend the promotion of employees;
- (vi) To recommend the relevant policy framework in determining the remuneration (monetary and non-monetary) of employees;
- (vii) To recommend service agreement structure / principles for employees including retirement / termination benefits;
- (viii) To review annually and recommend the overall remuneration policy of key management personnel to ensure that rewards commensurate with their contributions to KWAP's growth and profitability;
- (ix) To review annually the performance of the management and recommend to the Board specific adjustment in remuneration and / or reward payments if any, reflecting their contribution for the year; and
- (x) To consider other issues as defined by the Board.

STATEMENT ON GOVERNANCE

Remuneration Committee Meeting Attendance:

NO	NAME	ATTENDANCE
1.	Datuk Idrus bin Harun - Chairman	3/3
2.	Dato' Siow Kim Lun	3/3
3.	Dato' Mohammed Azlan bin Hashim	3/3
4.	Dato' Haji Omar bin Haji Osman	2/3
5.	Encik Cheah Tek Kuang (* appointed effective 3 December 2012)	*1/1
6.	Dato' Seri Ahmad Johan bin Mohammad Raslan (* retired effective 30 June 2012)	*0/1
7.	Dato' Azian Mohd Noh	3/3

Summary of Remuneration Committee Activities:

Among the proposals deliberated and endorsed by the Remuneration Committee during year 2012 were:

- (i) Payment of Bonus 2011 and Annual Increment 2012;
- (ii) Revised Salary Structure and Benefits Review for Employees of KWAP.

TENDER BOARD

Tender Board was established to assist the Board in discharging its functions with regards to evaluation of procurement proposals.

Membership

Currently, Tender Board comprises four (4) Board members, i.e. a Chairman and the following three (3) other members who have been appointed by the Board:

- (i) Dato' Sri Dr. Mohd Irwan Serigar bin Abdullah - Chairman
- (ii) Datuk Idrus bin Harun
- (iii) Dato' Yeow Chin Kiong
- (iv) Dato' Azian Mohd Noh

There was no Tender Board meeting held during year 2012.

Duties and Responsibilities of Tender Board

The following are among the duties and responsibilities of Tender Board:

- (i) To review the tenderer's registration with the Ministry of Finance and Contractor Services Centre, tender invitation advertisement, tender specification, tender documents (if necessary), tender schedule prepared by the Tender Opening Committee, technical and financial evaluation reports etc.;

- (ii) To ensure that the procurement process complies with all applicable procurement ethics, policies and procedures;
- (iii) To review the tenderer's technical and financial capabilities. During the tender evaluation, the technical proposal would be opened and evaluated first followed by the financial proposal;
- (iv) To consider and recommend awards which are beneficial to KWAP, taking into consideration factors such as pricing, utilisation of products and goods and / or services, delivery or completion period, maintenance cost as well as other relevant factors;
- (v) To decide on re-tender process or to recommend any other procurement methods, if the Tender Board found that the procurement procedures are not in accordance with the regulations or suspect that there are irregularities in the tender process;
- (vi) To consider and accept the tender provided that decision has been made by the Committee by at least a simple majority and is within the approved limit;
- (vii) To consider and accept any quotations acknowledged by the Quotations Committee that exceeds the quotations limit; and
- (viii) To consider other procurement issues as defined by the Board.

APPOINTMENT AND REMUNERATION OF BOARD AND INVESTMENT PANEL MEMBERS

The Board and Investment Panel are appointed for the period not exceeding three (3) years, and on the expiry thereof, they are eligible for reappointment. The remuneration of the Board and Investment Panel is determined from time to time, subject to the approval of the Minister of Finance.

In 2012, the Board and Investment Panel received a remuneration of RM343,934.00 and RM353,800.00 respectively.

STATEMENT ON INTERNAL CONTROL

BOARD RESPONSIBILITY

The Board recognises its overall responsibility in reviewing and maintaining a sound system of internal control and risk management practices to ensure good corporate governance. Both elements are designed to manage and mitigate risks within acceptable risk tolerance levels whilst in compliance with established policies, objectives and statutory mandate of KWAP.

The Board also recognises the existence of an on-going process to evaluate the effectiveness and integrity of the system of internal control via identification, assessment and management of risks faced by KWAP. In view of the inherent limitations in any system of internal control, the system is designed to manage rather than eliminate the risk of failure in the achievement of goals and objectives of KWAP, and therefore only provide reasonable but not absolute assurance against material misstatement, mismanagement or loss.

The system of internal control is reviewed and updated from time to time, to align with the dynamic changes in the business environment or the risk profiles faced by KWAP. The Board has acknowledged that its Management team responsibly implements the Board policies, procedures and processes on risks and controls.

Key Internal Control Processes

The key internal control processes that are established in reviewing the adequacy and integrity of the system of internal controls are as follows:

- **Audit Committee**

It is a Board level committee tasked to ensure the formulation, adequacy and integrity of the system of internal control, provides oversight of the financial statements of KWAP as well as the execution of management responsibilities.

All significant findings raised by the internal auditors, external auditors and third party special review engagements are reported to the Audit Committee for review and deliberation. The Audit Committee continually reviews and ensure the implementation of Management's action plans to address those findings raised.

- **Risk Committees**

Board level Risk Management Committee is established to assist the Board in the discharge of its risk management functions as well as formulation and execution of the risk management strategies and policies. These policies and guidelines serve as a foundation for the risk management activities within KWAP. Amongst the key responsibilities are to assess and approve proposal on risk management policies and procedures and determine the risk appetite, tolerance and parameters to the Board for adoption.

At Management level, the Enterprise Risk Management Committee is established to assist Risk Management Committee in deliberating risk management strategies, policies and guidelines prior to its approval. Among its functions are to review and assess KWAP's risk exposure and decision making on the most appropriate mitigating controls. The Enterprise Risk Management Committee is also responsible to ensure availability of infrastructure, resources and systems for effective risk management.

- **Executive Committee**

The Executive Committee (EXCO) is primarily responsible for the execution and evaluation as well as the effective communication of key operational and management decisions throughout KWAP.

- **Information Technology Management Framework**

A new Information Technology (IT) Management Framework, approved by the Board is established to provide stakeholders assurance that KWAP's business is able to leverage on IT to deliver optimal benefits, control is exercised over information and IT resources, IT related risks and Compliance managed.

STATEMENT ON INTERNAL CONTROL

This Framework encompasses amongst others, the following key IT operational responsibilities:

1. The establishment of an IT Steering Committee (ITSC) that is responsible to ensure a high level of efficiency and effective decision making process in the IT Governance areas i.e. Strategic Alignment, Value Delivery, Resource Management, Risk Management and Performance Management. During the financial year 2012, four (4) ITSC Meetings were held;
2. KWAP's IT Risk Management Framework that provides the Management to assess, manage or mitigate and monitor IT risks, provides a mechanism to accommodate the central accumulation of IT risk issues and its method of resolution as well as defines a reporting structure to ensure communication of necessary information to stakeholders, senior management and personnel engaged in IT risk management activities;
3. IT Project & Vendor Management Framework that provides a framework for Management to initiate, plan, execute, control and close IT projects as well as a mechanism to monitor and manage KWAP's IT vendors.

- **Internal Policies and Procedures**

Policies, procedures and processes are recorded in operation manuals and guidelines are reviewed on a periodic basis. These documents are used to determine adherence to the system of internal control.

- **Human Resource**

Proper guidelines for the employment and termination of employees, avoidance of conflict of interest, declaration of assets and liabilities, semi-annual and annual performance appraisals as well as training programs are formulated in assuring competency, capabilities and performance of employees in executing their professional responsibilities.

- **Performance Review**

The annual business plan and annual budget of KWAP are prepared and tabled to the Board for review and approval. In addition, the actual performance of KWAP is assessed against the approved business plan and budget by the Board on a monthly basis whereby significant variances, if any, are explained by the Management to the Board.

- **Internal Audit**

Messrs. KPMG was appointed by the Board to undertake the internal audit function of KWAP for the financial year 2012 following the recommendations by the Management and the Audit Committee. As the appointed internal auditor, Messrs. KPMG reports directly to the Audit Committee in accordance to the approved Internal Audit Plan and the terms and conditions of the audit engagement. Their audit approach is to independently assess the system of internal controls on selected areas, the adequacy and integrity of such internal control system vis-à-vis the objectives served, and to make appropriate recommendations thereof. For the financial year 2012, Messrs KPMG has fulfilled its Internal Audit Plan by completing all six audit projects namely the Information Technology (IT) Department, Contribution Department, Accounts and Management Services Department and the Investment Departments i.e. Equity, Fixed Income and Alternative Investment.

The outcome of the fieldwork and audit visits conducted were incorporated in the audit report which highlights the overall effectiveness of the system of internal control and significant risks as well as the Management's response and remedial actions in relation to the audit issues, findings and observations.

Whilst Messrs. KPMG is the appointed internal auditor, KWAP in May 2012 has realised one of its key initiatives in its transformation program, which was to set up their very own Internal Audit Department. For the second half of the financial year 2012, the newly established Internal Audit Department had spent the period establishing and reviewing amongst others, the following:

- a) Defined and formalised the Internal Audit Charter of KWAP, which was reviewed and approved by the Audit Committee;
- b) Established and formalised the Internal Audit Manual, Audit Risk Assessment methodology and Audit Opinion / Grading framework, which was reviewed and approved by the Audit Committee;
- c) Performed a risk based audit approach by identifying, assessing and prioritising the risks in coming out with the Internal Audit Plan;
- d) Continually engaging and understand the business / support unit functions to enable the Internal Auditors to perform a more effective audit review and;
- e) Drafting of Audit Work Programmes, Internal Control Questionnaires and collation of organisational information of the anticipated audit engagements.

Section VI

OUR LEADERSHIP

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BOARD: MEMBERS AND PROFILES

DATO' SRI DR MOHD IRWAN SERIGAR BIN ABDULLAH

Secretary General of Treasury, MOF

Chairman

(*Appointed effective 24 August 2012)



Dato' Sri Dr Mohd Irwan Serigar bin Abdullah was appointed as Chairman of the Board and Investment Panel on 24 August 2012. Prior to this, Dato' Sri Dr Mohd Irwan Serigar has served KWAP as a Board member since 1 January 2012.

He is currently the Secretary General of Treasury, Ministry of Finance and serves as a Board of Director of Employees Provident Fund, Malaysian Airline System, Petroliam Nasional Berhad, Securities Commission, Land Public Transport Commission, Suruhanjaya Koperasi Malaysia, Multimedia Development Corporation, International Islamic University Malaysia, Kumpulan Wang Amanah Negara, Lembaga Tabung Haji, Yayasan Inovasi Malaysia, GovCo Holdings Berhad and Capital Market Development Fund. He is also the Chairman of Kumpulan Kerja Pemantapan dan Pemantauan Projek Perumahan Terbangkalai.

He obtained his Bachelors Degree with Honours from University of Malaya, Masters of Science from University of Pennsylvania, USA, PhD in Economics from International Islamic University, Malaysia. He also attended the Advanced Management Program at Harvard Business School, Harvard University, USA.

BOARD: MEMBERS AND PROFILES

DATUK IDRUS BIN HARUN

Federal Government Representative



Datuk Idrus Bin Harun was reappointed as a member of the Board on 1 March 2010. He is the Solicitor General of Malaysia.

He currently serves as a member of the Companies Commission of Malaysia, the Malaysia-Thailand Joint Authority, Perbadanan Tabung Pendidikan Tinggi Nasional and as a Director of Amanah Raya Capital.

He obtained his Bachelor of Laws (LL.B) with Honours from University of Malaya.

DATO' YEOW CHIN KIONG

Federal Government Representative



Dato' Yeow Chin Kiong was appointed as a member of the Board on 1 September 2010.

He is Director, Post Service Division, Public Service Department (PSD). He held various positions since joining the PSD in 1979 as the Administrative and Diplomatic Officer.

He obtained his Bachelor of Arts in History from University of Malaya in 1978.

DATO' MUHAMMAD BIN IBRAHIM

Bank Negara Malaysia Representative



Dato' Muhammad Bin Ibrahim was reappointed as a member of the Board on 1 March 2010.

He is currently Deputy Governor, Bank Negara Malaysia. He is also a council member of the Malaysian Bankers Institute, an Associate Fellow at Institute of Bankers Malaysia and a member of BNM's Monetary Policy Committee. He is a trustee of Tun Ismail Ali Chair Council and an independent director of Petroliam Nasional Berhad. He is also the Chairman of Irving Fisher with respect to the framework of the central bank which is operating under Bank for International Settlements.

He obtained his Bachelor's Degree in Accounting from University of Malaya, Post Graduate Diploma in Islamic Banking and Finance from the International Islamic University Malaysia and a Masters from Harvard University, USA. He completed the Advanced Management Program at Harvard Business School, Harvard University, USA.

BOARD: MEMBERS AND PROFILES

DATO' MAT NOOR BIN NAWI

*Ministry of Finance Representative
(Appointed effective 1 December 2012)*



Dato' Mat Noor bin Nawi was appointed as a member of the Board on 1 December 2012.

He is currently the Deputy Secretary General (Policy) of Ministry of Finance (MOF). He is the Chairman of Danainfra Nasional Berhad and sits on the Board of Pengurusan Aset dan Air Berhad, Pelaburan Hartanah Berhad and Telekom Malaysia Berhad. He has been serving the Government for over 30 years.

He started his career in 1981 as an Agriculture Economist at the Federal Agriculture Marketing Authority (FAMA) before joining Economic Planning Unit (EPU) in 1983. He was the Deputy Director General of EPU prior to joining MOF.

He holds a Bachelor of Science Degree in Resource Economics from Universiti Putra Malaysia and a Master of Science in Policy Economics from University of Illinois, Urbana-Champaign, USA.

DATO' SIOW KIM LUN

Private Sector Representative



Dato' Siow Kim Lun was reappointed as a member of the Board on 1 March 2010.

He is currently a member of the Board of Citibank Berhad, UMW Holdings Berhad, WZ Steel Berhad, Eita Resources Berhad, Hong Leong Assurance Berhad and Mainstreet Advisers Sdn. Bhd. He is also a member of the Land Public Transport Commission.

He obtained his Bachelor's Degree (Hons) in Economics from Universiti Kebangsaan Malaysia, Masters in Business Administration from the Catholic University of Leuven, Belgium and attended the Advanced Management Program at Harvard Business School, Harvard University, USA.

DATO' AZMI BIN ABDULLAH

*Private Sector Representative
(Appointed effective 8 August 2012)*



Dato' Azmi bin Abdullah, was appointed as a member of the Board on 8 August 2012.

He is currently an Independent Non-Executive Director of Bank Muamalat Malaysia Berhad. He is presently a Director of Universiti Kebangsaan Malaysia and a Council Member of Hospital UKM, Malaysia. He also sits on the board of APFT Berhad, Amanah Raya Berhad, Transnational Insurance Brokers Sdn Bhd and ECS Solution Sdn Bhd.

Dato' Azmi is also the Tax Review Panel for Ministry of Finance and a member of Investment Committee of Amanah Raya Berhad. Prior to joining Bank Muamalat, he was the First Managing Director and Chief Executive Officer of SME Bank and the Managing Director and Chief Executive Officer of Bumiputera-Commerce Bank Berhad, where he served for more than 26 years in various departments.

He obtained a B.A. (Hons) Degree in Economics from Universiti Kebangsaan Malaysia (UKM).

BOARD: MEMBERS AND PROFILES

ENCIK CHEAH TEIK SENG

Private Sector Representative



Encik Cheah Teik Seng was appointed as a member of the Board on 1 March 2010.

He is an Independent Non Executive Director of Malayan Banking Berhad and his current directorships in companies within the Maybank Group include as Chairman of Mayban Ventures Sdn Bhd, Mayban-JAIC Capital Management Sdn Bhd, Mayban Ventures Capital Company Sdn Bhd, Mayban Agro Fund Sdn Bhd, Mayban-JAIC Management Ltd as well as Director of Maybank Investment Bank Berhad and Kim Eng Holdings Ltd.

He is also a Director and partner of Aktis Capital Singapore Pte Ltd and sits on the boards of various private equity companies in Hong Kong, China and Malaysia. He is also an Independent Non-Executive Director of two hedge funds.

DATO' HAJI OMAR BIN HAJI OSMAN

Contributor Representative



Dato' Haji Omar Bin Haji Osman was reappointed as a member of the Board on 1 March 2010.

He is currently the President of CUEPACS, Executive Advisor of Kesatuan Kakitangan Am Universiti Putra Malaysia and the Chairman of Gabungan Presiden / Setiausaha Kehormat Kesatuan Universiti-Universiti Malaysia.

He is also a representative of CUEPACS in the National Labor Advisory Council and a Member of National Council for Occupational Safety and Health, Civil Service Transformation Council and PEMADAM Malaysia.

DATO' AZIAN MOHD NOH

*Chief Executive Officer
Ex-Officio*



Dato' Azian Mohd Noh was reappointed as the ex-officio member of the Board on 1 March 2010.

She is also the Chairman of the Board for i-VCAP Management Sdn. Bhd. She holds directorships in Valuecap Sdn. Bhd. and Malakoff Corporation Berhad.

She obtained her Bachelor's Degree in Economics (Hons) majoring in Accounting from University of Malaya and a Masters in Business Administration from Universiti Kebangsaan Malaysia. She is a member of the Malaysian Institute of Accountants. She completed the Advanced Management Program at Harvard Business School, Harvard University, USA.

**TAN SRI DR. WAN ABDUL AZIZ
BIN WAN ABDULLAH**

*Secretary General of Treasury, MOF
Chairman
[*Retired effective 23 August 2012]*



Tan Sri Dr. Wan Abdul Aziz Bin Wan Abdullah retired as the Chairman of KWAP's Board and Investment Panel pursuant to his retirement from the government service effective 23 August 2012.

He obtained a Bachelor's Degree with Honours in Applied Economics from University of Malaya, a Masters in Philosophy (Development Studies) from University of Sussex, UK and Ph.D (Business Economics) from University of Leeds, UK. He completed the Advanced Management Program at Harvard Business School, Harvard University, USA.

**DATO' SERI AHMAD JOHAN
BIN MOHAMMAD RASLAN**

*Private Sector Representative
[*Retired effective 30 June 2012]*



Dato' Seri Ahmad Johan Bin Mohammad Raslan was appointed as a member of the Board on 1 March 2010.

He was the Executive Chairman of PricewaterhouseCoopers Malaysia and former Vice President of Malaysian Institute of Certified Public Accountants and Council Member of Malaysian Institute of Accountants.

He is a fellow of Institute of Chartered Accountants in England & Wales. He holds a B.Sc in Economics and Accounting from the University of Hull, UK.

INVESTMENT PANEL: MEMBERS AND PROFILES

DATO' SRI DR MOHD IRWAN SERIGAR BIN ABDULLAH

*Secretary General of Treasury, MOF
Chairman
[* Appointed effective 24 August 2012]*



Dato' Sri Dr. Mohd Irwan Serigar bin Abdullah was appointed as Chairman of the Board and Investment Panel on 24 August 2012.

DATUK NOZIRAH BINTI BAHARI

Ministry Of Finance Representative



Datuk Nozirah binti Bahari was reappointed as a member of KWAP's Investment Panel on 1 March 2010.

She is the Deputy Secretary-General (Management), Ministry of Finance.

She holds a Bachelor of Social Science in Urban Studies from Universiti Sains Malaysia and has attended several senior management courses such as Global Leadership Development Programme organised by International Centre for Leadership in Finance (ICLIF) and the Advanced Management Programme in Harvard Business School, Harvard University, USA.

DATO' SRI ABDUL WAHID BIN OMAR

Private Sector Representative



Dato' Sri Abdul Wahid Omar was reappointed as a member of KWAP's Investment Panel on 1 March 2010.

He is currently the President and Chief Executive Officer of Maybank Group. He currently serves as the Chairman of the Association of Banks in Malaysia, Vice Chairman of the Institute of Banks Malaysia, and a member of Investment Panel of Lembaga Tabung Haji.

He is a Fellow of the Association of Chartered Accountants, UK and a member of the Malaysian Institute of Accountants.

INVESTMENT PANEL: MEMBERS AND PROFILES

DATO' MOHAMMED AZLAN BIN HASHIM*Private Sector Representative*

Dato' Mohammed Azlan bin Hashim was appointed as a member of the Investment Panel on 1 March 2010.

He is the Chairman of D&O Green Technologies Berhad, SILK Holdings Berhad and a director of IHH Healthcare and Scomi Group Berhad. He also sits on the Boards of various government and non-government related organisations including Khazanah Nasional Berhad and Labuan Financial Services Authority. He also serves as an Investment Panel member of EPF.

Dato' Azlan holds a Bachelor of Economics from Monash University, Australia and qualified as a Chartered Accountant (Australia). He is a Fellow Member of the Institute of Chartered Accountants, Australia, Member of Malaysian Institute of Accountants, Fellow Member of Malaysian Institute of Directors, Fellow Member of Malaysian Institute of Chartered Secretaries and Administrators and Honorary Member of the Institute of Internal Auditors Malaysia.

ENCIK CHEAH TEK KUANG*Private Sector Representative*

Encik Cheah Tek Kuang was reappointed as a member of KWAP's Investment Panel on 1 March 2010.

He is currently the Deputy Chairman of AmBank (M) Berhad and AmInvestment Bank Berhad. His other directorships include Bursa Malaysia Berhad, Cagamas Holdings Berhad, Berjaya Sports Toto Berhad and IOI Corporation Berhad. He is also the Chairman of Berjaya Sports Toto Berhad and the Alternate Chairman of the Malaysian Investment Banking Association.

He holds a Bachelor's Degree in Economics from University of Malaya.

CIK CHE ZAKIAH BINTI CHE DIN*Bank Negara Malaysia Representative*

Cik Che Zakiah Binti Che Din was reappointed as a member of KWAP's Investment Panel on 1 March 2010.

She is currently the Director of Financial Conglomerates Supervision Department, Bank Negara Malaysia. Prior to this, she was the Director of Development for Financial Institution Regulations Department.

She holds a Bachelor's Degree in Economics (Hons) from University of Malaya.

INVESTMENT PANEL: MEMBERS AND PROFILES

DATO' AZIAN MOHD NOH

*Chief Executive Officer
Secretary Investment Panel*



Dato' Azian Mohd Noh was reappointed as secretary to the Investment Panel on 1 March 2010.

**TAN SRI DR. WAN ABDUL AZIZ
BIN WAN ABDULLAH**

*Secretary General of Treasury, MOF
Chairman
(*Retired effective 23 August 2012)*



Tan Sri Dr. Wan Abdul Aziz Bin Wan Abdullah retired as the Chairman of KWAP's Board and Investment Panel pursuant to his retirement from the government service effective 23 August 2012.

BOARD COMMITTEES: MEMBERS AND PROFILES

AUDIT COMMITTEE



from left to right

Encik Cheah Teik Seng (Chairman), Datuk Idrus bin Harun, Dato' Siow Kim Lun, Dato' Azmi bin Abdullah

RISK MANAGEMENT COMMITTEE



from left to right

Dato' Muhammad bin Ibrahim (Chairman), Dato' Siow Kim Lun, Dato' Mohammed Azlan bin Hashim, Encik Cheah Teik Seng, Dato' Azian Mohd Noh

BOARD COMMITTEES: MEMBERS AND PROFILES

REMUNERATION COMMITTEE



from left to right

Datuk Idrus bin Harun (Chairman), Dato' Siow Kim Lun, Dato' Mohammed Azlan bin Hashim, Dato' Haji Omar bin Haji Osman, Encik Cheah Tek Kuang, Dato' Seri Ahmad Johan bin Mohammad Raslan, Dato' Azian Mohd Noh

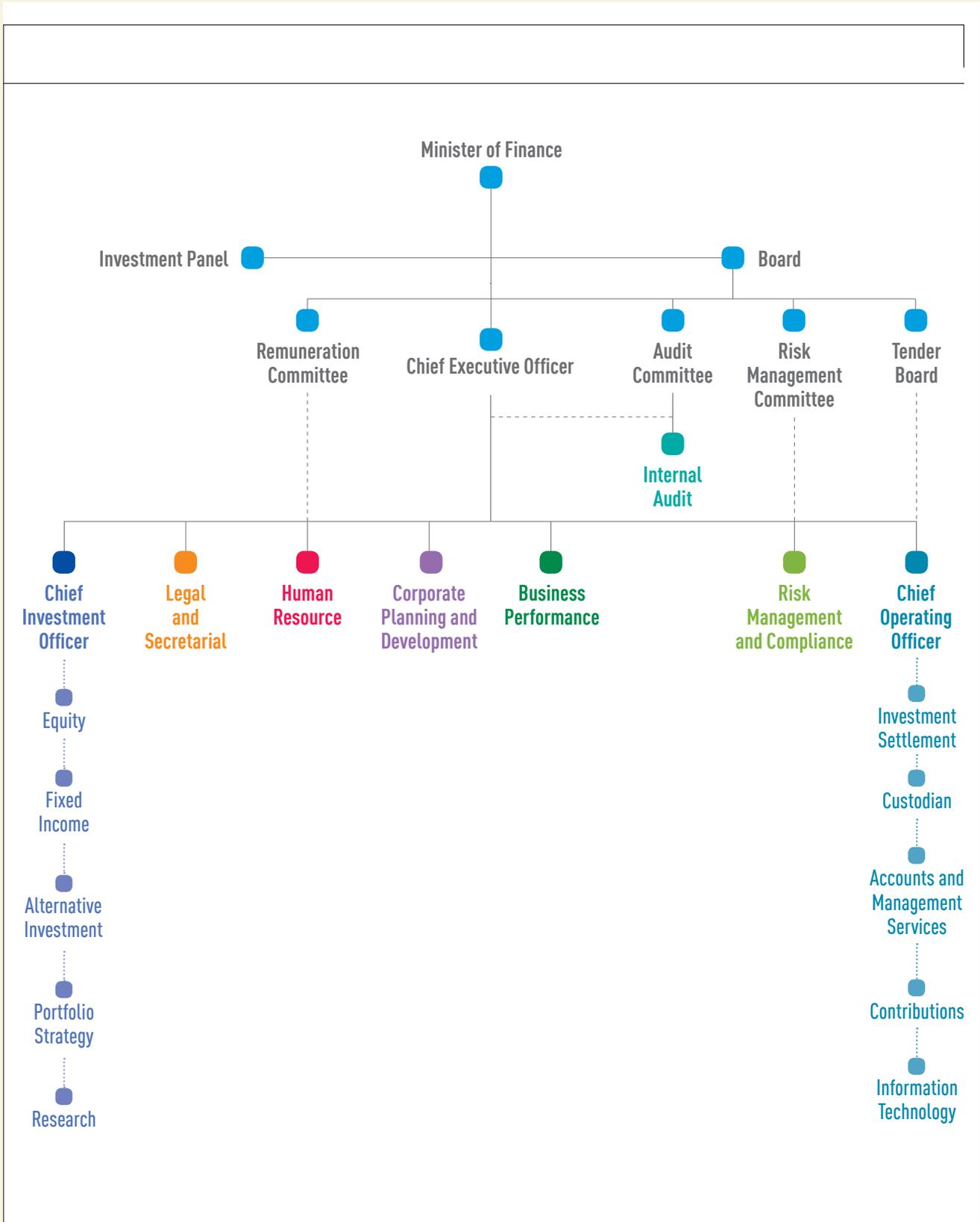
TENDER BOARD



from left to right

Dato' Sri Dr. Mohd Irwan Serigar bin Abdullah (Chairman), Datuk Idrus bin Harun, Dato' Yeow Chin Kiong, Dato' Azian Mohd Noh

ORGANISATION CHART



EXECUTIVE COMMITTEE: MEMBERS AND PROFILES

SENIOR MANAGEMENT



from left to right

- | | | |
|---|--|---|
| 1. Mohd. Zaki Bin Hamdan
Chief Operating Officer | 5. Dato' Azian Mohd Noh
Chief Executive Officer | 9. Ambalagam R. Marappan
Director of Accounts and
Management Services Department |
| 2. Nik Amlizan Binti Mohamed
Director of Equity Department | 6. Nazaiful Affendi Bin Zainal Abidin
Director of Portfolio Strategy Department | 10. Md. Saffi Bin Nadzir
Director of Contribution Department |
| 3. Ahmad Norhisham Bin Hassan
Director of Fixed Income Department | 7. Khairul Azwa Bin Kamalul Bahrin
Director of Risk Management and Compliance
Department | 11. Tai Kim Fong
Director of Information Technology Department |
| 4. Zalman Bin Ismail
Director of Alternative Investment Department | 8. Tursina Binti Yaacob
Director of Research Department | 12. Aznam Bin Shahuddin
Director of Corporate Planning and
Development Department |

INVESTMENT COMMITTEE AND ENTERPRISE RISK MANAGEMENT COMMITTEE: MEMBERS AND PROFILES

INVESTMENT COMMITTEE

1. Dato' Azian Mohd Noh
2. Mohd. Zaki Bin Hamdan
3. Nik Amlizan Binti Mohamed
4. Ahmad Norhisham Bin Hassan
5. Zalman Bin Ismail
6. Khairul Azwa Bin Kamalul Bahrin
7. Nazaiful Affendi Bin Zainal Abidin

ENTERPRISE RISK MANAGEMENT COMMITTEE

1. Dato' Azian Mohd Noh
2. Mohd. Zaki Bin Hamdan
3. Nik Amlizan Binti Mohamed
4. Ahmad Norhisham Bin Hassan
5. Tursina Binti Yaacob
6. Nazaiful Affendi Bin Zainal Abidin
7. Aznam Bin Shahuddin
8. Khairul Azwa Bin Kamalul Bahrin
9. Md. Saffi Bin Nadzir
10. Tai Kim Fong

KEY PERSONNEL

Full Name:

Ahmad Norhisham Bin Hassan

Job Designation:

Director

Department:

Fixed Income Department

Responsibility:

Responsibilities include developing investment strategy and objective for the Fixed Income Department.

Working Experience:

He has over twenty years of experience in fixed income. Prior to joining KWAP, his exposure was mainly in treasury at local banks and EPF. His last position was the Manager of Debt Capital Market at Hong Leong Islamic Bank Berhad.

Participated as speaker in local and international conferences.

Education Background:

MBA (Finance), Western Michigan University, USA.

Bachelor's Degree (Hons) in Business Administration (Finance), Western Michigan University, USA.

Committee Membership / Appointment:

Board of Director for Jambatan Kedua Sdn. Bhd.

Associate member of The Financial Market Association (ACI – Malaysia)

Associate member of HBSACM (Harvard Business School Alumni Club of Malaysia)

Full Name:

Ambalagam R. Marappan

Job Designation:

Director

Department:

Accounts and Management Services Department

Responsibility:

Responsibilities include ensuring effective planning, implementation and monitoring of KWAP's administrative, finance and accounting activities and its timely reporting to the relevant authorities

Working Experience:

He has thirty years of experience as an accountant. Prior to joining KWAP, he has served in several divisions and branches of Accountant General's Department around the peninsular of Malaysia.

Education Background:

MBA (Finance and International Studies), University of Malaya.

Bachelor's Degree (Hons) in Accounting, University of Malaya.

Committee Membership / Appointment:

Chartered Accountant with the Malaysian Institute of Accountants.

Associate member of HBSACM (Harvard Business School Alumni Club of Malaysia)

KEY PERSONNEL

Full Name:

Khairul Azwa Bin Kamalul Bahrin

Job Designation:

Director

Department:

Risk Management & Compliance Department

Responsibility:

Responsibilities include Enterprise Risk Management encompassing Investment Risk, Operational Risk, Business Continuity and Compliance.

Working Experience:

He has over twenty years experience in risk management and banking. Prior to joining KWAP, he practised risk management in several investment banks and commercial banks, both local and foreign. Before moving into risk management earlier in his career, he gained valuable experience as proprietary currency trader during the Asian Financial Crisis.

He also represents KWAP as speaker in local and international conferences.

Education Background:

MBA Management, University of Wales, Cardiff, UK

LL.B (Hons), University of Liverpool, UK

Financial Risk Manager (FRM), Global Association of Risk Professionals

Committee Membership / Appointment:

None

Full Name:

Md Saffi Bin Nadzir (K.M.N)

Job Designation:

Director

Department:

Contribution Department

Responsibility:

Responsibilities include increasing fund size through maximising collection of contributions and enforce compliance to the related Pension Acts.

Working Experience:

He has over twenty five years experience as an accountant. Prior to joining KWAP, he served in several government departments and Statutory Bodies.

Education Background:

MBA, Universiti Utara Malaysia

Bachelor's Degree in Accounting, Universiti Teknologi MARA

Committee Membership / Appointment:

Chartered Accountant with the Malaysian Institute of Accountants

KEY PERSONNEL

Full Name:

Nazaiful Affendi Bin Zainal Abidin

Job Designation:

Director

Department:

Portfolio Strategy Department

Responsibility:

Responsibilities include designing, reviewing and overseeing KWAP's Strategic Asset Allocation and assisting the CEO / CIO in researching, developing and proposing fund level investment strategies which look closely at optimising KWAP's return and risk trade off taking into account quantitative, qualitative and macro-economic factors.

Working Experience:

Has over sixteen years of experience in capital markets including roles in research, market analysis and strategy with exposures in equity, fixed income and commodity. Prior to joining KWAP, he was with the Securities Commission following earlier stints with several institutions, both private and government linked, including a Multinational Conglomerate as well as a local investment bank.

Before assuming his current position, he served as KWAP's economist.

Participated as speaker in local and international conferences.

Education Background:

Attended 4th ASEAN Senior Management Development Program held in June and July 2011.

MBA Finance from the International Islamic University Malaysia.

BBA (Hons) in Finance / Economics, International Islamic University Malaysia.

Committee Membership / Appointment:

None

Full Name:

Nik Amlizan Binti Mohamed

Job Designation:

Director

Department:

Equity Department

Responsibility:

Responsibilities include strategising to maximise return for equity investment within given risk parameters and led the set up of KWAP's subsidiary - Prima Ekuiti (UK) Limited in London.

Working Experience:

Has nineteen years of experience in the equity market. Prior to joining KWAP, she served in local banks and her last position was the Head of Equity at RHB Asset Management Sdn. Bhd.

Participated as speaker in local and international conferences.

Education Background:

Bachelor's Degree in Economics, Claremont McKenna College, USA.

Committee Membership / Appointment:

Board Member of Valuecap Sdn. Bhd.

Investment Committee Member of iVCAP Management Sdn.Bhd.

Board Member of Prima Ekuiti (UK) Limited

KEY PERSONNEL

Full Name:

Tai Kim Fong

Job Designation:

Director

Department:

Information Technology

Responsibility:

Responsibilities include providing strategic IT leadership and managing KWAP's Information Technology (IT) functions to support the business needs.

Working Experience:

He has twenty five years of IT experience in the Financial Industry. His experience includes IT strategic plans, infrastructure and development of Disaster Recovery. Prior to joining KWAP, he was the Head of Group IT at MIDF Berhad.

Participated as speaker in local conferences.

Education Background:

Business Continuity Certified Expert (BCM Institute).

Associate Malaysian Alliance of Corporate Directors (MACD).

COBIT Foundation.

Bachelor of Science (Computer Science & Economics) Iowa State University, USA.

Committee Membership / Appointment:

None

Full Name:

Tursina Binti Yaacob

Job Designation:

Director

Department:

Research Department

Responsibility:

Responsibilities include leading a team of equity analysts in the evaluation of companies and sectors to identify opportunities for investment as well as to support asset allocation decisions and portfolio construction.

Working Experience:

Has over fifteen years as sell-side research analyst covering various sectors on the global landscape as well as Malaysia. Sectors specialisation includes oil & gas, utilities, telecommunications, consumer products, automotive, commodities and Islamic finance industry.

Participated as speaker or panelist at local and international conferences, seminars and forums on topics relating to the global economy and various aspects of the Islamic finance industry.

Education Background:

Completing Chartered Islamic Finance Professional programme at INCEIF.

MBA (Strategic Management), Universiti Teknologi Malaysia.

BA (Hons) Financial Economics, Coventry University, UK.

Committee Membership / Appointment

None

Full Name:

Zalman Bin Ismail

Job Designation:

Director

Department:

Alternative Investment Department

Responsibility:

Responsibilities include maximising long term returns through investments in private equity and property both local and overseas.

Working Experience:

Has eighteen years of experience in credit rating, equity research and business development of property, healthcare and commodities industry. Prior to joining KWAP, he was the Head of Strategy and Business Development for Sime Darby Property Berhad. He was also the Head of Value Management and Head of Investor Relation for the Sime Darby Group.

Education Background:

BBA Finance (Honours: Magna Cum Laude), Eastern Michigan University, USA.

Committee Membership / Appointment:

None

KEY PERSONNEL

NO	NAME	ACADEMIC ACHIEVEMENT	POSITION
1	A.Fadil Bin Abdul Majid	B.A. (Hons) Accounting, International Islamic University Malaysia Chartered Accountant, Malaysian Institute of Accountant (MIA)	Vice President, Fixed Income Department
2	Abdul Razak Bin Jabar	BIT (Information Systems), Charles Sturt University, Australia	Vice President, Information Technology Department
3	Afizah Binti Mustafa	MBA, Universiti Utara Malaysia B.Acct (Hons), Universiti Utara Malaysia Chartered Accountant, Malaysian Institute of Accountant (MIA)	Vice President, Fixed Income Department
4	Amirah Binti Muhamad Nor	MBA (Accountancy), University of Malaya Advanced Diploma in Accountancy, MARA Institute of Technology Chartered Accountant, Malaysian Institute of Accountant (MIA)	Vice President / Head, Investment Settlement Department
5	Ahmad Zahir Bin Mohd Tabri	B.Sc in Business Administration - Management Science, University of Illinois, Urbana-Champaign, USA	Vice President / Senior Portfolio Manager, Fixed Income Department
6	Azizan Bin Abdul Rahman	B.Sc in Business Administration (Economic & Finance), University of Hartford, USA	Vice President / Head, Business Performance Department
7	Azlida Mazni Binti Arshad	LLB (Hons) International Islamic University, Malaysia	Vice President / Legal Counsel, Legal & Secretarial Department

KEY PERSONNEL

NO	NAME	ACADEMIC ACHIEVEMENT	POSITION
8	Eeh Chong Ban	Bachelor of Finance, La Trobe University, Australia Chartered Financial Analyst, CFA Institute, USA Financial Risk Manager, Global Association of Risk Professionals, USA	Vice President, Fixed Income Department
9	Ismail Bin Zakaria	B.A. Commerce (Accounting & Finance), University of New South Wales, Australia	Vice President, Corporate Planning and Development Department
10	Kamariah Binti Ghazali	MSc (Accountancy), Oklahoma City University, USA B.A. (Hons) Accountancy, Universiti Kebangsaan Malaysia Chartered Accountant, Malaysian Institute of Accountant (MIA)	Vice President, Corporate Planning and Development Department
11	Mazrina Binti Mohd Mokhtar	Certificate in Legal Practice (CLP) LLB (Hons), University of East London, UK Diploma In General Translation, Institut Terjemahan Negara Malaysia (ITNM)	Vice President, Contribution Department
12	Melissa Teo Gaik Khim	Bachelor of Commerce, University of Western Australia, Australia	Vice President, Corporate Planning and Development Department
13	Mohamad Shafik Bin Badaruddin	MBA (Finance), Graduate School of Management, Universiti Putra Malaysia B.A. (Hons) Syariah & Economics, University of Malaya	Vice President, Equity Department

KEY PERSONNEL

NO	NAME	ACADEMIC ACHIEVEMENT	POSITION
14	Mohd. Afzanizam Bin Abd Rashid	<p>PhD Candidate (Economics), Universiti Kebangsaan Malaysia</p> <p>MBA (Applied Finance & Investment), Universiti Kebangsaan Malaysia</p> <p>BBA (Hons) Finance, Universiti Teknologi MARA</p>	Vice President, Portfolio Strategy Department
15	Mohd. Isa Bin Ibrahim	<p>MBA Applied Finance & Investment, Universiti Kebangsaan Malaysia</p> <p>BBA Finance, Universiti Teknologi MARA</p>	Vice President, Equity Department
16	Md Hayrani Bin Mireso	<p>MBA (Finance), International Islamic University Malaysia</p> <p>B.A. (Hons) Accounting, Universiti Kebangsaan Malaysia</p> <p>Chartered Accountant, Malaysian Institute of Accountant (MIA)</p>	Vice President / Senior Portfolio Manager, Fixed Income Department
17	Muhamad Hafiz Bin Abas	<p>MBA (Finance), International Islamic University Malaysia</p> <p>B.Sc Business Administration (Finance & Economic), New York University, USA</p>	Vice President, Risk Management and Compliance Department
18	Mushida Binti Muhammad	B.Sc in Business Administration (Accounting), California State University, Bakersfield, USA	Principal Officer, Prima Ekuiti (UK) Limited

KEY PERSONNEL

NO	NAME	ACADEMIC ACHIEVEMENT	POSITION
19	Muzafar Ibrahim Bin Abdul Muttalip	Bachelor of Accountancy (Hons), MARA Institute of Technology Certificate of Company Secretarial Practice, IUB Chartered Accountant, Malaysian Institute of Accountants (MIA)	Vice President, Equity Department
20	Najihah Binti Mohamad Norwi	B.A. Business (Accounting & Finance), Monash University, Australia CPA, Australia	Vice President, Accounts and Management Services Department
21	Ng Soh Khin	Bachelor of Computer Science, Universiti Putra Malaysia. Certified member of PMP	Vice President, Information Technology Department
22	Norani Binti Mustapha	Master in Real Estate, University of Malaya B.Sc (Hons) in Estate Management, Northumbria University At Newcastle, UK	Vice President, Alternative Investment Department
23	Nozaimi Bin Mohd Nasir	BA Hons in Accountancy Studies, University of Exeter, UK	Vice President, Equity Department
24	Saifulbahri Bin Hassan	Master of Management, International Islamic University, Malaysia (IIUM) Bachelor of Economics, University of Missouri - Kansas City (UMKC), USA Certificate in Private Equity Investment, Institute of Asian Private Equity Investment (IAPEI), Hong Kong	Vice President, Alternative Investment Department

NO	NAME	ACADEMIC ACHIEVEMENT	POSITION
25	Shariz Bin Puteh	BA Accounting & Financial Management, University of Essex, UK Certified Financial Services Auditor (CFSA), The Institute of Internal Auditors	Vice President / Head, Internal Audit Department
26	Siti Ilmiah Binti Ramli	LL. B (Hons.), University of London, UK Certificate in Legal Practice (CLP)	Vice President, Human Resources Department
27	Tan Mee Choo	B.A. (Hons) Accountancy, University of Malaya	Vice President, Accounts and Management Services Department

Section VII

SHARING OUR VALUES

115 Corporate Social Responsibility

119 Voices of KWAP



CORPORATE SOCIAL RESPONSIBILITY

KWAP believes that businesses may not always be about profitability, but a responsibility for the well being of society as a whole.

KWAP has taken Corporate Social Responsibility (CSR) on a broader meaning where it is more than handing money to the local charity. It is about doing the right thing; conducting ethical and transparent business practices that hold an organisation accountable for its actions, creating a conducive work environment, community development and environmental preservation. In conclusion, KWAP also takes into consideration the nation's social aspirations and socio-economic objectives.

KWAP strongly believes that cultivating a better world is a collective effort. Therefore, the CSR initiatives that have been carried out replicate its CSR tagline – 'Sharing Our Values', which demonstrates a comprehensive approach to each of its CSR program and ensure that the activities designed give emphasis to the four main groups that we are committed to – the Workplace, the Marketplace, the Community and the Environment.

CORPORATE SOCIAL RESPONSIBILITY

RESPONSIBILITY TO THE
MARKETPLACE

STUDY VISITS TO KWAP

In 2012, KWAP was honoured to receive international study visits from the National Institute of Public Administration of the Republic of Indonesia (NIPA) and the National Council for Social Security Fund of the People Republic of China (NCSF). The six-member team from NIPA was headed by its Deputy Chairman for Performance Evaluation on Government Institution and Apparatus, Ms. Sri Hadiati WK whereas the NCSF delegates was led by its Vice Chairman, Mr. Yu Gesheng. It was an opportunity for both organisations to share their knowledge and exchange views and ideas particularly in the areas of pension fund management.

ARTICLE CONTRIBUTIONS

The writing of articles by KWAP personnel continued through 2012. The Edge Financial Daily featured articles by Taufiq Iskandar Jamingan on the Missing Growth Factor, Mind Your Gap by Mohd Afzanizam Abd Rashid and Strong Demand for Shariah Compliant Derivatives by Khok Lee Kuan.

Afzanizam also contributed six articles in *Berita Harian* with the titles – *Pemulihan Ekonomi AS Memberangsangkan, Unjuran BNM Perlu Dipandang Serius, Ekonomi Dunia Dijangka Perlahan, Pelabur Bimbang Greece Keluar EMU, Kenaikan IHP Jejas Kuasa Beli* and *Bajet 2013 Jana Pertumbuhan Mapan*.

KWAP is committed to contribute more articles and pen their thoughts to share with the public.

GUEST LECTURE SERIES PROGRAM
WITH UNIVERSITY OF MALAYA

KWAP's collaboration with the University of Malaya continued through 2012. In May, our Director of Portfolio Strategy Department, Nazaiful Affendi Zainal Abidin and Director of Fixed Income Department, Ahmad Norhisham Hassan were invited to be guest speakers for the undergraduate and post graduate students of the Business and Accountancy Faculty. The speakers presented informative and interactive sessions on topics that were carefully chosen with their lecturer and taken from their syllabus for the semester. KWAP looks forward to conducting more program with the students and share their knowledge and expertise in the future.





RESPONSIBILITY TO THE WORKPLACE

FIT & FAB CHALLENGE 2012

The second Fit & Fab Challenge was organised in April to promote healthier lifestyle amongst its employees. The three-month program was launched in April and accepted participation of 17 employees with BMI over 25. A structured program was drawn up to assist the participants on the right nutrition and types of exercise they need to adopt to lose weight. Tougher rules were also imposed to make the program more competitive. All winners and finalists were well rewarded for their achievements, but what matters most was they ended up with a brand new look and healthier lifestyles.

FUND RAISING ACTIVITIES

For 2012 KWAP CSR Donation Drive programs, the CSR team organised Jumble Sale and coordinated the celebration of Mother's Day and Father's Day by selling specially ordered cupcakes and macaroons to the employees. Proceeds from the sale would be used to fund for other CSR programs especially to help those who are in need and the under-privileged ones.

FUN IN-HOUSE PROGRAMS FOR EMPLOYEES

In July and throughout the fasting month, several fun-filled in-house programs were organised for the female employees during lunch time. A make up class conducted by a professional make-up artist recorded full house participation. Basic skin care and make up techniques were shared during the class, including appropriate dressing, hair and nail care, and use of proper accessories to match for different occasions. Beading class was another fun activity organised by the team for those who love making their own fashion statement by wearing hand-made beaded bracelets. The class was guided by our own staff and the participants were taught how to make the bracelets from the scratch. Fees collected and items sold during the classes were channeled to the CSR fund.

DANA YANG BERKAT RECITATION COMPETITION

It has been a yearly tradition in the organisation to hold an event to appreciate and inspire the beauty of the 'Dana Yang Berkat'. One representative from each department will compete among themselves to recite the poem in their most creative and dramatic way. Participants will be judged based on the recitation fluency, pronunciation, and the creativity of their performance.

CORPORATE SOCIAL RESPONSIBILITY



RESPONSIBILITY TO THE COMMUNITY

VISITS TO OLD FOLKS HOME

Among the core focus of the KWAP CSR is the community outreach program. The organisation marked Hari Raya with a meaningful deed when they spread cheer and smiles to the residents of Rumah Ehsan Kuala Kubu Bharu during the month of Syawal. Led by the CEO, the entourage spent over two hours entertaining the residents. They were clearly delighted to have people celebrate Hari Raya with them. Adding to the merriment, the residents and KWAP volunteers were treated to a buffet spread of traditional dishes more suitable to the residents' diet. To give opportunity for more employees to meet the residents, another visit to the Home was also made in December. Basic necessities and healthcare supplies were handed out based on the home's wish list that housed 110 residents from all walks of life during these visits. Since its establishment in 1998, Rumah Ehsan provides proper care and protection for the elderly to ensure proper treatment and to assist them in getting a better quality of life.

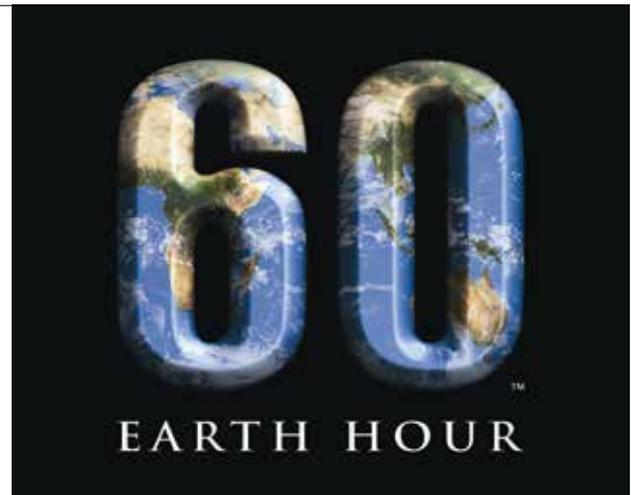
BOOK CHARITY DRIVE

KWAP believes in enriching the communities through Book Charity Drive where the objectives are to help literacy effort amongst children especially in rural areas. This is to develop good reading habit at the early age and to provide learning materials and story books to selected schools in supporting the students with their educational needs. The on-going campaign encouraged the employees to donate their used or brand new books which will be channeled to selected schools that are in need of reading materials.

RESPONSIBILITY TO THE ENVIRONMENT

WORLD ENVIRONMENT DAY

KWAP has always supported the Green campaign since the very beginning. Employees are strongly encouraged to practice energy conservation and efficiencies such as reducing the paper use, use of recycle paper, switching off the lights during lunch time and ensuring all mechanical and electrical systems run efficiently at all times.



VOICES OF KWAP



Name : **Leow Eng Heng**
 Department : **Research**
 Education : **ACCA, Completed CFA Level 3**

1. What is your scope of work?

Identify strong fundamental companies that are mispriced by the market for long-term deep embedded values. Strategise the investment research together with the portfolio managers to optimise the portfolio returns.

2. What does your job entail?

Conduct fundamental equity research on industries and companies by quickly digesting and synthesising substantial volumes of their information data. The information are then collated to generate an objective and independent investment. In addition, effects of corporate development, mergers and acquisitions are analysed thoroughly for KWAP to take advantage of any investment opportunities.

3. Which part of the job do you value most?

The continuation search for new stock ideas in Asia Pacific and constant intellectual interaction with my colleagues has brought me great joy and satisfaction to my work. I am grateful to have a very understanding and helpful teammates who assist me in the journey of discovery.

4. What made you decide to grow your career with KWAP?

Upon completion of my CFA and having spent 5 years in the banking industry, I have an aspiration to join an asset management company that is dynamic, versatile and agile. KWAP is one of the largest pension funds in Malaysia that offers me tremendous opportunities to excel my career in investment management.

5. What are the key career lessons have you learned so far from working at KWAP?

KWAP has enlightened me on the spirit of team work, whereby the strong bonding among people's talents and strength will lead us to produce results beyond our own. Chinese proverb says "When two are of one mind, their strength can cut gold".

6. What is your favourite business book for 2012 and why?

"What Got You Here, Won't Get You There" by Marshall Goldsmith is a leadership guide which illustrated how the successful become even more successful by bringing the best in everyone and continue to strive for excellence at every level in the organisation.

7. What activities do you indulge in when you are not working?

I spend reasonable time participating in non-profit organisation in promoting peace and cultural activities. This has enlightened my heart and given me an opportunity to contribute to society.

VOICES OF KWAP



Name : **Khairul Azwa Bin Kamalul Bahrin**
 Department : **Risk Management & Compliance**
 Education : **Financial Risk Manager (FRM)**
- Global Association of Risk Professionals
MBA Management from University of Wales
Cardiff, United Kingdom
LLB (Hons) from University of Liverpool,
United Kingdom

1. What is your scope of work?

I lead a team of dedicated professionals working toward ensuring KWAP lives up to its mission statement of “sound risk management” in our organisation. It’s wide in scope as we touch every aspect of the organisation, especially when assessing and planning risk mitigation for our corporate risk profile.

2. What does your job entail?

My job is both strategic and operational. As a team we developed the Enterprise Risk Management Framework which forms the basis of how we manage risk in KWAP. This framework is modular and flexible catering for KWAP needs today and in the future. To complement it we have in place policies, guidelines and various toolkits used for assessment, troubleshooting and problem solving. Operationally besides reporting and risk assessment, we play a big role in ensuring risk gaps are addressed and closed.

3. Which part of the job do you value most?

Working with people, be it the CEO, Director, Division Heads, executives and support staff. I find the interaction, the teaching, coaching, the leading by example to be very fulfilling. The ability to coach others and make a difference in their working life means I am contributing back to KWAP and society in general.

4. What made you decide to grow your career with KWAP?

KWAP as an organisation is still young with youthful vigor and excitement. We never sit on our laurels as we keep wanting to do more, in line with our HPO mindset. The opportunity to play an active part in this development is a major factor in my career aspirations with KWAP.

5. What are the key career lessons have you learned so far from working at KWAP?

A key takeaway from my KWAP experience is the lesson I learnt in my first week on the job. This is not just a job, we have been entrusted to serve the interest of our stakeholder, i.e. the pensioners and ultimately the nation itself. It’s sobering when you think of all the pensioners and civil servants looking to you to safeguard their future pension.

6. What is your favourite business book for 2012 and why?

I believe lessons can be learnt from any source. I have recently re-read for the third time, Neil Gaiman’s “Neverwhere”. Though not a business book, it has in my mind an important lesson. That is, by thinking out of the box, being imaginative and creative you can take the everyday mundane, boring, cliché and make it into something fantastic, magical and unforgettable.

7. What activities do you indulge in when you are not working?

I love music. As a child I did not have the opportunity to learn any musical instrument, so at my age now, I am currently learning the ukulele and drums in my spare time. You could say I am living the KWAP core values “to continuously learn, relearn and unlearn”.



Name : **Norani Mustapha**
 Department : **Alternative Investment Department**
 Education : **Master of Real Estate from University of Malaya and BSc (Hons) in Estate Management from University of Northumbria at Newcastle Upon Tyne, United Kingdom**

1. What is your scope of work?

I lead the Property Investment team under the Alternative Investment of KWAP.

2. What does your job entail?

KWAP's investment in Property started about three years ago with the objective to build a Real Estate portfolio that meets KWAP's risk reward appetite both in the domestic and international markets. As such, the job requires strategic planning on setting the criteria of investment, timing of investment and determining markets of target acquisition. The plan implementation include sourcing of investment opportunities, analysing potential for investment, execution of investment and finally managing the assets until disposition. I have to constantly update my knowledge of the various markets we are in as well as new target markets. With existing and potential investments at different stage of activities and scenarios, my work demands focus and analytical thinking for best execution.

3. Which part of the job do you value most?

Investment in Property engages in a great deal of negotiations. Terms and structure on acquisition, tenants and leases management post acquisition and terms on disposal. The process enriches my perspectives in managing my work.

4. What made you decide to grow your career with KWAP?

It was an opportunity to head start Property Investment for KWAP. I was looking forward to put my heart and soul combined with years of knowledge and experience in property field to ensure KWAP will have its property portfolio.

5. What are the key career lessons have you learned so far from working at KWAP?

Being a result oriented organisation, KWAP will support its employee in capability building. The potential is limitless if you are willing to push yourself, persevere and work hard.

6. What is your favourite business book for 2012 and why?

"This time is different" by Carmen M. Reinhart and Kenneth S. Rogoff. It was an interesting read how the writers who are leading economists disagree with how most experts chimes 'this time is different' at every financial crisis. The expert claimed new situation bears little similarity to past disasters. I am not an economist hence the book gave me an insight into financial crises defined by inflation, currency crashes, banking crises and domestic and external debt crises. It is not a recent book but was first published in 2009 and I only picked it up this year.

7. What activities do you indulge in when you are not working?

I love reading to unwind. I also enjoy walking or jogging in the park with my children in embracing healthy lifestyle.

Section VIII

CORPORATE EVENTS

123 Corporate Calendar 2012



CORPORATE CALENDAR 2012

January

11 January 2012



CEO Mandate

12 January 2012



KWAP Leadership Series With
YBhg. Tan Sri Liew Kee Sin

17 January 2012

CSR - Movie Day

19 January 2012

45th Golden Hour Series
Remuneration Committee Meeting

25 January 2012

Board Meeting & Audit Committee Meeting

30 January 2012

Investment Panel Meeting

February

10 February 2012



Chinese New Year Celebration

15 February 2012

Investment Panel Meeting

24 February 2012

46th Golden Hour Series

28 February 2012

Investment Panel, Audit Committee & Board
Meeting

March

2 March 2012



2 March 2012



KWAP Annual Dinner

5 March 2012

Risk Management Committee Meeting

8 March 2012

CSR - International Women's Day

20 March 2012

Investment Panel Meeting

22 March 2012

Board Meeting

23 March 2012

47th Golden Hour Series

27 March 2012



KWAP Leadership Series With
YBhg. Dato' AK Nathan

30 March 2012

CSR - Earth Hour Day

CORPORATE CALENDAR 2012

April

9 April 2012

Audit Committee Meeting

12 April 2012

CSR - Launch of Fit & Fab Challenge

13 April 2012

Investment Panel Meeting

17 April 2012

IDC ASEAN Security Conference, Kuala Lumpur

23 April 2012

Board Meeting

25 April 2012

Special Investment Panel Meeting

26 April 2012

NIPA's Visit To KWAP

27 April 2012

Dana Yang Berkat Recitation Competition

30 April 2012

Prima Ekuiti (UK) Limited Opening Ceremony, London, UK

May

9 May 2012

Risk Management Committee Meeting

10 May 2012Talk on Integrity By
YBhg. Dato' Dr. Mohd. Tap Salleh**11 May 2012**48th Golden Hour Series
CSR - Mother's Day Celebration**16 - 17 May 2012**

CSR - UM Talk

18 May 2012Investment Panel Meeting
Board Meeting**23 - 25 May 2012**

Disaster Recovery Exercise

CORPORATE CALENDAR 2012

June

5 June 2012

CSR - Environment Day

8 June 2012

Risk Management Committee Meeting

12 June 2012

Investment Panel Meeting

15 June 2012

CSR - Father's Day Celebration

16 - 17 June 2012

Team Building Program

18 June 2012

Management visit to Mah Sing

21 June 2012

Board Meeting

22 June 201249th Golden Hour Series**26 June 2012**

Morning Tea Session With CEO

30 June 2012 - 1 July 2012

Team Building Program

July

5 July 2012

KWAP Financial Result Announcement 2011

6 July 2012

Management Video Session

10 July 2012

Investment Panel Meeting

19 July 2012CSR - Makeup Class
50th Golden Hour Series**20 July 2012**

CSR - Fit & Fab Challenge Final

CORPORATE CALENDAR 2012

July

24 July 2012



CSR - Beadwork Class

26 July 2012

Board Meeting

27 July 2012



CSR - Jumble Sale

29 July 2012

Board Meeting

31 July 2012

CSR - Beadwork Class

August

1 August 2012

Audit Committee Meeting

10 August 2012

CSR - KWAP Book Charity Launching

29 August 2012



Eid Celebration

September

10 September 2012

Investment Panel Meeting

11 September 2012



CSR - Visit to Old Folks Home, Rumah Ehsan Kuala Kubu Bharu, Selangor

20 September 2012

Board Meeting

21 September 2012

51st Golden Hour Series

25 September 2012

Health Talk

October

4 October 2012



KWAP Leadership Series With Encik Norman Abdul Halim

8 October 2012

Investment Panel Meeting

11 October 2012

Board Meeting



Farewell Dinner for KWAP Chairman

17 October 2012

Islamic Finance and Investment Talk

24 October 2012

52nd Golden Hour Series

30 October 2012

Management visit to DRB-Hicom

November

23 - 26 November 2012
Disaster Recovery Exercise

26 November 2012
Investment Panel Meeting
Remuneration Committee Meeting

28 November 2012
Board Meeting

29 November 2012



KWAP Leadership Series With
YBhg Dato' Sri Abdul Wahid Bin Omar

December

5 December 2012
Risk Management Committee Meeting

10 December 2012



Visit By NCSSF

14 December 2012



Gift Exchange

16 December 2012



Movie Day "The Hobbit"

18 December 2012



CSR - KWAP 2nd Visit To Rumah Ehsan,
Kuala Kubu Bharu, Selangor

53rd Golden Hour Series

Section **IX**

FINANCIAL STATEMENTS

- 129** Directors' Report
- 132** Auditor General's Certification
- 133** Statement by the Chairman and a member of the Board
- 134** Statutory Declaration by the officer primarily responsible
for the Financial Management of KWAP 2012
- 135** Balance Sheet
- 136** Income Statement
- 137** Statement of Changes in Reserves
- 139** Cash Flow Statement
- 141** Notes to the Financial Statements



DIRECTORS' REPORT

The Board members hereby submit their report and the audited consolidated financial statements of Kumpulan Wang Persaraan (Diperbadankan) for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

Kumpulan Wang Persaraan (Diperbadankan) [KWAP] was established on 1 March 2007 under the Retirement Fund Act 2007 (Act 662) with a launching grant of RM27 million from the Federal Government of Malaysia. The principal responsibility of KWAP is to manage the Retirement Fund (the Fund) established under section 13 of Retirement Fund Act 2007 (Act 662) towards achieving optimum risk adjusted returns on its investments. Sources of the Fund are primarily allocation from the Federal Government and pension contributions which consist of contribution from Statutory Bodies and Local Governments, other Agencies, contribution from Government's share, gratuities and other deduction as well as investment income. The Fund is invested in Asset Classes in accordance with Strategic Asset Allocation and investment Policy and Guidelines upon the recommendation of KWAP's Investment Panel and approval of the Board. The Fund shall be applied towards assisting the Federal Government in financing the government's pension liability.

FINANCIAL HIGHLIGHTS

	2012	
	RM Billion Group	RM Billion KWAP
Net Income	5.91	5.69
Total Fund Size	91.12	88.73

BOARD MEMBERS

The names of the Board members of KWAP in office during the financial year ended at 31 December 2012 were:

- Dato' Sri Dr. Mohd Irwan Serigar Abdullah (Chairman August - Current)
- Tan Sri Dr. Wan Abdul Aziz Bin Wan Abdullah (Chairman January - August 2012)
- Datuk Idrus Bin Harun
- Dato' Muhammad Bin Ibrahim
- Dato' Siow Kim Lun
- Dato' Haji Omar Bin Haji Osman
- Dato' Azian Mohd Noh (ex-officio)
- Dato' Seri Ahmad Johan Bin Mohammad Raslan (resigned June 2012)
- Encik Cheah Teik Seng
- Dato' Yeow Chin Kiong
- Dato' Azmi Bin Abdullah (Appointed August 2012)
- Dato' Mat Noor Bin Nawari (Appointed effective 1 December 2012)

BOARD MEMBERS' BENEFITS

During the financial year and as at the date of this report, no Board member of the Group has received or become entitled to receive any benefit (other than Board member's remuneration disclosed in the financial statements) by reason of a contract made by Group with the Board member or with a firm of which the Board member is a member or with a company in which the Board member has a substantial financial interest.

DIRECTORS' REPORT

RESERVES AND PROVISIONS

Apart from the net surpluses that are credited into-Reserves as well as the Foreign Currency Translation Reserve and Revaluation Reserve there were no transfers to or from reserves and provisions during the financial year.

BAD AND DOUBTFUL DEBTS

Prior to the finalisation of the Income Statement and Balance Sheet of the Group, the Board members took reasonable steps to ascertain that actions were taken in relation to the writing off of bad debts and the provision for doubtful debts. As at the date of this report, the Board members were satisfied that there were no circumstances that would require any amount to be written off as bad debts or debts which were considered doubtful that require provisioning to any substantial extent.

VALUATION METHODS

As at the date of this report, the Board members were not aware of any circumstances which have arisen that would render adherence to the existing methods of valuation of assets or liabilities in Group's accounts to be misleading or inappropriate.

CHANGE OF CIRCUMSTANCES

As at the date of this report, the Board members were not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group which would render any amount stated in the financial statements to be misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group for the financial year were not, in the opinion of the Board members, substantially affected by any item, transaction or event of a material and unusual nature. There was no occurrence of any item, transaction or event that is of material or unusual in nature which is likely to substantially affect the results of the operations of the Group during the interval between the end of the financial year and the date of this report. As at the date of this report, there were no charges on the assets of the Group which has arisen since the end of the financial year that secures the liabilities of any individual.

CONTINGENT LIABILITIES

During the year, there were no events which require the Group to record a specific provision in the financial statements in accordance with MASB 20 Provisions, Contingent Liabilities and Contingent Assets.

EXPOSURE TO LOSSES FROM MARKET VOLATILITY AND FOREIGN EXCHANGE DIFFERENCES

During the year, the Group was exposed to market volatility due to global economic slowdown and the spilled over effect from the Euro Zone debt crisis. Subsequently, the Group increased its provision for diminution in value in investments particularly in relation to quoted shares held by the Group.

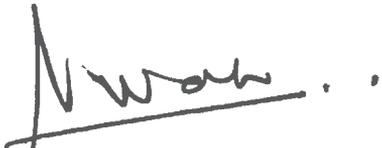
RESPONSIBILITY FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The Board members, in providing the opinion on the financial statements, relied on representation by the Management on the sufficiency of the system of internal control as well as the internal and external audit functions which were designed to ensure that the preparation of the financial statements is in accordance with the provisions of the Retirement Fund Act 2007 (Act 662) and applicable Private Entities Reporting Standards (PERS) so as to give a true and fair view of the financial position of the Group as at 31 December 2012, the results of its operations and its cash flows for the year ended on that date.

AUDITORS

In accordance with the Retirement Fund Act 2007 (Act 662), the financial statements of the Group were audited by the Auditor General of Malaysia with the exception of the subsidiaries of KWAP.

Signed on behalf of the Board in accordance with a resolution of the Directors.



Dato Sri Dr. Mohd. Irwan Serigar Abdullah
Chairman of the Board of Directors



Encik Cheah Teik Seng
Chairman of the Audit Committee

AUDITOR GENERAL'S CERTIFICATION



**CERTIFICATE OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF THE
RETIREMENT FUND (INCORPORATED)
FOR THE YEAR ENDED 31 DECEMBER 2012**

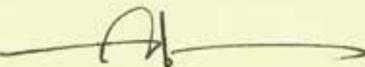
I have audited the financial statements of the Retirement Fund (Incorporated) and the Group for the year ended 31 December 2012. These financial statements are the responsibility of the management. My responsibility is to audit and to express an opinion on these financial statements.

The audit has been carried out in accordance with the Audit Act 1957 and in conformity with approved standards on auditing. Those standards require an audit be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement or omission. The audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessment of the accounting principles used, significant estimates made by the management as well as evaluating the overall presentation of the financial statements. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the financial statements give a true and fair view of the financial position of the Retirement Fund (Incorporated) and the Group as at 31 December 2012 and of the results of its operations and its cash flows for the year ended in accordance with the approved accounting standards.

I have considered the financial statements of subsidiary companies of which I have not audited as indicated in the notes to the financial statements. I am satisfied that the financial statements of the subsidiary companies that have been consolidated with the Retirement Fund (Incorporated) financial statements are in appropriate form and content and proper for the purposes of the preparation of the consolidated financial statements. I have received satisfactory information and explanation as required by me for those purposes.

The audit reports on the Financial Statements of the subsidiary companies were not subject to any observations that could affect the Consolidated Financial Statements.


(TAN SRI DATO' SETIA HAJI AMBRIN BIN BUANG)
AUDITOR GENERAL
MALAYSIA

PUTRAJAYA
7 MARCH 2013

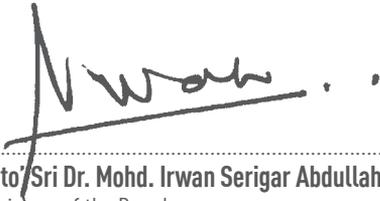


STATEMENT BY THE CHAIRMAN

AND A MEMBER OF THE BOARD OF DIRECTORS OF KUMPULAN WANG PERSARAAN (DIPERBADANKAN)

We, **Dato' Sri Dr. Mohd. Irwan Serigar Abdullah** and **Cheah Teik Seng** being the Chairman and a member of the Board of Kumpulan Wang Persaraan (Diperbadankan) respectively, do hereby state that, in the opinion of the Board of Kumpulan Wang Persaraan (Diperbadankan), the Financial Statements, consisting of the Balance Sheet, Income Statement, Statement of Changes in Reserves and Cash Flow Statement together with the Notes to Financial Statements therein, are prepared in accordance with the Retirement Fund Act 2007 (Act 662) and applicable Private Entity Reporting Standards (PERS), which are the Malaysian Accounting Standards Board Approved Accounting Standard in Malaysia for Private Entities, so as to give a true and fair view of the state of affairs of Kumpulan Wang Persaraan (Diperbadankan) as at 31 December 2012 and of its operating results and the cash flow of Kumpulan Wang Persaraan (Diperbadankan) for the year ended on that date.

Signed on behalf of the Board,



Name : **Dato' Sri Dr. Mohd. Irwan Serigar Abdullah**
 Title : Chairman of the Board
 Date : 28 February 2013
 Venue : Putrajaya

Signed on behalf of the Board,



Name : **Cheah Teik Seng**
 Title : Member of the Board
 Date : 28 February 2013
 Venue : Kuala Lumpur

STATUTORY DECLARATION

BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF KUMPULAN WANG PERSARAAN (DIPERBADANKAN) 2012

I, **Dato' Azian Binti Mohd Noh**, being the officer primarily responsible for the financial management of Kumpulan Wang Persaraan (Diperbadankan), do solemnly and sincerely declare that the Financial Statements set out on pages 135 to 163 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
 by the above named)
 At Kuala Lumpur Wilayah Persekutuan)
 On 23 February 2013)



Before me,



Level 16, Menara Tokio Marine Life,
 169, Jalan Tun Razak, 50400 Kuala Lumpur.

BALANCE SHEET

AS AT 31 DECEMBER 2012

		Group		KWAP	
	Note	2012 (RM'000)	2011 (RM'000)	2012 (RM'000)	2011 (RM'000)
Non-Current Assets					
Property And Equipment	4	1,948,728	1,005,923	7,554	9,149
Investments	5	78,018,936	60,245,451	78,018,936	60,245,451
Investment In Subsidiaries	6	-	-	1,368,896	770,967
Investment In Associate	7	2,421,852	2,354,367	16,670	16,670
		82,389,516	63,605,741	79,412,056	61,042,237
Current Assets					
Loans to Subsidiaries	8	-	-	628,923	251,176
Trade Debtors	9	908,267	878,684	911,982	891,470
Other Debtors	10	146,618	142,912	147,245	142,867
Deposits And Prepayments	11	24,383	32,260	22,611	31,875
Cash And Cash Equivalents	12	7,987,914	17,022,440	7,916,539	16,970,903
		9,067,182	18,076,296	9,627,300	18,288,291
Current Liabilities					
Trade Creditors	13	288,614	391,833	285,326	384,053
Other Creditors	14	22,314	1,811	1,787	455
Accrued Expenditures	15	30,134	26,159	24,007	19,789
		341,062	419,803	311,120	404,297
Net Current Assets					
		8,726,120	17,656,493	9,316,180	17,883,994
Financed by:					
Allocation Of Statutory Funds	16	21,101,944	19,601,944	21,101,944	19,601,944
Pension Contributions	17	35,110,224	32,438,170	35,110,224	32,438,170
Deferred Income	18	360	1,094	360	1,094
Reserves		34,900,743	29,221,026	32,515,708	26,885,023
		91,113,271	81,262,234	88,728,236	78,926,231
Non-Current Liabilities					
Lease Incentive		2,365	-	-	-
		91,115,636	81,262,234	88,728,236	78,926,231

The notes on pages 141 to 163 form an integral part of these financial statements.

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Group		KWAP	
		2012 (RM'000)	2011 (RM'000)	2012 (RM'000)	2011 (RM'000)
Gross Investment Income	19	5,659,322	4,634,062	5,752,664	4,663,551
Write Back Of Allowance Fo Diminution / (Allowance For Diminution)		2,209	(321,091)	2,209	(321,091)
Net Investment Income		5,661,531	4,312,971	5,754,873	4,342,460
Non-Investment Income		3,101	1,611	1,427	887
		5,664,632	4,314,582	5,756,300	4,343,347
Operating Expenditures	20	(138,199)	(65,777)	(62,821)	(43,772)
Operating Profit		5,526,433	4,248,805	5,693,479	4,299,575
Share of Profit of Equity Accounted Associate, Net of Tax	7	385,311	565,296	-	-
Net Income		5,911,744	4,814,101	5,693,479	4,299,575

The notes on pages 141 to 163 form an integral part of these financial statements.

STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2012

	Accumulated Surplus (RM'000)	Foreign Exchange Translation Reserve (RM'000)	Group		Total (RM'000)
			Revaluation Reserve (RM'000)	Non- Controlling Interest (RM'000)	
Balance As At 1 January 2011	23,948,398	(6,020)	829,939	-	24,772,317
Prior Year Adjustment	(7,215)	-	-	-	(7,215)
Restated Accumulated Surplus Brought Forward	23,941,183	(6,020)	829,939	-	24,765,102
Net Income For Current Year	4,814,101	-	-	-	4,814,101
Current Year Distribution	(648)	-	-	-	(648)
Revaluation Charge For The Year	-	-	(452,086)	-	(452,086)
Unrealised Gain On Foreign Exchange Reserve On Consolidation Of Associate	-	92,878	-	-	92,878
	-	-	-	1,679	1,679
Balance As At 31 December 2011	28,754,636	86,858	377,853	1,679	29,221,026
Balance As At 1 January 2012	28,754,636	86,858	377,853	1,679	29,221,026
Net Income For Current Year	5,911,744	-	-	-	5,911,744
Current Year Distribution	(1,390)	-	-	-	(1,390)
Revaluation Charge For The Year	-	-	(171,048)	-	(171,048)
Unrealised (Loss) On Foreign Exchange Reserve On Consolidation Of Associate	-	(64,517)	-	-	(64,517)
	-	-	-	4,928	4,928
Balance As At 31 December 2012	34,664,990	22,341	206,805	6,607	34,900,743

STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2012

	KWAP		
	Accumulated Surplus (RM'000)	Foreign Exchange Translation Reserve (RM'000)	Total (RM'000)
Balance As At 1 January 2011	22,498,545	(6,018)	22,492,527
Net Income For Current Year	4,299,575	-	4,299,575
Unrealised Gain On Foreign Exchange	-	92,921	92,921
Balance As At 31 December 2011	26,798,120	86,903	26,885,023
Balance As At 1 January 2012	26,798,120	86,903	26,885,023
Net Income For Current Year	5,693,479	-	5,693,479
Unrealised (Loss) On Foreign Exchange	-	(62,794)	(62,794)
Balance As At 31 December 2012	32,491,599	24,109	32,515,708

The notes on pages 141 to 163 form an integral part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

Note	Group		KWAP	
	2012 (RM'000)	2011 (RM'000)	2012 (RM'000)	2011 (RM'000)
Cash Flow From Operating Activities				
Cash Receipts From Customers And Employees	1,406	2,893	732	1,796
Cash Payments To Suppliers And Employees	(128,148)	(33,136)	(47,663)	(32,001)
Net Cash (Used In) Operating Activities	(126,742)	(30,243)	(46,931)	(30,205)
Cash Flow From Investment Activities				
Receipts				
Proceeds From Sales Of Shares	19,555,654	13,083,611	19,551,037	13,083,611
Share Dividends	856,969	754,484	856,969	754,484
Tax Claim On Dividends	62,362	1,726	62,362	1,726
Income From Equity Fund Managers	388,092	228,867	388,092	228,867
Income From Bond Fund Managers	70,698	32,746	70,698	32,746
Repayment Of Loans	1,068,648	2,692,657	1,068,648	2,692,657
Sale Of Malaysian Government Securities	25,974,740	31,164,229	25,974,740	31,164,229
Interest From Loans	425,624	378,255	425,624	378,255
Proceeds From Disposal Of Private Debt Securities	1,170,252	3,785,952	1,170,252	3,785,952
Private Debt Securities Interest	621,121	571,152	621,121	571,152
Fixed Deposit Interest	257,552	311,076	257,552	311,076
Short Term Money Market Interest	145,263	150,057	145,263	150,057
Malaysian Government Securities Interest	990,629	900,178	990,629	900,178
Money Market Current Account Interest	579	431	579	431
Bank's Current Account Interest	1,754	18	23	18
Return Of Capital from Private Equity Funds	8,862	25,596	8,862	25,596
Income From Private Equity Funds	19,948	12,408	19,948	12,408
Property Rental	111,457	48,799	-	-
Sale Of Shares In Subsidiaries	-	-	386,976	251,207
Distribution Received From Subsidiaries	-	-	781	-
Dividend Received From Associate	150,028	50,009	150,028	50,009
Interest On Loans To Subsidiaries	-	-	58,775	-

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Group		KWAP	
		2012 (RM'000)	2011 (RM'000)	2012 (RM'000)	2011 (RM'000)
Payments					
Quoted Shares		(21,536,950)	(18,199,300)	(21,532,821)	(18,199,300)
Fund Managers		(624,072)	(1,820,452)	(624,072)	(1,820,452)
Fund Managers Fee		(19,850)	(9,369)	(19,850)	(9,369)
Custodian Fee		-	(1,191)	-	(1,191)
Loans		(3,819,796)	(2,474,215)	(3,819,796)	(2,474,215)
Malaysian Government Securities		(30,739,662)	(33,107,642)	(30,739,662)	(33,107,642)
Bonds		(7,048,691)	(2,861,608)	(7,048,691)	(2,861,608)
Malaysian Government Securities Advances		(253,585)	(241,599)	(253,585)	(241,599)
Private Equity Fund		(13,869)	(133,196)	(13,869)	(133,196)
Purchase Of Fixed Assets		(932,793)	(654,368)	(780)	(2,634)
Property Related Expenses		(4,321)	(5,812)	-	-
Investment In Subsidiaries		-	-	(981,975)	(623,026)
Loans To Subsidiaries		-	-	(386,976)	(251,207)
International Bonds Advances		(6,346)	-	(6,346)	-
Net Cash (Used In) Investment Activities		(13,119,703)	(5,316,501)	(13,219,464)	(5,330,780)
Cash Flow From Financing Activities					
Receipts Of Federal Government Contribution		1,500,000	1,500,000	1,500,000	1,500,000
Receipts Of Pension Contribution		2,681,447	2,531,532	2,681,447	2,531,532
Repayment Of Pension Contribution		(9,393)	(13,205)	(9,393)	(13,205)
Net Cash Generated From Financing Activities		4,172,054	4,018,327	4,172,054	4,018,327
Net (Decrease) In Cash and Cash Equivalents		(9,074,391)	(1,328,417)	(9,094,341)	(1,342,658)
Effect Of Changes In Foreign Currency		39,865	11,308	39,977	-
Cash And Cash Equivalents As At 1 January		17,022,440	18,339,549	16,970,903	18,313,561
Cash And Cash Equivalents As At 31 December	12	7,987,914	17,022,440	7,916,539	16,970,903

The notes on pages 141 to 163 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1. GENERAL INFORMATION

Retirement Fund (Incorporated) [KWAP] was established on 1 March 2007 under the Retirement Fund Act 2007 (Act 662) with a launching grant of RM27.0 million from the Federal Government of Malaysia.

The principal responsibility of KWAP is to manage the Retirement Fund (the Fund) established under section 13 of Retirement Fund Act 2007 (Act 662) towards achieving optimum returns on its investments. Sources of the Fund are primarily annual contribution from the Federal Government and pension contributions which consist of contributions from Statutory Bodies, Local Governments and Agencies, receipts of the Government's portion of the Employee Provident Fund, Armed Forces Fund Board and others as well as investment income. The Fund is invested in Asset Classes in accordance with the Strategic Asset Allocation and Investment Policy and Guidelines upon the recommendation of KWAP's Investment Panel and approval of the Board. The Fund shall be applied towards assisting the Federal Government in financing the government's pension liability.

KWAP is a statutory body, incorporated and domiciled in Malaysia. The registered office and principle place of business of KWAP is located at Levels 4, 5, 6 & 8, Menara Yayasan Tun Razak, 200 Jalan Bukit Bintang, 55100 Kuala Lumpur.

The Financial Statements of KWAP for the year ended 31 December 2012 was duly approved by the Board of KWAP on 28 February 2013.

2. OBJECTIVES AND POLICIES OF FINANCIAL RISK MANAGEMENT

KWAP is exposed to various financial risks including market risk, credit risks, liquidity, cash flow risks and currency risk. Generally, the objectives and policies of financial risk management are aimed at minimising risks in optimising returns to KWAP.

2.1 Market Risks

The predominant market risk drivers within KWAP's investment activities are interest rate risk, equity risk and credit spread risk. A key measure of market risk in KWAP is Value-at-Risk (VaR). VaR is essentially the worst possible loss that may occur calculated at a five percent (5%) probability rate over a 10-day trading period.

2.2 Credit Risks

KWAP ensures credit risks are under control by continuous monitoring of the financial position and credit performance of counter parties, borrowers and issuers.

2.3 Liquidity And Cash Flow Risks

KWAP manages its liquidity and cash flow risks by ensuring that cash is sufficient at all times and provision of sufficient funds to meet the projected commitments for its operating expenses and financial liabilities.

2.4 Currency Risk

KWAP's exposure to the risk of adverse changes in the exchange rates between currencies has increased due to the increase in its foreign denominated investments. The key mitigating controls are in place to ensure the proper management of currency risks as well as within KWAP's tolerance level.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF ACCOUNTING

Financial statements have been prepared under the historical cost convention and in compliance with the Retirement Fund Act 2007 (Act 662). As a matter of policy, the financial statements have been prepared in compliance with the applicable Private Entities Reporting Standards (PERS) being the approved accounting standards for private entities in Malaysia.

The financial statements incorporate activities in relation to the administration of the Fund locally and internationally.

The presentation of the financial statements is in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand Ringgit Malaysia unless otherwise stated.

3.2 ECONOMIC ENTITIES IN THE GROUP

3.2.1 Investment In Subsidiaries

Subsidiaries are enterprises in which KWAP has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than 50 percent of the voting rights. Investments in Managed Investment Trust (Australia), Prima Ekuiti (UK) Limited and Prima Harta (Jersey) Unit Trust are categorized as investment in subsidiaries according to this definition.

Investment in subsidiaries is recognised using the cost method of accounting in accordance with MASB 11. External costs directly attributable to the acquisition of the subsidiary are included as part of the cost of acquisition. Subsidiaries are fully consolidated from the date on which control is transferred to KWAP and de-consolidated from the date that control ceases.

Investment in unquoted shares in subsidiaries are recognised at cost whereby the amount is reconciled to the recoverable value including impairment loss for the year, if any. Policy in relation to the recognition and measurement of impairment loss is as stipulated in Note 3.4.

The consolidated financial statements include the financial statements of KWAP and its associate and subsidiaries. All material transactions and balances between group companies are eliminated and the consolidated financial statements reflect only the external transactions of KWAP.

3.2.2 Investment In Associate

Associates are enterprises in which KWAP has significant influence but not control, generally where KWAP has a long term equity interest and voting rights of between 20 percent to 50 percent. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not the power to exercise control over the policies. Investment in ValueCap Sdn. Bhd. is categorised as investment in associate according to this definition.

Investment in associate is recognised using the equity method of accounting in accordance with MASB 12.

Investment in unquoted shares in associates are recognised at cost whereby the amount is reconciled to the recoverable value including impairment loss for the year, if any. Policy in relation to the recognition and measurement of impairment loss is as stipulated in Note 3.4.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 PROPERTY AND EQUIPMENT****3.3.1 Recognition And Measurement**

Property and equipment are recognised at cost less accumulated depreciation and accumulated impairment of losses, if any.

Costs include expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use and the costs of dismantling, removal as well as the restoration of the site where the asset is located.

3.3.2 Impairment Loss

The policy for the recognition and measurement of impairment losses is in the event the carrying value exceeds the recoverable value of the asset in accordance to Note 3.4.

3.3.3 Subsequent Costs

The cost of replacing parts of a property or equipment item is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part shall be obtained by KWAP and its cost can be reliably measured. The carrying amount of the replaced parts is derecognised. The daily service costs of the property or equipment are recognised in the Income Statement as incurred.

3.3.4 Depreciation

Work in progress and paintings are not depreciated. Depreciation is provided on a straight line basis with the exception of investment property assets categorised under the low value pool category whereby depreciation is provided on a reducing balance method. Depreciation is calculated to write off the cost of the assets to its residual value over the term of the estimated useful lives of the assets.

Depreciation rates for property and equipment are as follows:

(a) Investment Property	2.50% per annum
(b) Investment Property - Low Value Pool	18.75% in the first year and 37.50% per annum thereafter
(c) Office Renovation	16.67% per annum
(d) Furniture	15.00% per annum
(e) Office Equipment	15.00% per annum
(f) Computers	20.00% per annum
(g) Computer Software	20.00% per annum
(h) Vehicles	20.00% per annum

The net residual value, useful lives and depreciation method of assets are reviewed at each financial year end to ensure consistency of the amount, method and period of depreciation with previous estimates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 PROPERTY AND EQUIPMENT (continued)

3.3.5 Disposal

An asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, with the net carrying amount of the asset is recognised in the Income Statement.

3.4 IMPAIRMENT OF ASSETS

Assets with indefinite useful life are not subjected to amortisation but reviewed at each financial year end to determine whether there is any indication of impairment. Assets subjected to amortisation will be revised for impairment upon indication that the carrying value is unlikely to be recovered due to events or changes in circumstances. Upon any indication of impairment, the recoverable amount of the asset is estimated to determine the amount of impairment loss.

Loss from impairment is recognised when the carrying value of the asset exceeds the recoverable value and is charged to the Income Statement. Recoverable value is the higher of fair value of the assets less sales costs or value in use. Any increment in the recoverable value amount of the asset is recognised in the Income Statement. Reversible loss from impairment over revalued asset is recognised under the Revaluation Surplus of the Balance Sheet.

For impairment evaluation purpose, assets are grouped at the lowest level where cash flow is separately identifiable.

3.5 INVESTMENTS

Investments comprise primarily of Quoted Shares, Malaysian Government Securities, Private Debt Securities, Loans and Private Equity Funds.

3.5.1 Quoted Shares

Details of accounting and recognition of quoted shares are as follows:

- (a) **Disclosure Of The Value Of Investments In Quoted Shares In Financial Statements**
Investment in quoted shares is disclosed in financial statements at the lower of cost and market value at each financial year end. Cost value is determined based on net purchase value of shares. Market value is based on the closing price of shares as at Balance Sheet date.
- (b) **Determination Of Allowance For Diminution In Value**
Allowance for diminution in value of investment in quoted shares is determined and provided for at 100% of lower of cost and market value on a portfolio basis at financial year end in accordance with IAS 25. Book value of quoted shares is written down through allowance for diminution in value. In the event of sale or increase in market price (higher than the initial cost price) of the quoted shares in the subsequent financial year, the adjustment to the allowance for diminution in value of investment will be made to the Income Statement with the adjustment amount being limited to the balance of allowance for diminution in value previously recognised.
- (c) **Accounting For Sale Of Investments In Quoted Share**
In the event of sale of investment in quoted shares, the difference between net disposal proceeds and the carrying amount of the investment is recognised in the Income Statement in the financial year that it is incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.5 INVESTMENTS (continued)****3.5.2 Malaysian Government Securities**

Investment in Malaysian Government Securities, which are intended to be held to maturity, are recognised at book value calculated from its cost and adjusted, where necessary, for amortisation of premium and accretion of discount from the date of purchase till the date of maturity.

3.5.3 Private Debt Securities

Investment in Private Debt Securities such as Bonds and Medium Term Notes, which are intended to be held to maturity, are recognised at book value calculated from its cost and adjusted, where necessary, for amortisation of premium and accretion of discount from the date of purchase till the date of maturity.

3.5.4 Loans

Loans to the Federal Government, public authorities, corporate bodies and approved companies intended to be held to maturity are recognised at par value till the date of maturity.

3.5.5 Private Equity Funds

Investment in Private Equity Funds is recognised at cost less return of capital. Allowance for diminution in value of investments is determined and provided for at 100% of lower of cost fair value of investments at the individual fund level. The book value of Private Equity Funds is written down through the allowance for diminution in value of investments.

3.6 FOREIGN CURRENCY**3.6.1 Functional And Presentation Currency**

The Financial Statements of KWAP are presented in Ringgit Malaysia (RM), which is the currency of the primary economic environment in which KWAP operates (functional currency).

3.6.2 Foreign Currency Translation

Transactions in foreign currencies other than KWAP's functional currency are translated and recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. Items denominated in foreign currency or foreign currency holdings held by KWAP are translated at the closing exchange rate ruling on the Balance Sheet date. KWAP will undertake to proactively manage its foreign currency exposure.

Exchange differences arising from the settlement of monetary items, and the translation of monetary items at Balance Sheet date are recognised in the Income Statement. Exchange differences of non-monetary items are directly recognised in equity if the gain or loss on the non-monetary item is recognised in equity. Likewise, exchange differences of non-monetary items are directly recognised in the Income Statement if the gain or loss on the non-monetary item is recognised in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 FOREIGN CURRENCY (continued)

3.6.3 Group Companies

The results and financial position of KWAP and its subsidiaries with a functional currency that differs from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each Balance Sheet presented are translated at the closing exchange rate at the date of the Balance Sheet;
- (b) Income and expenses for each Income Statement are translated at average exchange rates; and
- (c) All resulting exchange differences are recognised as a separate component in equity.

3.7 ALLOCATION OF STATUTORY FUNDS

KWAP receives annual allocation from the Federal Government in accordance with section 13 of the Retirement Fund Act 200 (Act 662).

3.8 PENSION CONTRIBUTION

Pension contributions are recognised upon receipt of contributions from Statutory Bodies, Local Authorities and other Agencies as well as Government's share, gratuities and other deductions in accordance with the Statutory and Local Authorities Pensions Act, 1980 (Act 239) and Service Circular No. 12/2008. Penalty for late contribution payments are recognised on cash basis.

3.9 RECOGNITION OF INCOME AND EXPENDITURES

All income and operating expenditures are recognised on an accrual basis.

3.10 TAXATION

KWAP is exempted from income tax in accordance with Section 127[3A] of the Income Tax Act 1967 for all income from domestic sources. All income from international sources are subject to the income tax laws and rates of the respective country of origin.

3.11 FINANCE LEASE

Finance lease is classified as leases whereby KWAP is a lessee and assumes substantially all the risks and ownership. Assets acquired under finance lease agreements are recognised at purchase cost and depreciated on the same basis as owned assets. The outstanding amounts under the finance lease agreements are recognised in the Balance Sheet as finance lease creditors.

3.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash at bank and cash on hand, deposits held at call with banks and other financial institutions and short term, highly liquid investments with maturity of within 1 year from the date of holding that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

The Cash Flow Statement is prepared using the direct method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.13 EMPLOYEE BENEFITS****3.13.1 Short Term Benefits**

Wages, salaries, bonuses and social security contributions and other benefits such as medical coverage benefits and allowances are recognised as expenditure in the year in which the associated services are rendered by the employees of KWAP.

3.13.2 Defined Contribution Plan

As required by law, KWAP made contributions to the Employees Provident Fund (EPF) and Social Security Organisation (SOCSO). Such contributions are recognised as an expense in the Income Statement as incurred.

3.14 GOVERNMENT GRANT

Government grant in relation to assets is recognised as income in the Income Statement on a monthly basis with the balance classified in the Balance Sheet under equity as deferred income. Income is recognised using the straight line method on the basis of the estimated useful life of the assets in accordance with MASB 31.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

4. PROPERTY AND EQUIPMENT

GROUP	Land & Buildings (RM'000)	Office Renovation (RM'000)	Furniture (RM'000)	Office Equipment (RM'000)	Computers (RM'000)	Computer Software (RM'000)	Vehicles (RM'000)	Work In Progress (RM'000)	Total (RM'000)
Cost									
At 1 January 2012	1,011,142	4,267	2,323	1,040	3,115	2,969	310	2,787	1,027,953
Additions	977,566	421	123	562	624	966	-	659	980,921
Adjustments/Disposals	-	-	(41)	(149)	(44)	(110)	-	(2,369)	(2,713)
At 31 December 2012	1,988,708	4,688	2,405	1,453	3,695	3,825	310	1,077	2,006,161
Accumulated Depreciation									
At 1 January 2012	14,368	2,960	1,164	499	2,361	542	136	-	22,030
Current Year Charge	33,166	719	304	162	491	626	43	-	35,511
Adjustments/Disposals	-	-	-	(108)	-	-	-	-	(108)
At 31 December 2012	47,534	3,679	1,468	553	2,852	1,168	179	-	57,433
Carrying Amounts									
At 31 December 2012	1,941,174	1,009	937	900	843	2,657	131	1,077	1,948,728
Cost									
At 1 January 2011	381,471	4,398	2,509	989	3,011	1,100	147	2,029	395,654
Additions	629,671	171	311	145	138	1,935	163	1,208	633,742
Adjustments/Disposals	-	(302)	(497)	(94)	(34)	(66)	-	(450)	(1,443)
At 31 December 2011	1,011,142	4,267	2,323	1,040	3,115	2,969	310	2,787	1,027,953
Accumulated Depreciation									
At 1 January 2011	1,564	2,265	885	353	1,757	301	107	-	7,232
Current Year Charge	12,700	695	279	146	607	241	29	-	14,697
Adjustments/Disposals	104	-	-	-	(3)	-	-	-	101
At 31 December 2011	14,368	2,960	1,164	499	2,361	542	136	-	22,030
Carrying Amounts									
At 31 December 2011	996,774	1,307	1,159	541	754	2,427	174	2,787	1,005,923

Land and buildings refer to the Investment Property by KWAP MIT and Prima Harta (Jersey) Unit Trust. The Investment Property by KWAP MIT is the subtrusts being 737 Bourke Street Trust and Bridge Street Trust. The accumulated depreciation charged for the land and buildings under KWAP MIT is at 2.50% per annum on a straight line basis and 18.75% in the first year and 37.50% per annum thereafter on reducing balance method, respectively. The Investment Property by Prima Harta (Jersey) Unit Trust is the subtrust being 10 Gresham Street Unit Trust. The accumulated depreciation charged for the land and buildings under Prima Harta is at 2.50% per annum on a straight line basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

4. PROPERTY AND EQUIPMENT (CONTINUED)

KWAP	Office Renovation (RM'000)	Furniture (RM'000)	Office Equipment (RM'000)	Computers (RM'000)	Computer Software (RM'000)	Vehicles (RM'000)	Work In Progress (RM'000)	Total (RM'000)
Cost								
At 1 January 2012	4,267	2,323	1,040	3,115	2,969	310	2,787	16,811
Additions	421	123	562	624	966	-	659	3,355
Adjustments/Disposals	-	(41)	(149)	(44)	(110)	-	(2,369)	(2,713)
At 31 December 2012	4,688	2,405	1,453	3,695	3,825	310	1,077	17,453
Accumulated Depreciation								
At 1 January 2012	2,960	1,164	499	2,361	542	136	-	7,662
Current Year Charge	719	304	162	491	626	43	-	2,345
Adjustments/Disposals	-	-	(108)	-	-	-	-	(108)
At 31 December 2012	3,679	1,468	553	2,852	1,168	179	-	9,899
Carrying Amounts								
At 31 December 2012	1,009	937	900	843	2,657	131	1,077	7,554
Cost								
At 1 January 2011	4,398	2,509	989	3,011	1,100	147	2,029	14,183
Additions	171	311	145	138	1,935	163	1,208	4,071
Adjustments/Disposals	(302)	(497)	(94)	(34)	(66)	-	(450)	(1,443)
At 31 December 2011	4,267	2,323	1,040	3,115	2,969	310	2,787	16,811
Accumulated Depreciation								
At 1 January 2011	2,265	885	353	1,757	301	107	-	5,668
Current Year Charge	695	279	146	607	241	29	-	1,997
Adjustments/Disposals	-	-	-	(3)	-	-	-	(3)
At 31 December 2011	2,960	1,164	499	2,361	542	136	-	7,662
Carrying Amounts								
At 31 December 2011	1,307	1,159	541	754	2,427	174	2,787	9,149

Carrying amounts of computers as at 31 December 2012 include assets held under the finance lease arrangement of RM264 (2011 : RM96,080).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

5. INVESTMENTS

GROUP AND KWAP	2012		2011	
	Cost / Book Value (RM'000)	Market Value (RM'000)	Cost / Book Value (RM'000)	Market Value (RM'000)
Quoted Shares	28,604,958	27,890,076	24,560,738	24,712,805
Allowance For Diminution	(460,947)		(497,971)	
	28,144,011		24,062,767	
Unquoted Shares	393,136		393,136	
Malaysian Government Securities (Amortisation of Premium)	22,999,345	20,661,174	18,389,605	16,783,463
	(72,729)		(61,042)	
	22,926,616		18,328,563	
Private Debt Securities	16,055,086	17,569,508	9,613,555	12,045,374
Accretion Of Discount	(7,334)		66,271	
	16,047,752		9,679,826	
Participation In Private Equity Fund	254,739		247,909	
Allowance For Diminution	(31,717)		-	
	223,022		247,909	
Loans	10,284,399		7,533,250	
	78,018,936		60,245,451	

Gross maturity structure for Malaysian Government Securities and Private Debt Securities (excluding External Bond Fund Managers) are as follows:

GROUP AND KWAP	2012 (RM'000)	2011 (RM'000)
Maturity Within 12 months	1,054,769	1,388,362
Maturity After 12 months	36,157,962	24,942,798
	37,212,731	26,331,160

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

6. INVESTMENT IN SUBSIDIARIES

Summary of investment in subsidiaries:

	Note	KWAP	
		2012 (RM'000)	2011 (RM'000)
KWAP Managed Investment Trust (MIT)	6.1	379,301	770,967
Prima Ekuiti (UK) Limited	6.2	247	-
Prima Harta (Jersey) Unit Trust	6.3	989,348	-
		1,368,896	770,967

6.1 INVESTMENT IN KWAP MANAGED INVESTMENT TRUST (MIT)

	Note	KWAP	
		2012 (RM'000)	2011 (RM'000)
Unit Holding			
At Cost:			
At 1 January		770,967	375,355
Add : Subscription Of Additional Units		-	623,026
Less : Issuance Of Loan	8	(386,976)	(251,207)
		383,991	747,174
Foreign Exchange Differences		(4,690)	23,793
At 31 December		379,301	770,967

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)**6.1 INVESTMENT IN KWAP MANAGED INVESTMENT TRUST (MIT) (continued)**

Details of investment in KWAP Managed Investment Trust (MIT) are as follow:

Name	Country Incorporated	Effective Ownership Interest		Principal Activities
		2012 %	2011 %	
KWAP Managed Investment Trust (KWAP MIT)*	Australia	100	100	Management of Investment Trust
Investment Trust by KWAP MIT				
737 Bourke Street Trust*	Australia	100	100	Property Rental
Bridge Street Trust*	Australia	100	100	Property Rental

* Not audited by Jabatan Audit Negara Malaysia

KWAP's initial investment in KWAP MIT was on 4 November 2010 whereby the main activity of KWAP MIT is the management of property investment trusts. As at 1 January 2012, the total units held by KWAP in KWAP MIT amounted to 239,416,000 units of AUD1.00 per unit and the total units held by KWAP MIT in two subtrusts being 737 Bourke Street Trust and Bridge Trust amounted to 120,538,000 units of AUD1.00 per unit and 196,878,000 units of AUD1.00 per unit respectively. On 22 February 2012, there was a reduction of KWAP's unit holding in KWAP MIT due to the issuance of a second loan to KWAP MIT of AUD120,000,000. As at 31 December 2012, the total units held by KWAP in KWAP MIT was 119,416,000 units of AUD1.00 per unit and total units held by KWAP MIT in the two subtrusts being 737 Bourke Street Trust and Bridge Street Trust amounted to 120,538,000 units of AUD1.00 per unit and 196,878,000 units of AUD1.00 per unit respectively.

6.2 INVESTMENT IN PRIMA EKUITI (UK) LIMITED

	KWAP	
	2012 (RM'000)	2011 (RM'000)
Unit Holding		
At Cost:		
At 1 January	-	-
Add : Subscription Of Additional Shares	242	-
	242	-
Foreign Exchange Differences	5	-
At 31 December	247	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)**6.2 INVESTMENT IN PRIMA EKUITI (UK) LIMITED (continued)**

Details of investment in Prima Ekuiti (UK) Limited are as follows:

Name	Country Incorporated	Effective Ownership Interest		Principal Activities
		2012 %	2011 %	
Prima Ekuiti (UK) Ltd. (Prima Ekuiti)*	United Kingdom	100	100	Fund Management Services

* Not audited by Jabatan Audit Negara Malaysia

KWAP's initial investment in Prima Ekuiti (UK) Limited was on 6 October 2011 of 2 ordinary shares of GBP1.00 per share whereby the purchase consideration was satisfied by cash. The main activity of Prima Ekuiti (UK) Limited is the provision of fund management services to KWAP in relation to KWAP's investment in United Kingdom's equity market. KWAP increased its investment in Prima Ekuiti on 31 January 2012 by 49,998 ordinary shares of GBP1.00 per share via capital injection. As at 31 December 2012, the total ordinary shares held by KWAP in Prima Ekuiti was 50,000 of GBP1.00 per share.

6.3 INVESTMENT IN PRIMA HARTA (JERSEY) UNIT TRUST

Unit Holding	KWAP	
	2012 (RM'000)	2011 (RM'000)
At Cost:		
As at 20 January	-	-
Add: Subscription Of Additional Units	981,734	-
	981,734	-
Foreign Exchange Differences	7,614	-
At 31 December	989,348	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

6.3 INVESTMENT IN PRIMA HARTA (JERSEY) UNIT TRUST (continued)

Details of investment in Prima Harta (Jersey) Unit Trust are as follows:

Name	Country Incorporated	Effective Ownership Interest		Principal Activities
		2012 %	2011 %	
Prima Harta (Jersey) Unit Trust (Prima Harta)*	Jersey	100	-	Management of Investment Trust
Investment Trust by Prima Harta				
Prima Harta (Jersey) Ltd*	Jersey	100	100	Holding Entity
10 Gresham Street Unit Trust*	Jersey	100	100	Property Rental

* Not audited by Jabatan Audit Negara Malaysia

On 20 January 2012, KWAP acquired 10 units of GBP1.00 per unit in Prima Harta (Jersey) Unit Trust whereby the main activity of Prima Harta is a holding entity for the purpose of KWAP's property investment in United Kingdom. KWAP increased its investment in Prima Harta on 27 September 2012 and 22 October 2012 by 10,000,000 units of GBP1.00 per unit and 190,100,000 units of GBP1.00 per unit respectively via Prima Harta's investment in 10 Gresham Street property. As at 31 December 2012, the total units held by KWAP in Prima Harta were 200,100,010 units of GBP1.00 per unit.

7. INVESTMENT IN ASSOCIATE

	GROUP		KWAP	
	2012 (RM'000)	2011 (RM'000)	2012 (RM'000)	2011 (RM'000)
At Cost:				
Unquoted Shares	16,670	16,670	16,670	16,670
Share Of Post-Acquisition Profit	2,526,844	2,141,533	-	-
Share Of Post-Acquisition Asset Revaluation Reserve	206,806	377,853	-	-
Share Of Post-Acquisition Non-Controlling Interest	4,928	1,679	-	-
	2,755,248	2,537,735	16,670	16,670
Less: Total Dividend Received	(333,396)	(183,368)	-	-
Share Of Net Asset	2,421,852	2,354,367	16,670	16,670

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

7. INVESTMENT IN ASSOCIATE (CONTINUED)

7.1 PERCENTAGE HOLDING AND FINANCIALS OF ASSOCIATE

Summary of financial information for associate, unadjusted by percentage ownership held by the Group:

2012	Country Incorporated	Effective Ownership Interest %	Principal Activities	Revenue 100% (RM'000)	Net Profit 100% (RM'000)	Total Assets 100% (RM'000)	Total Liabilities 100% (RM'000)
Valuecap Sdn Bhd	Malaysia	33.34	Investment in Listed Securities on Bursa Malaysia	1,917,972	1,156,162	7,543,959	280,061
2011	Country Incorporated	Effective Ownership Interest %	Principal Activities	Revenue 100% (RM'000)	Net Profit 100% (RM'000)	Total Assets 100% (RM'000)	Total Liabilities 100% (RM'000)
Valuecap Sdn Bhd	Malaysia	33.34	Investment in Listed Securities on Bursa Malaysia	2,318,376	1,695,614	12,252,715	5,190,941

8. LOANS TO SUBSIDIARIES

	GROUP		KWAP	
	2012 (RM'000)	2011 (RM'000)	2012 (RM'000)	2011 (RM'000)
At Cost At 1 Jan	-	-	251,176	-
Add: Issuance Of Loan	-	-	386,976	251,207
Unrealised (Loss) on Foreign Exchange	-	-	638,152 (9,229)	251,207 (31)
At 31 December	-	-	628,923	251,176

Loans to subsidiaries are denominated in Australian Dollar (AUD), unsecured, subject to an interest rate of 8% per annum and annual review as well as repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

9. TRADE DEBTORS

	GROUP		KWAP	
	2012 (RM'000)	2011 (RM'000)	2012 (RM'000)	2011 (RM'000)
Sales Of Shares	56,259	90,752	56,259	90,752
Dividend Income	5,395	6,743	5,395	7,534
Income From External Equity Fund Managers	219,679	300,278	219,679	300,278
Interest On Malaysian Government Securities	231,287	182,643	231,287	182,643
Income From External Bond Fund Managers	79,788	61,910	79,788	61,910
Interest On Private Debt Securities	162,487	62,126	162,487	62,126
Interest On Loans	129,334	97,309	129,334	97,309
Interest On Short Term Money Market	18,478	10,656	18,478	10,656
Interest On Fixed Deposit	9,275	65,820	9,275	65,820
Interest On Loans To Subsidiaries	-	-	-	12,442
Accrued Rental Income	(3,715)	447	-	-
	908,267	878,684	911,982	891,470

10. OTHER DEBTORS

	GROUP		KWAP	
	2012 (RM'000)	2011 (RM'000)	2012 (RM'000)	2011 (RM'000)
Income Tax Receivable	138,738	135,600	138,738	135,600
Investment Receivable*	7,254	7,254	7,254	7,254
Amounts Due From Subsidiaries	-	-	1,240	-
Miscellaneous	626	58	13	13
	146,618	142,912	147,245	142,867

* KWAP was awarded a settlement on the investment claim by the court from an asset management company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

11. DEPOSITS AND PREPAYMENTS

	GROUP		KWAP	
	2012 (RM'000)	2011 (RM'000)	2012 (RM'000)	2011 (RM'000)
Interest On Malaysian Government Securities	14,425	29,513	14,425	29,513
Interest On Private Debt Securities	6,346	-	6,346	-
Other Advances	26	209	26	594
Other Prepayments	335	278	335	278
Other Deposits*	1,697	1,490	1,479	1,490
Property Related Prepayments :				
Insurance	-	36	-	-
Property Expenses	1,554	734	-	-
	24,383	32,260	22,611	31,875

* There is no other contingent liability for KWAP for 2012 apart from the legal deposit of RM1,346,625 (2011 : RM1,346,625).

12. CASH AND CASH EQUIVALENTS

	GROUP		KWAP	
	2012 (RM'000)	2011 (RM'000)	2012 (RM'000)	2011 (RM'000)
Cash And Bank Balance	572,612	72,635	572,612	21,097
Deposits With Financial Institutions				
- Commercial Bank	2,996,499	10,766,534	2,996,499	10,766,535
- Islamic Bank	1,587,868	2,804,532	1,587,868	2,804,532
- Development Bank	1,750,000	1,490,000	1,750,000	1,490,000
- Investment Bank	960,000	1,888,739	960,000	1,888,739
Commercial Papers	49,560	-	49,560	-
Cash And Bank Balance Of Subsidiaries	71,375	-	-	-
	7,987,914	17,022,440	7,916,539	16,970,903

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

13. TRADE CREDITORS

	GROUP		KWAP	
	2012 (RM'000)	2011 (RM'000)	2012 (RM'000)	2011 (RM'000)
Fund Managers	-	3	-	3
Stock Brokers	285,326	384,050	285,326	384,050
International Equity Related Payables:				
Trade Creditors	13	-	-	-
Property Related Payables:				
Trade Creditors	1,099	121	-	-
Rental Incentive	2,071	7,377	-	-
Reimbursement To Tenants	-	282	-	-
Property Fittings	105	-	-	-
	288,614	391,833	285,326	384,053

14. OTHER CREDITORS

	GROUP		KWAP	
	2012 (RM'000)	2011 (RM'000)	2012 (RM'000)	2011 (RM'000)
Advance Rental	12,400	-	-	-
Goods And Services Tax Payable	1,370	-	-	-
Value Added Tax Payable	5,097	1,356	1,787	-
Others	3,447	455	-	455
	22,314	1,811	1,787	455

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

15. ACCRUED EXPENDITURES

	GROUP		KWAP	
	2012 (RM'000)	2011 (RM'000)	2012 (RM'000)	2011 (RM'000)
Provision For Bonus	12,400	8,000	12,400	8,000
Provision For Services	1,766	2,138	1,048	2,138
Provision For Fund Managers' Fees	9,889	9,438	9,889	9,438
Provision For Custodian's Fees	670	213	670	213
Provision For Tax	46	-	-	-
Property Related Expenditures:				
Property Acquisition Cost	3,071	3,575	-	-
Due Diligence Cost	2,018	539	-	-
Other Expenditures	274	2,256	-	-
	30,134	26,159	24,007	19,789

16. ALLOCATION OF STATUTORY FUNDS

	GROUP		KWAP	
	2012 (RM'000)	2011 (RM'000)	2012 (RM'000)	2011 (RM'000)
At 1 January	19,601,944	18,101,944	19,601,944	18,101,944
Add: Allocation For Current Year	1,500,000	1,500,000	1,500,000	1,500,000
At 31 December	21,101,944	19,601,944	21,101,944	19,601,944

17. PENSION CONTRIBUTIONS

	GROUP		KWAP	
	2012 (RM'000)	2011 (RM'000)	2012 (RM'000)	2011 (RM'000)
Contribution From Statutory Bodies, Local Authorities And Other Agencies	8,060,550	7,234,260	8,060,550	7,234,260
Contribution From Government's Share, Gratuities And Other Deductions	27,049,674	25,203,910	27,049,674	25,203,910
	35,110,224	32,438,170	35,110,224	32,438,170

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

17. PENSION CONTRIBUTIONS (CONTINUED)

17.1 Contributions From Statutory Bodies, Local Authorities And Other Agencies

KWAP receives monthly contributions for permanent employees with pensionable status from their respective employers such as Statutory Bodies, Local Authorities and Agencies. Contributions made are based on 17.5% of the basic monthly salary of the employees.

GROUP AND KWAP	Accumulated Contribution 01/01/2012 (RM'000)	Receipts 2012 (RM'000)	Balance 31/12/2012 (RM'000)	Accumulated Contribution 01/01/2011 (RM'000)	Receipts 2011 (RM'000)	Balance 31/12/2011 (RM'000)
Statutory Bodies	5,686,679	665,827	6,352,506	5,146,901	539,778	5,686,679
Local Authorities	1,471,939	153,120	1,625,059	1,344,005	127,934	1,471,939
Other Agencies	78,031	7,463	85,494	69,900	8,131	78,031
	7,236,649	826,410	8,063,059	6,560,806	675,843	7,236,649
Less: Repayment Of Claims	(2,389)	(120)	(2,509)	(2,319)	(70)	(2,389)
	7,234,260	826,290	8,060,550	6,558,487	675,773	7,234,260

17.2 Receipts Of Government's Portion

Contribution from Government's portion, gratuities and other deductions remitted to KWAP upon any withdrawals made by public officers under the Pensionable Employees Withdrawal Scheme were as follows:

GROUP AND KWAP	Accumulated Contribution 01/01/2012 (RM'000)	Receipts 2012 (RM'000)	Balance 31/12/2012 (RM'000)	Accumulated Contribution 01/01/2011 (RM'000)	Receipts 2011 (RM'000)	Balance 31/12/2011 (RM'000)
KWSP	19,969,481	1,443,007	21,412,488	18,512,832	1,456,649	19,969,481
KWSG	146,643	5	146,648	146,613	30	146,643
KWSG - Sabah	12,479	-	12,479	13,236	(757)	12,479
LTAT	4,299,120	366,599	4,665,719	3,956,755	342,365	4,299,120
SESCO	45,309	-	45,309	45,309	-	45,309
JPA	792,207	38,972	831,179	736,059	56,148	792,207
Others	30,575	6,455	37,030	29,321	1,254	30,575
	25,295,814	1,855,038	27,150,852	23,440,125	1,855,689	25,295,814
Less: Repayment of Claims	(91,904)	(9,274)	(101,178)	(78,769)	(13,135)	(91,904)
	25,203,910	1,845,764	27,049,674	23,361,356	1,842,554	25,203,910

KWSP refers to the Employees Provident Fund, KWSG refers to the Kumpulan Wang Simpanan Guru, LTAT refers to the Armed Forces Fund Board, SESCO refers to the Sarawak Electricity Supply Corporation and JPA refers to the Public Service Department of Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

18. DEFERRED INCOME

Deferred income is in relation to the grant received from the government utilised for the purpose of fixed asset purchases.

	GROUP		KWAP	
	2012 (RM'000)	2011 (RM'000)	2012 (RM'000)	2011 (RM'000)
Deferred Income	1,094	1,945	1,094	1,945
Less: Amortisation Of Deferred Income	(734)	(851)	(734)	(851)
Deferred Income After Amortisation	360	1,094	360	1,094

19. GROSS INVESTMENT INCOME

	GROUP		KWAP	
	2012 (RM'000)	2011 (RM'000)	2012 (RM'000)	2011 (RM'000)
Gain On Disposal Of Shares	1,748,095	1,090,911	1,748,095	1,090,911
Share Dividends	845,442	753,841	995,470	804,643
Tax Claim On Dividends	65,500	72,421	65,500	72,421
Income From External Fund Managers	396,243	361,859	396,243	361,859
Interest On Malaysian Government Securities	874,394	765,130	874,394	765,130
Profit On Sale Of Malaysian Government Securities	193,831	197,996	193,831	197,996
Profit On Sale Of Private Debt Securities	38,250	55,574	38,250	55,574
Interest On Private Debt Securities	642,793	473,546	642,793	473,546
(Amortisation Of Investment Premium)	(59,507)	(23,310)	(59,507)	(23,310)
Income From Private Equity Fund Investments	21,518	13,516	21,518	13,516
Interest On Loans	457,688	383,288	457,688	383,288
Interest On Loans To Subsidiaries	-	-	45,875	12,321
Interest On Deposits	331,912	455,206	331,912	455,206
Interest On Bank Balances	602	450	602	450
Property Rental Income	102,561	33,634	-	-
	5,659,322	4,634,062	5,752,664	4,663,551

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

20. OPERATING EXPENDITURES

	GROUP		KWAP	
	2012 (RM'000)	2011 (RM'000)	2012 (RM'000)	2011 (RM'000)
Salaries And Allowances	27,753	18,977	26,881	18,977
Contributions To EPF	4,722	2,929	4,722	2,929
Contributions To SOCSO	87	72	87	72
Services And Supplies	45,738	31,345	38,147	28,329
Management Aid	93	84	1,811	84
Depreciation On Property And Equipment	35,511	14,697	2,345	1,997
Loss On Disposal Of Fixed Assets	32	-	32	-
(Gain) On Foreign Currency Exchange	(11,220)	(8,616)	(11,204)	(8,616)
Property Related - Operating Expenditures	20,812	6,289	-	-
Property Impairment	14,671	-	-	-
	138,199	65,777	62,821	43,772

Total number of KWAP's employees stood at 175 employees as at 31 December 2012 (2011 : 152).

21. CAPITAL COMMITMENT

GROUP AND KWAP	2012 (RM'000)	2011 (RM'000)
Contracted	1,077	2,787
Work In Progress	(1,077)	(2,787)
Contracted But Not Accounted For In The Financial Statements	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

22. COMPARATIVE FIGURES

Certain comparative figures were reclassified to reflect the changes in the composition of the Private Debt Securities and Malaysian Government Securities portfolios as well as the Cash and Bank balances which are as follows:

GROUP AND KWAP 2011	As Previously Reported (RM '000)	As Reclassified (RM '000)
Note 5 - Investments		
Malaysian Government Securities (Amortisation of Premium)	16,544,437 (74,502)	18,389,605 (61,042)
	<hr/> 16,469,935	<hr/> 18,328,563
Private Debt Securities Accretion Of Discount	11,458,723 79,731	9,613,555 66,271
	<hr/> 11,538,454	<hr/> 9,679,826
Note 9 - Trade Debtors		
Interest on Malaysia Government Securities	198,534	231,287
Interest on Private Debt Securities	195,672	162,487
Note 19 - Gross Investment Income		
Interest On Malaysian Government Securities	684,144	765,130
Interest On Private Debt Securities	554,532	473,546
Profit On Sale Of Malaysian Government Securities	197,845	197,996
Profit On Sale Of Private Debt Securities	55,725	55,574
	<hr/>	<hr/>
	As Previously Reported (RM '000)	As Reclassified (RM '000)

**GROUP
2011****Note 12 - Cash and Cash Equivalents**

Cash and Bank Balance	72,494	72,635
Deposits with Financial Institutions - Bank Negara Malaysia	141	-

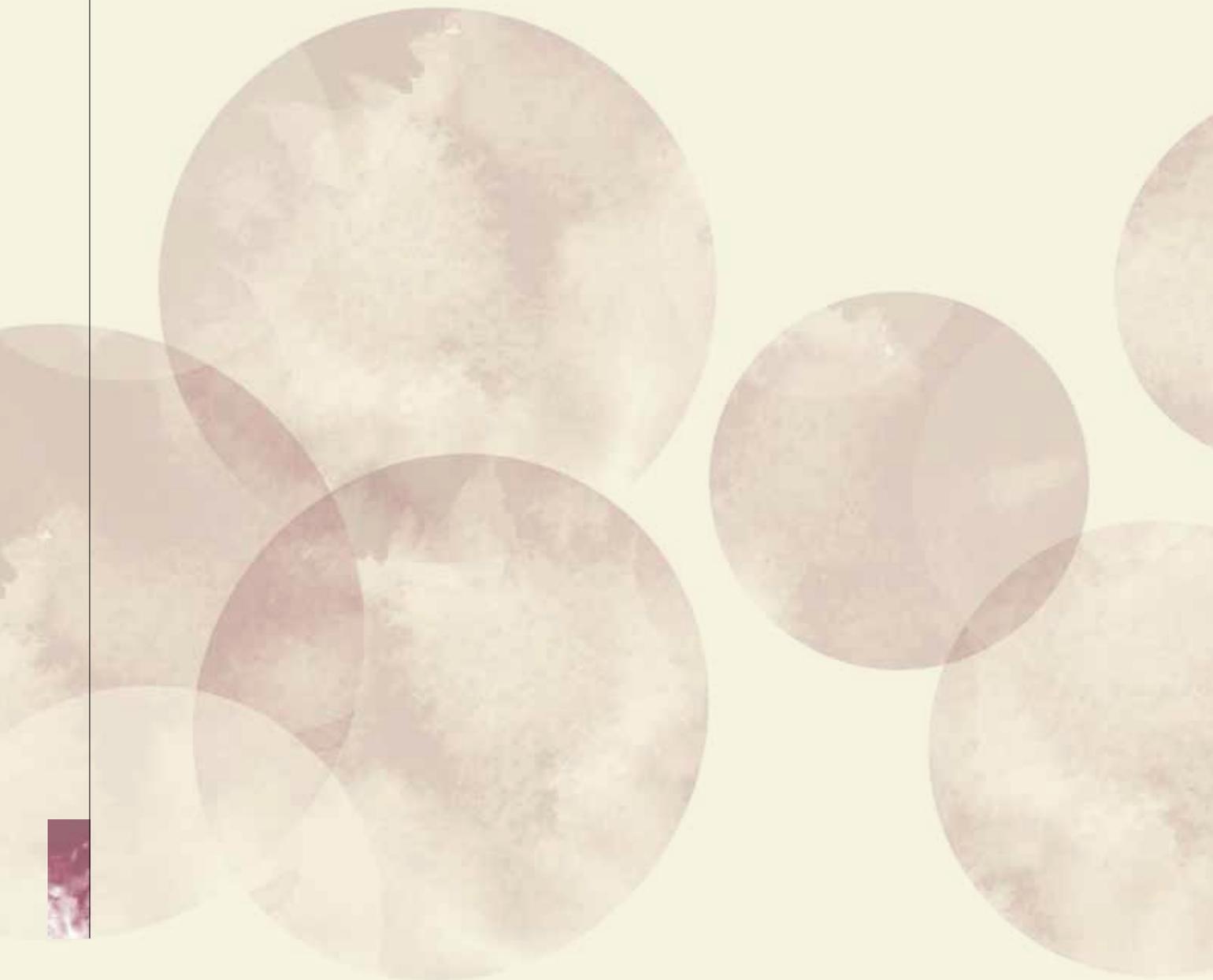
**KWAP
2011****Note 12 - Cash and Cash Equivalents**

Cash and Bank Balance	20,956	21,097
Deposits with Financial Institutions - Bank Negara Malaysia	141	-

Section X

APPENDIX

165 Glossary of Terms



GLOSSARY OF TERMS

AC

Audit Committee

An Audit Committee is a Board level committee charged with oversight of financial reporting and disclosure. Committee members are drawn from members of the Board, with a Chairperson selected from among the committee members.

BNM

Bank Negara Malaysia

Bank Negara Malaysia or BNM is the Malaysian central bank. Established on 26 January 1959 as the Central Bank of Malaya (Malay: Bank Negara Tanah Melayu), its main purpose was to issue currency, act as banker and adviser to the Government of Malaysia and regulate the country's credit situation.

BCP

Business Continuity Plan

Business Continuity Planning is the outcome of a BCM process and defines how the organisation will react in the aftermath of a crisis or disaster.

BCM

Business Continuity Management

Business Continuity Management is a management process that identifies potential event that threaten an operation and provides a framework for building resilience and the capability for an effective response which safeguards the interests of its key stakeholders, and ensure business continuity in the aftermath of expected disaster.

CCS

Cross Currency Swap

An agreement between two parties to exchange interest payments and principal on loan denominated in two different currencies.

CRP

Corporate Risk Profile

Corporate Risk Profile is a reporting tool that summarises the key risk faced by a corporation or enterprise in order of severity of impact and probability of occurrence.

CSR

Corporate Social Responsibility

Corporate Social Responsibility is a form of corporate self-regulation integrated into a business model. The goal of CSR is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, employees, communities, stakeholders and all other members of the public sphere.

DR

Disaster Recovery

Disaster Recovery is the process, policies and procedures related to preparing for recovery or continuation of technology infrastructure critical to an organisation after a natural or human-induced disaster. Disaster recovery is a subset of business continuity. While business continuity involves planning for keeping all aspects of a business functioning in the midst of disruptive events, disaster recovery focuses on the IT or technology systems that support business functions.

EM

Emerging Market

Emerging Markets are nations with social or business activity in the process of rapid growth and industrialisation. As at 2010, more than 40 emerging markets in the world, with the economies of China and India considered to be the largest.

EPF

Employees Provident Fund

Employees Provident Fund or EPF, known as Kumpulan Wang Simpanan Pekerja. The Malaysian EPF was formally founded after the enactment of the Employees Provident Fund Act 1991 (Act 452), which grants employees retirement benefits via a body that is intended to manage their savings.

GLOSSARY OF TERMS

ERM

Enterprise Risk Management

Enterprise Risk Management (ERM) in business includes the methods and processes used by organisations to identify, assess and manage risks related to the organisation and its goals.

GCSP

Global Custodial Service Provider

A Global Custodial Service Provider, usually a bank or non bank financial institution, processes cross-border securities trades, keeps financial assets safe and services the associated portfolios.

GDP

Gross Domestic Product

Gross Domestic Product (GDP) refers to the market value of all goods and services produced within a country in a given period. It is often considered an indicator of a country's standard of living.

GII

Government Investment Issue

HR

Human Resource

Human Resource is also the name of the function within an organisation charged with the overall responsibility for implementing strategies and policies relating to the management of staff.

HRM

Human Resource Management

Human Resource Management is the strategic and coherent approach to the management of an organisation's most valued assets – the people working there who individually and collectively contribute to the achievement of the objectives of the business.

ICP

Incident Communication Plan

Incident Communication Plan is crafted to provide a structured communications plan for an organisation when faced with a crisis or an incident where time and resources are limited. It functions as a guide to follow through during a crisis or an incident to ensure that crucial or critical information is communicated to relevant parties, efficiently and effectively in a timely manner.

ICT

Information and Communication Technology

Information and Communication Technology consists of all technical means used to handle information and aid communication, including computer and network hardware, communication middleware as well as necessary software.

IDP

Individual Development Program

The IDP is one of the initiatives introduced in 2010 which is aimed towards developing our internal talent and accelerating their career progression through programs such as Talent Exchange Program (TEX), Cross Fertilization Program and Job Rotation Program.

IFIMS

Integrated Fund Investment Management System

IMP

Incident Management Plan

IPG

Investment Policy and Guidelines

Investment Policy and Guidelines to clearly communicate to all relevant parties the procedures, investment philosophy, guidelines and constraints to be adhered to by the parties.

IRS

Interest Rate Swap

IRS is an exchange of one set of cash flows (based on internet rate specifications) for another. It is often an exchange of a fixed payment for a floating payment that is linked to interest rate.

GLOSSARY OF TERMS

IT**Information Technology**

Information technology is the acquisition, processing, storage and dissemination of vocal, pictorial, textual and numerical information by a microelectronics-based combination of computing and telecommunications.

KWAP**Kumpulan Wang Persaraan (Diperbadankan)**

Kumpulan Wang Persaraan (Diperbadankan) was formed on 1 March 2007 to replace the Pension Trust Fund.

KWSG

Kumpulan Wang Simpanan Guru

LTAT**Armed Forces Fund Board**

Armed Forces Fund Board or Lembaga Tabung Angkatan Tentera, better known as LTAT, was established in August 1972 by an Act of Parliament.

MGS

Malaysian Government Securities

MOF

Ministry of Finance

MPC

Monetary Policy Committee

MSWG

Minority Shareholder Watchdog Group

NEM**New Economic Model**

New Economic Model is an economic plan in Malaysia unveiled on 30 March, 2010 which is intended to more than double the per capita income in Malaysia by 2020. It aims to shift affirmative action from being ethnically-based to being need-based hence becoming more competitive, market and investor friendly.

OPR**Overnight Policy Rates**

Overnight Policy Rates is an overnight interest rate set by BNM used for monetary policy direction. It is the target rate for the day-to-day liquidity operations of the BNM.

ORE**Operational Risk Event**

Operational Risk Event are event that arises from a failure of the people, systems and processes in an organisation.

PDS

Private Debt Securities

PSD

Public Service Department

RENTAS

Real Time Electronic Transfer of Funds and Securities

RMC**Risk Management Committee**

Risk Management Committee is a Board level committee consisting of Board members that carries out the risk oversight role in an organisation.

RMCD**Risk Management and Compliance Department**

Risk Management and Compliance Department is a department entrusted to manage the risk of organisation and ensure compliance within the organisation.

ROI**Return On Investment**

Return On Investment is the ratio of realized income gained or lost against the average fund size (at cost) for the year.

SAA**Strategic Asset Allocation**

The primary goal of a strategic asset allocation is to create an asset mix that will provide the optimal balance between expected risk and return for a long-term investment horizon.

SDL**Single Depositor Limit**

Limit as to the maximum an organisation is allowed to place a deposit with a single deposit taking institution e.g: banks.

GLOSSARY OF TERMS

SOCSO

Social Security Organisation

SOCSO's function includes registration of employer and employee, collecting contribution, processing benefit claims and makes payment to the injured worker and their dependents. SOCSO also provide vocational and physical rehabilitation benefits and enhance occupational safety and health awareness of workers.

the Study

Pension Liability Study

A joint study conducted between KWAP, MOF and PSD to identify options available for KWAP to assist the Federal Government of Malaysia in funding its future pension liability.

TAA

Tactical Asset Allocation

It is a method in which an investor takes a more active approach that tries to position a portfolio into those assets, sectors, or individual stocks that show the most potential for gains.

TE

Tracking Error

Tracking Error measures the deviation of excess return of a portfolio over the benchmark.

TEx Program

Talent Exchange Program

The TEx Program is developed with the objective of providing KWAP talents with an opportunity to enhance and develop their technical and leadership skills as well as provide them with an avenue to experience and learn different cultures through attachment and secondment programs to GLC/GLIC/Government/MNCs and vice versa.

TWRR

Time Weighted Rate of Return

Time Weighted Rate of Return is a measure of return based on changes in values of investments over a specific time period.

VaR

Value at Risk

A risk metric used to estimate the quantum of loss to a portfolio over a given probability value with a pre defined period.



2007 Annual Report



2008 Annual Report



2009 Annual Report



2010 Annual Report



2011 Annual Report



webportal : <http://www.kwap.gov.my>



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