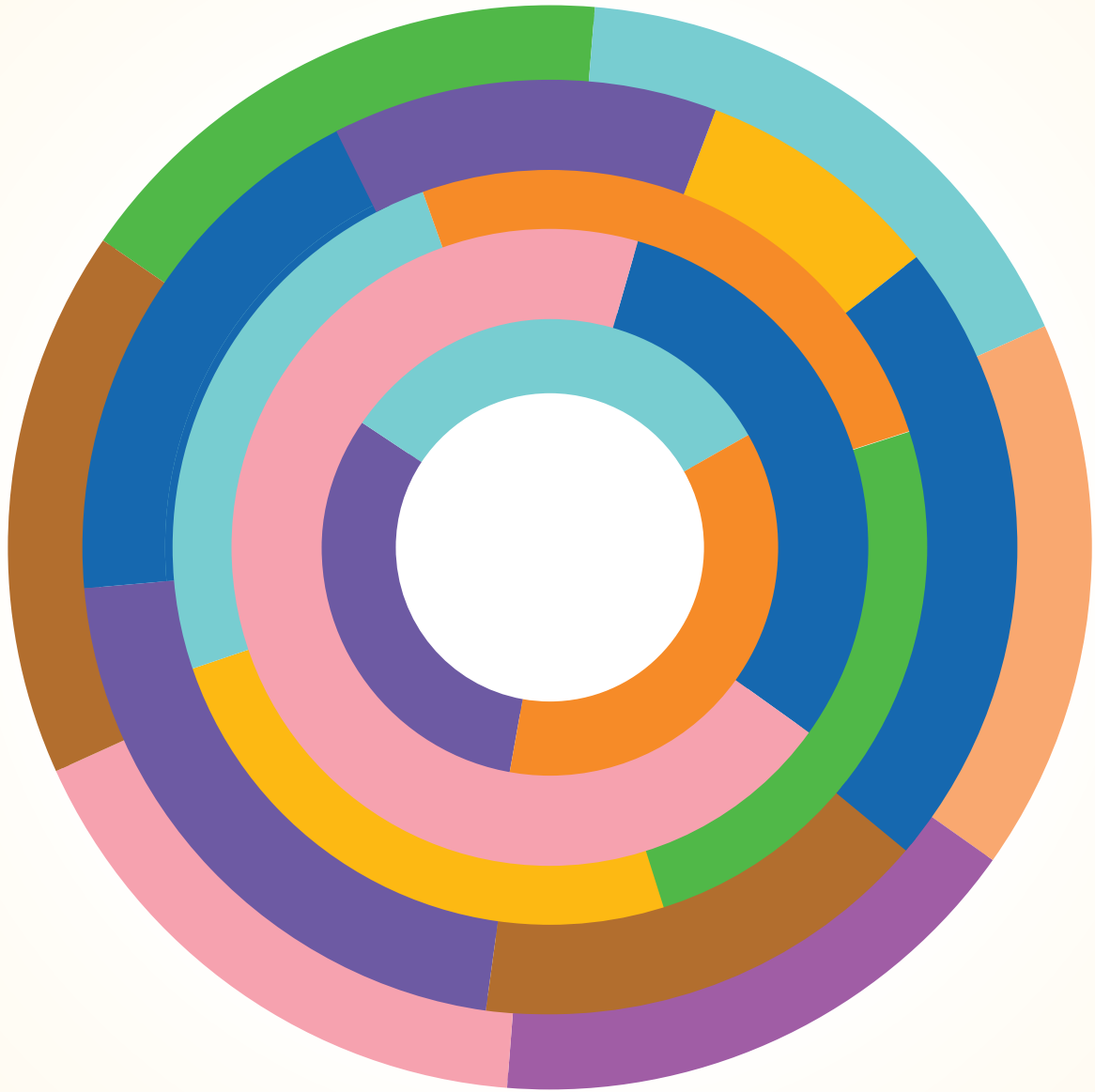




INITIATING...



A NEW CYCLE



INITIATING... A NEW CYCLE

As the journey continues, we reflect on our achievements in the previous cycle and look towards a new cycle, building on the current strength of our foundations to realise even more potential and to grow a sustainable future for our business, our stakeholders and our beneficiaries.

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, subur 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

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SECTION

01



CORPORATE OVERVIEW

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CORPORATE PROFILE

OUR VISION

A high performing fund assuring sustainable pension benefit

OUR 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 Investment Policies and Guidelines (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 and monitor investments | Manage members' accounts | Manage financial administration and payment |
| Pensionable Civil Service | Treasury Calculates financial impact and approves policies | Handles contributions from employers only |  KWAP <small>Kumpulan Wang Pensaraan (Diperbadankan) RETIREMENT FUND INCORPORATED</small> |  JPA | Calculates pension, gratuities, cash award and other benefits | Manages retirement benefit payment |
| | PSD Develops and reviews policy | | | | | |
| Armed Forces | MINDEF Develops and reviews policy | LTAT <ul style="list-style-type: none"> Collects contribution from armed forces personnel and 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 and 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.

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 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 2013

'07

- 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 Core Values
- Launched Leadership Series, Golden Hour Series and corporate website

'08

- Redefined Core 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 and 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

'09

- 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

410

- 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

- 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
- 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

‘11

- 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 and 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

‘12

- 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 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

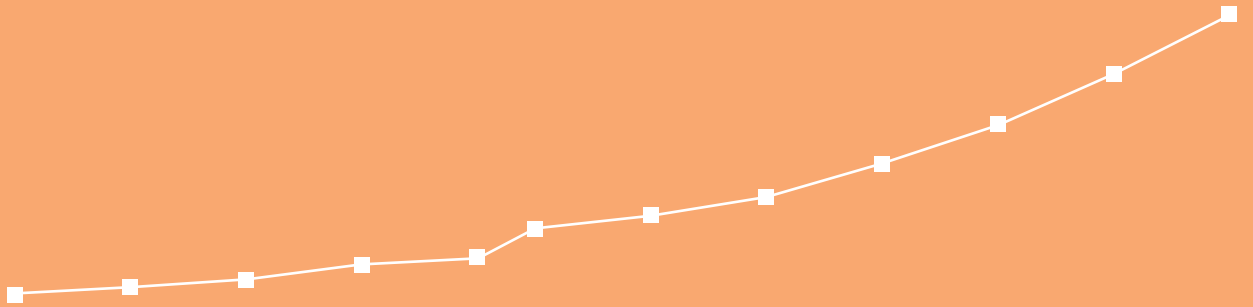
'13

- 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]
- Initiated planning work for proposed takeover of Post Service Division, Public Service Department
- Engaged with Ministry of Finance to address the sustainability of Government's contributions to KWAP
- Increased International Asset Allocation to 9.45% of total fund size utilised for international investments
- Invested in four (4) international Private Equity funds
- Purchased three (3) properties abroad, one (1) in UK and two (2) in Australia:
 - 88 Wood Street, London
 - 747 Collins Street, Melbourne
 - 179 Turbot Street, Brisbane
- Invested USD100 million in Malaysian Sovereign Dollar Bond
- Established dedicated market intelligence and strategy section under the Macro Unit within Portfolio Strategy Department
- Introduced Foreign Exchange Policy and Hedging Guidelines
- Set up capabilities for internal team to invest directly into regional fixed income instruments
- Completed certification process for Information Security Management System based on ISO/IEC 27001:2005 standards
- Expanded ISO 9001:2008 Quality Management System to include contribution management function
- Launched and operationalised Integrated Contribution Management System (ICMS) with 230 (out of 505) employers registered under the system
- Established an initial fund of RM300 million to invest in small capital domestic stocks
- Developed foundation to achieve KWAP's Long Term Investment Objectives:
 - Conceptualised KWAP's Investment Beliefs
 - Established KWAP's Investment Risk Framework
- Enhanced market risk management with the implementation of the Risk Performance Strategy System (RPSS)
- Launched KWAP Young Talent Career Acceleration Program

YEAR 2013 AT A GLANCE

TOTAL FUND SIZE

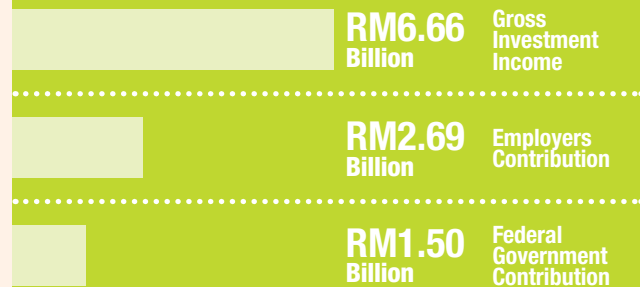
RM99.92
billion



Total fund
size grew by

12.61%

SOURCE OF FUND

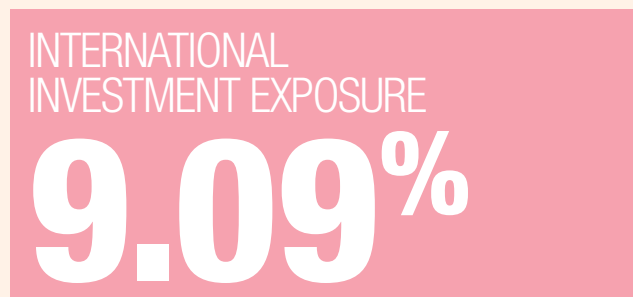
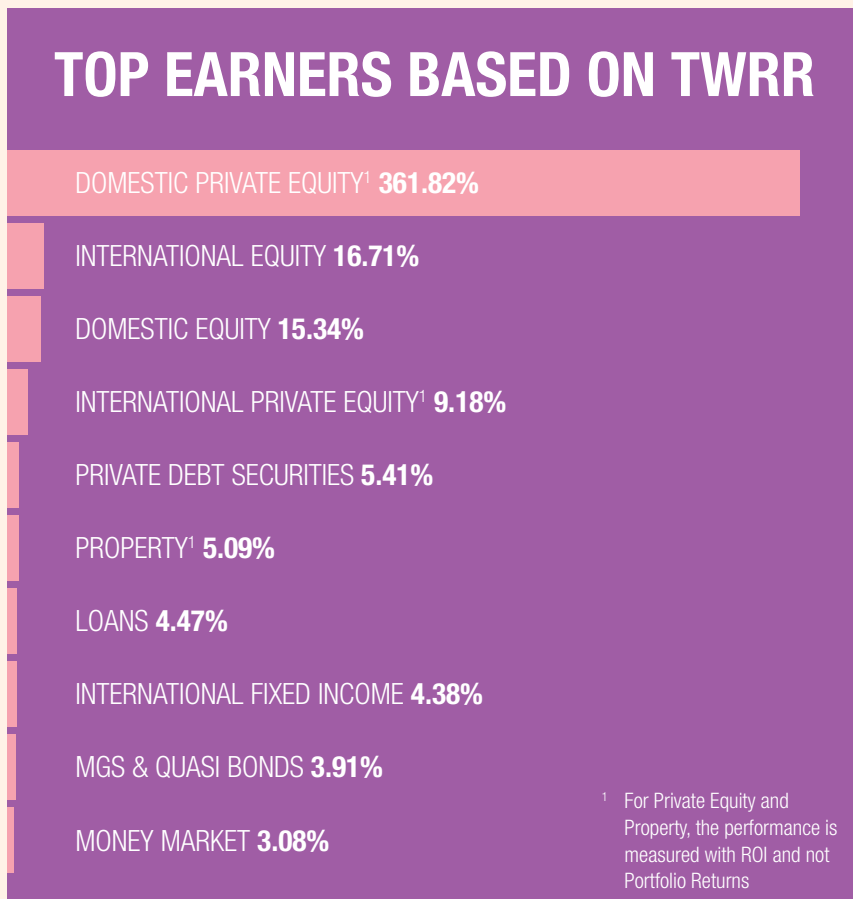
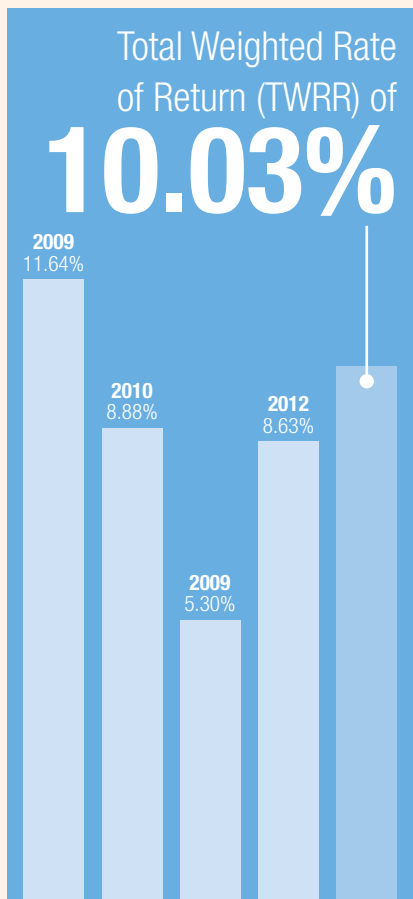


NET RETURN ON
INVESTMENT

6.97%

GROSS RETURN ON
INVESTMENT

7.05%



5-YEAR FINANCIAL RESULTS SUMMARY

| | 2009 (1 Jan-31 Dec) | 2010 (1 Jan-31 Dec) | 2011 (1 Jan-31 Dec) | 2012 (1 Jan-31 Dec) | 2013 (1 Jan-31 Dec) | Average (2009-2013) |
|--------------------------------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Fund Size at Cost | | | | | | |
| (RM Billion) | 61.50 | 70.52 | 78.93 | 88.73 | 99.92 | 79.92 |
| Growth Per Annum (%) | 18 | 15 | 12 | 12 | 13 | 14 |
| Income and Expenses (RM) | | | | | | |
| Gross Investment Income (Billion) | 3.24 | 4.62 | 4.66 | 5.75 | 6.66 | 4.99 |
| Operating Expenses (Million) | 25.63 | 40.07 | 43.77 | 62.82 | 94.98 | 53.45 |
| Net Investment Income (Billion) | 5.70 | 4.85 | 4.30 | 5.69 | 6.57 | 5.42 |
| Income and Expenses (%) | | | | | | |
| Gross Return on Investment (Gross ROI) | 5.62 | 7.07 | 6.30 | 6.84 | 7.05 | 6.58 |
| Accounting Rate of Return (Net ROI) | 10.04 | 7.34 | 5.75 | 6.79 | 6.97 | 7.37 |
| Operating Expenditure to Gross Income | 0.79 | 0.87 | 0.94 | 1.09 | 1.42 | 1.01 |
| Operating Expenditure to Average Fund | 0.05 | 0.06 | 0.06 | 0.08 | 0.10 | 0.07 |
| Return and Risk (%) | | | | | | |
| Time Weighted Rate of Return | 11.64 | 8.88 | 5.30 | 8.63 | 10.03 | NA |
| Volatility | 2.64 | 1.97 | 3.80 | 2.86 | 3.15 | NA |
| Contribution (RM Billion) | | | | | | |
| Pension Contribution | 2.67 | 3.18 | 2.52 | 2.67 | 2.70 | 2.75 |
| Federal Contribution | 1.10 | 1.00 | 1.50 | 1.50 | 1.50 | 1.32 |
| Investment Portfolio Composition at cost (RM Billion) | | | | | | |
| Domestic | | | | | | |
| Equity | 16.16 | 16.08 | 23.73 | 27.37 | 29.00 | 22.41 |
| Private Debt Securities and Loan | 18.16 | 17.74 | 16.42 | 25.72 | 28.63 | 21.33 |
| Malaysian Government Securities and Quasi Bonds | 14.72 | 15.64 | 18.04 | 22.01 | 25.55 | 19.19 |
| Money Market Deposits | 11.69 | 18.31 | 16.97 | 7.80 | 7.16 | 12.39 |
| Private Equity | 0.52 | 0.43 | 0.43 | 0.43 | 0.82 | 0.53 |
| International | | | | | | |
| Equity | NA | 0.63 | 0.81 | 1.89 | 2.96 | 1.48 |
| Fixed Income | NA | NA | 1.02 | 1.54 | 1.66 | 0.84 |
| Property | NA | 0.38 | 1.00 | 1.99 | 4.07 | 1.49 |
| Management of Fund | | | | | | |
| Internally Managed (%) | 95.25 | 94.69 | 92.60 | 91.06 | 88.13 | NA |
| Externally Managed (%) | 4.75 | 5.31 | 7.40 | 8.94 | 11.87 | NA |
| Number of Contributing Employers | 538 | 568 | 601 | 613 | 505 | NA |
| Number of Members | 121,572 | 128,384 | 134,055 | 145,855 | 160,560 | NA |
| Number of KWAP's Employees | 108 | 126 | 152 | 175 | 207 | NA |
| Income Per Employee (RM Million) | 30.33 | 36.25 | 30.68 | 32.87 | 32.29 | NA |

Note: Figures are based on KWAP level performance.

MESSAGE FROM THE CHAIRMAN

TAN SRI DR MOHD IRWAN SERIGAR ABDULLAH
Chairman



Asian equity markets faced a challenging year in 2013, buffeted by external forces such as the emergence in May of the possibility of a scale-back in the ongoing US quantitative easing program in the coming months. In addition, parts of Asia such as India and Indonesia saw concerns over twin deficit issues and currencies that were subjected to global sell-offs with resultant depreciation pressures.

Overall, Asian equity markets underperformed most of the major global indices for 2013, with the MSCI Asia Pacific Ex-Japan index up only 0.5% for the year. In comparison, MSCI Japan recorded an impressive 52% gain, while MSCI US was up 41% and MSCI Europe was up more than 16%.

The global economy also saw difficulties in the first half of 2013 with a struggling recovery in the US, stagnation concerns continuing to prevail in Japan, and fears of a slowdown in China. As such, the Malaysian economy grew at a lower than expected rate of 4.2% during the first six months of 2013. Thankfully, the economy turned around in the latter half of the year to rebound to 5.0% in the third quarter of 2013.

Such a difficult regional environment underscored the strength of the performance by KWAP this year, achieved as it was in the context of a volatile and unpredictable global backdrop consisting of various competing forces in the major developed markets.

The KLCI managed to outperform the MSCI Asia ex-Japan benchmark, even as domestically, the year was filled with overhang and uncertainties such as current account issues, the Fitch downgrade of the country's sovereign credit rating outlook and related fiscal concerns.

FINANCIAL PERFORMANCE

Amidst the continuing economic uncertainties, I am proud to announce that KWAP has delivered an excellent performance in 2013. KWAP achieved a Gross Return on Investment (ROI) of 7.05%, surpassing 2012's ROI of 6.84%. This is an increase in absolute returns of RM0.91 billion or 16% year-on-year, generating an amount of RM6.66 billion in 2013 compared to the preceding year of RM5.75 billion.

More importantly, over a span of seven (7) years, KWAP has managed to sustain the average gross ROI of not less than 6.0% annually.

In addition, KWAP's fund size grew by another 12.61% in 2013 to RM99.92 billion as at 31 December 2013 compared with RM88.73 billion the year before. Achieving sustainable asset growth is of utmost importance to enable KWAP to effectively manage its future liabilities. Indeed, in the past seven (7) years, KWAP's fund size continues to grow by an average growth rate of 13% per annum, a feat that is remarkable in light of the global economic events of the last few years including a Global Financial Crisis, European sovereign debt crisis, Great Recession and US subprime mortgage crisis.

FACTS

Gross Return on Investment (ROI) of
7.05%

Fund size grew by another
12.61%

in 2013 to
RM99.92
billion

as at 31 December 2013

NEW STRATEGIC ASSET ALLOCATION

An important milestone for KWAP's investment in 2013 is the newly approved Strategic Asset Allocation (SAA). Under the new SAA, Ministry of Finance (MOF) approved the increase of international asset allocation from the current end state rate of 10% to its new end state of 19%. The increase includes investments in equity from 3% to 6%, fixed income securities from 2% to 5%, real estate from 3% to 6% and private equity from 1% to 2%. This will see KWAP exploring further into international grounds in the year 2014 to gain the most out of its international allocation.

PENSION LIABILITY

In 2013, KWAP collaborated with MOF to commission a Pension Funding Study to address the sustainability of Government's contribution to KWAP by exploring alternative funding options. The study entails eight (8) initiatives and out of these, five (5) are already ongoing and led by KWAP. These initiatives includes ensuring KWAP's ability to deliver sustainable Return on Investment (ROI), explore the possibility of increasing the current rate of 17.5% contribution rate from Statutory Bodies and Local Agencies to KWAP, transfer of suitable MOF (Incorporated) companies which offer synergies with KWAP's future expansion plan and transfer of suitable Government land which is in line with KWAP's plan to venture into property development.

One of the giant leaps taken by KWAP in the pension liability study is its preparation to takeover the Post Service Division, Public Service Department. It will enable KWAP to evolve into a full fledged pension fund and allow KWAP to introduce new value-added services and products for pensioners hence improve their livelihood. I am pleased to note that the legal review and development of project integration and transformation plan pertaining the takeover commenced in the third quarter of 2013.

INTEGRATED CONTRIBUTION MANAGEMENT SYSTEM

The year 2013 also saw the successful completion of the Integrated Contribution Management System (ICMS). The ICMS was launched in July by the Finance Minister II, YB Dato' Seri Ahmad Husni bin Mohamed Hanadzlah. As a testimony to KWAP's commitment to deliver better services to employers, 48 workshops have been

conducted throughout Malaysia, including employers in Sabah and Sarawak. To date, over 40% of contributors have opted to utilise the system.

GOING FORWARD

Looking ahead to 2014, resilient domestic demand should continue to drive GDP growth in Malaysia, with the impetus for growth coming from private spending. With consumption leading the way, this should continue to support the level of growth rate. Meanwhile, surrounded by an improving global backdrop, a recovery in exports should add to the overall momentum, having turned around to move back into positive territory in the third quarter of 2013 amid signs of recovery among the developed economies. Overall, the strong fundamentals and potentially better external outlook should see Malaysia successfully meet the official target of 5.0% to 5.5% GDP growth for this year.





CLOSING STATEMENT

I am delighted to present KWAP's excellent set of results which are all the more impressive in view of the formidable economic and market conditions during the year. On behalf of the board, I would like to take this opportunity to express my heartfelt gratitude to Dato' Azian Mohd Noh, who served KWAP from its Accountant General Office days since 1991, up to its 7th year of incorporation as the Chief Executive Officer, before retiring in March.

On that note, I would also like to congratulate and welcome Wan Kamaruzaman Wan Ahmad to the KWAP family with hope that he will steward KWAP to higher grounds with his wisdom and leadership skills.

Not forgetting the backbone of KWAP, the dedicated senior management team as well as all employees of KWAP for their continuous effort and loyal services for bringing KWAP to where it is today.

While it is likely that 2014 will bring with itself a new raft of challenges to be met, I believe that with the diversification of strategies through asset classes, geographical exposure and talent pool that has been put forward as well as due consideration given to risk factors, KWAP will stay focused on its goal and succeed in achieving its objectives.

| FACTS ON NEW INTERNATIONAL SAA | |
|--------------------------------|----------------------------------------------------------------------------------------|
| Equity | 6%  |
| Fixed Income | 5%  |
| Real Estate | 6%  |
| Private Equity | 2%  |

The strong fundamentals and potentially better external outlook should see Malaysia successfully meet the official target of **5.0% to 5.5%** GDP growth for this year.

018 **MESSAGE FROM
THE CHIEF EXECUTIVE OFFICER**

WAN KAMARUZAMAN WAN AHMAD
Chief Executive Officer



INTRODUCTION

Overall, 2013 was undoubtedly a challenging year. But in the event, we took it in our stride and managed to achieve further progress as well as positive results within the investment sphere.

FINANCIAL PERFORMANCE

2013 proved to be an eventful year for markets and economies worldwide. The developed markets showed strong gains particularly in the second half of the year, while the emerging markets bore the brunt of volatile capital flows that reflected changing risk appetites on the global stage. As such, Asian equity markets underperformed most of the major global indices for 2013, with the MSCI Asia Pacific ex-Japan index up only 0.5% for the year even though the MSCI World was up more than 20%.

On the economic front, in 2014, the world economy is predicted to continue to recover from the financial crisis in 2013, albeit at a slow pace. The US, despite the two-week government shutdown due to congressional disagreements over its budget at the end of last year, seems to be on the track of recovery. The Eurozone had been in recession for much of the past year, but by the end of 2013, even the laggards of the European Union (EU) appeared to have started to catch up, and begun to hope that the worst of the recession had passed.

The US Federal Reserve and the Bank of Japan engaged in quantitative easing programs as part of their stimulus policies last year, in the hope of driving down long-term interest rates while keeping short-term ones close to zero. Meanwhile, the European Central Bank maintained its pledge to keep interest rates low for as long as necessary, with its fragile recovery only very gradually extending into domestic demand.

Amid such a changing background in 2013, KWAP's investment performance was commendable.

In terms of ROI, KWAP registered realised investment income of RM6.66 billion which is an increase of RM0.91 billion or 16% higher compared to the preceding year of RM5.75 billion. In percentage terms, the overall gross ROI achieved was 7.05%, surpassing 2012's ROI of 6.84% and also outperforming Malaysia's GDP growth of 4.7%.

Even on a total return basis or Time Weighted Rate of Return (TWRR), we managed to record 10.03% which is comfortably higher than the 7.39% customised benchmark performance.

Combined with the ongoing improvements adopted by the Contribution Department, the contribution received amounted to RM4.19 billion. As a result, KWAP's fund size grew by another 12.61% in 2013 to RM99.92 billion as at 31 December 2013 compared with RM88.73 billion the year before.

Over the period of 7 years, KWAP recorded an average growth of 13% per year, with investment income continuing to be the largest contributor to asset growth.

Cumulatively in 2013, income from investments contributed the highest by 54.48% while Employers' contributions contributed second largest of about 29.14%. Contribution by the Federal Government put together the remainder of 16.38%.

Going forward, the outlook in key economies will likely be better as we head into 2014. US indicators in particular imply continued recovery, even if the journey is likely to be not entirely smooth. Europe, while not completely out of the woods, is showing signs of improvement with Ireland exiting the bailout and the UK gaining traction as the focus shifts from austerity to growth.

FACTS

Realised Investment Income

RM6.66
billion in 2013

Time Weighted Rate of Return (TWRR) higher performance

10.03%

Contribution received

RM4.19
billion in 2013

Over the period of 7 years, KWAP recorded an average growth of **13%** per year, with investment income continuing to be the largest contributor to asset growth

Closer to home, Japan's recovery progress should continue over the near to mid-term as it begins to see the results of its stimulus policies. Meanwhile, improvements in the developed economies should benefit China's manufacturing sector which in turn should support its smaller South East Asian neighbours.

With Malaysia being an open economy and having a significant export industry, recovery in the global economy, especially in China, Japan and the US, should augur well for the country.

Overall, notwithstanding any unforeseen large shocks, whether external or domestic, Malaysia's economy in 2014 should see good growth driven by improving external trade and stable domestic demand.

INVESTMENT INITIATIVES

Our journey to seek sustainable investment returns continued to make inroads beyond our shores as we endeavour to advance in the name of our mission to maximise returns through benchmarking, dynamic investment framework and sound risk management.

In line with this, the Ministry of Finance has approved the new Strategic Asset Allocation (SAA) with changes in international asset allocation, which was increased from 10% to 19% and infrastructure added as a new asset class.

In addition, we have carried out a revision of Investment Policy and Guidelines (IPG) which incorporated one hundred and four (104) changes and obtained approval on the new Limits of Authority to increase efficiency. These changes are intended to facilitate, albeit, prudently our investment processes.

Furthermore, in 2013, KWAP added three (3) more properties in its investment coffer last year. The 88 Wood Street in London is the second property investment in London acquired at GBP215 million; the 747 Collins Street in Melbourne, which is co-owned with Lembaga Tabung Haji was acquired at AUD279 million and the 179 Turbot Street in Brisbane acquired at AUD172 million. This brings a total of six (6) properties owned by KWAP to-date.

RISK MANAGEMENT

Due attention to the importance of risk management measures remained high on the KWAP agenda. Three (3) full disaster recovery exercises were successfully carried out, including one live exercise covering the Integrated

Fund Investment Management System (IFIMS) and with scope of expansion to include the new Integrated Contribution Management System (ICMS) in the live Disaster Recovery exercise. Furthermore, the Barra One system used to facilitate in managing market risk and the Risk Performance Strategy "Day 2" System went live in 2013. This in itself is a reflection of our management team's capability to establish such robust system enhancing KWAP's investment process.

ENHANCED INFRASTRUCTURE

2013 saw the successful launch of the ICMS. The ICMS is currently being used by 40% of KWAP contributors and workshops were conducted throughout the country to educate employers on the benefits of using the system.

Other completed initiatives in 2013 include the implementation of Mobile Device Management System (MDM) that was carried out to facilitate the implementation of Human Resource Department and Accounts and Management Services Department's new Smartphone Policy. KWAP also saw over twenty (20) new requirements and system change requests being implemented for the various systems in KWAP namely IFIMS, ICMS, SAGA, EP2P and SharePoint Portal.

CERTIFICATIONS

As part of our commitment and continuing efforts to improve KWAP operating standards and quality of service, KWAP was accredited with two ISO awards namely the ISO 9001:2008 and ISO 27001:2005 certification. Such accreditation highlights KWAP's strong commitment towards maintaining quality management and best practices.

The Quality Management System ISO 9001:2008 with the scope of certification in domestic equity, domestic fixed income, property, external fund management and contribution which was accredited to KWAP attests to KWAP's continuing efforts to better its operating standards and quality of service.

In addition, KWAP also received ISO 27001:2005 with the scope of certification in Investment Management System at Data Centre. This marks KWAP's conviction and aspiration towards attaining the highest standard possible in every aspect of its business conduct.

SOURCE OF FUND FOR 2013

Investment Income
54.48%

Employers Contribution
29.14%

Federal Government Contribution
16.38%

2014
is a good growth driven by improving external trade and stable domestic demand.

HUMAN CAPITAL

I am pleased to inform that in 2013, our total staff strength has grown to two hundred and seven (207) compared to one hundred and seventy five (175) as at 31 December 2012 with forty five (45) new recruits recorded for the year.

The KWAP Young Talent Career Acceleration Program was approved and will be officially launched in 2014. The objective of this program is to nurture young and highly potential talents as future leaders. The selected talents will go through structured development and culture programs to develop their skills and capability.

In the third quarter of 2013, the Team Building program took place at the Pullman Hotel in Putrajaya which saw participation of all KWAP employees. The program was an opportunity to strengthen relationship between its management and other staff. It was seen as a platform to instil a sense of belonging amongst employees towards KWAP.

Throughout 2013, seven (7) Golden Hour Series, seven (7) Knowledge Sharing Sessions as well as two (2) Leadership Series were held with the objective to continue to promote an exchange of knowledge as well as provide a source of ideas and inspiration to all who attended. Much appreciation goes to our guest speakers and participants who all helped to make each session a success.

SPARC

KWAP's Sports and Recreational Club (SPARC) continued its tradition to participate in the Pesta Sukan Kementerian Kewangan (PSKK) which was organised by the Ministry of Finance (MOF) and held in November 2013. KWAP sent a team of 40 talented sportsmen and sportswomen who took part in Futsal, Dart, Bowling and Athletics.

To further encourage employees to practice a healthy lifestyle, SPARC has set-up a mini health and fitness centre for the benefit of its members. We look forward to a higher level of fitness in KWAP which would further enhance employees' quality of life and productivity in all areas.

CORPORATE SOCIAL RESPONSIBILITY

In between our hectic schedule during the year, we continued to be aware of our moral obligation as responsible citizens of society to assist the neglected, under-privileged and less fortunate.

Two (2) visits were made to an Old Folks Home, Rumah Ehsan in Kuala Kubu Bharu where essential items for the residents' daily needs were donated and our KWAP CSR volunteers took the opportunity to cheer the residents and its dedicated staff.

In September, KWAP continued to participate in the annual run-for-charity event by sending a team to participate in The Edge–Bursa Malaysia Kuala Lumpur Rat Race 2013 under Mixed Category. It was also a personal achievement for me to participate under the CEO Category.

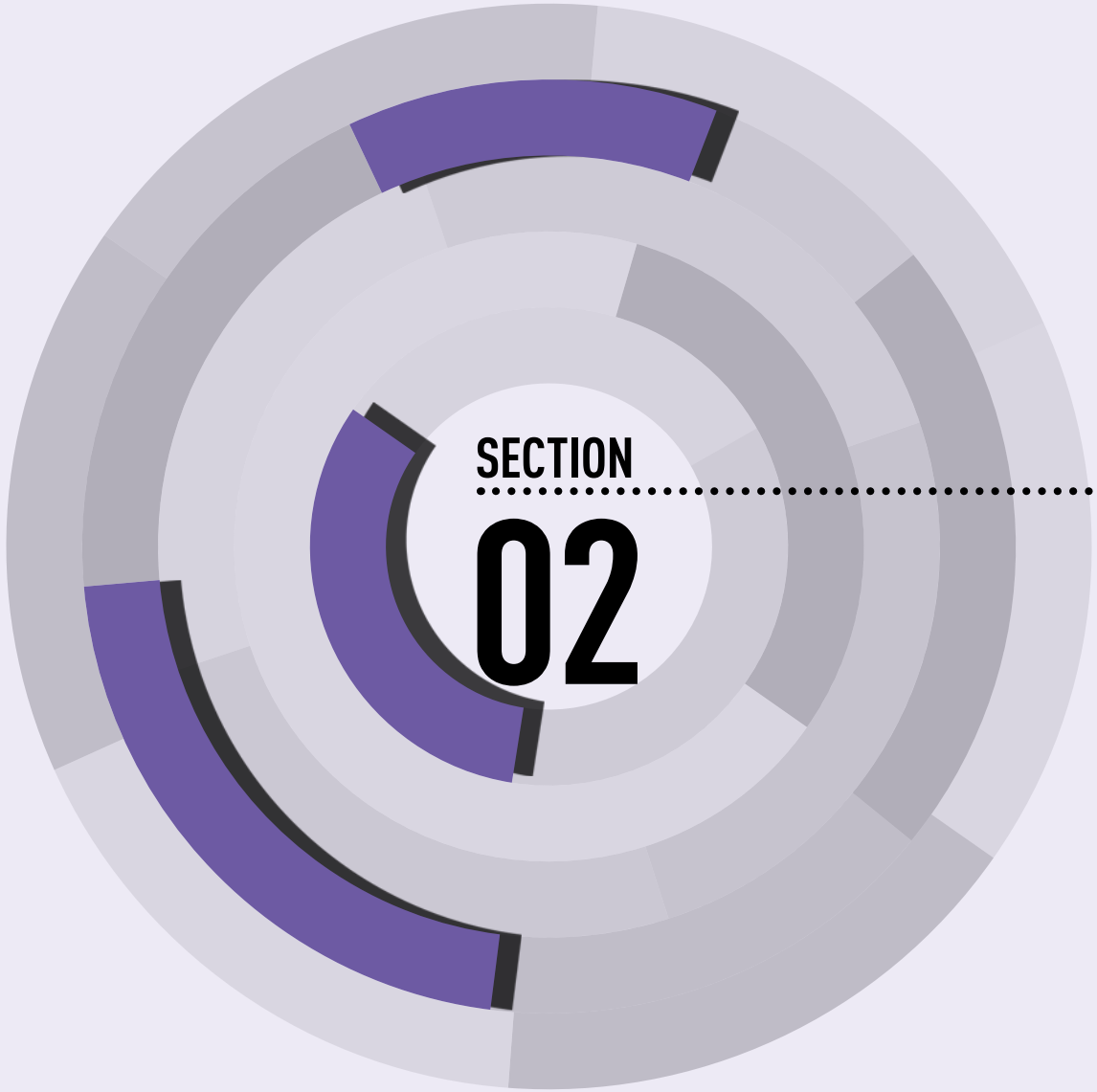
Our Fun Kids with KWAP program with Sekolah Kebangsaan Salak in Sepang also continued where two programs were conducted for its Year 5 and Year 6 students. This year, a new approach was taken to keep the children's interest high and feedback received from the school was very encouraging.

In addition, the Financial Planning for Retirement Seminar was successfully conducted in December with 43 participations. It featured KWAP's own experts, along side guest speakers from Bank Negara Malaysia, Amanah Raya Berhad, Agensi Kaunseling dan Pengurusan Kredit (AKPK) and Sime Darby Medical Centre who were also invited to share useful tips and information to prepare future retirees for their retirement years.

CONCLUSION

I must proudly say that KWAP has achieved so much in the past years. The many challenges and obstacles that came our way have failed to dampen our employees' spirit to succeed. It is through the concerted effort that KWAP is where it is today. But there is still a long way to go with new challenges that await the organisation. 2014 undoubtedly will be an even tougher and formidable year. Given these new challenges, I believe KWAP has what it takes to navigate the year as we have done so in the past. It is my belief that the organisation will continue to remain steadfast in its journey and towards becoming a high performing organisation.

Meanwhile, I would like to take this opportunity to express my appreciation and gratitude to the members of the Board and Investment Panel. Thank you for your commitment, trust and support. For my fellow KWAPians, thank you for your dedication and commitment to bring KWAP to a greater level.



SECTION

02

OUR STRATEGIES

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035 Integrated Contribution Management System

036 Properties in KWAP Portfolio

038 Global Exposure

REVIEW OF CORPORATE SCORECARD 2013

| A. Stakeholder's Objectives | KPI Measurement | Annual Target | Full Year Performance |
|--------------------------------------------------------------------------|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Grow fund size | a) Percentage of growth in fund size | a) Increase fund size (at cost) by circa 9.7% - 10.4% from estimated opening balance 2013 | Size grew by 12.61%: RM88.73 billion in 2012 to RM99.92 billion in 2013 Market value as at 31 December 2013: RM102.8 billion |
| 2. Initiate takeover of Post-Service Division, Public Service Dept (PSD) | a) Completion timeline | a) Concept paper on merger finalised by March 2013 | The concept paper was approved by the Board in May 2013 Legal review, project integration and transformation plan commenced in fourth quarter of 2013 |
| 3. Develop Strategic Blueprint (2013 - 2015) | a) Completion timeline | a) Detailed Strategic Blueprint Implementation Plan completed by June 2013 | Deferred to first quarter of 2014 to take into account the Vision and Transformation Plan of takeover of Post-Service Division, PSD |
| 4. Develop capability to offer Shariah-compliant investment management | a) Completion timeline | a) Completed acquisition of an Islamic asset management company by March 2013 | Completed due diligence exercise, fully negotiated the terms of Sale & Purchase Agreement and prepared the operational migration plan However, the proposed acquisition was aborted in October 2013 due to change in business direction of parent company |
| | | b) Completed strategic direction for an Islamic asset management company as part of KWAP's foray into Islamic finance industry by June 2013 | Aborted in view of item 4 (a) above |
| | | c) Completed the study on the setting up of Shariah-compliant fund and its operating model by November 2013 | Deferred to 2014 due to implementation of planning work for the takeover of Post-Service Division, PSD |

A. Stakeholder's Objectives

5. New Stakeholder-related initiative implemented in 2013:

Pension Funding Study

KWAP has collaborated with MOF to commission a Pension Funding Study (the Study) to address the sustainability of Government's contribution to KWAP.

The Study recommended 8 initiatives, 5 of which are ongoing and led by KWAP:

| Initiatives | Status |
|---------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| i. Deliver sustainable ROI | Broad investment strategy presented to MOF |
| ii. Increase Statutory Bodies & Local Agencies' contribution | Engagement with Statutory Bodies, Local Authorities and Government Agencies to be undertaken in 2014 |
| iii. Transfer of Ministry of Finance Incorporated companies | A few companies have been shortlisted |
| iv. Transfer of Government land | Several lands have been identified |
| v. Takeover of Post-Service Division, Public Service Dept (PSD) functions | Work on legal review, integration and transformation plan has commenced in 2013 |

| B. Financial Objectives | KPI Measurement | Annual Target | Full Year Performance |
|---------------------------------------------------------------------|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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) | Achieved Gross ROI of 7.05% in 2013 surpassing Gross ROI of 6.84% in 2012 and GDP of 4.7% Average gross ROI for 7 years: 6.85% per year |
| | b) Customised benchmark (weighted average of all asset classes benchmarks) | b) Outperform customised benchmark | Aggregate TWRR: 10.03% Blended Benchmark: 7.39% Outperformance: 2.64% As at 31 December 2013, there was an unrealised gain of RM2.9 billion carried forward for long-term sustainability of the fund |
| 2. Increase allocation and utilisation for international investment | a) % of international asset allocation utilised from total fund size | a) Minimum of 10% | 9.45% of total fund size has been utilised for international investments: i. Equity: 3.39% ii. Fixed Income: 1.74% iii. Property: 3.96% iv. Private Equity: 0.36% (exclude local Private Equity) |

| C. Operational Objectives | KPI Measurement | Annual Target | Full Year Performance |
|----------------------------------------|------------------------------------------------------------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Implement new investment strategies | a) No. of operational initiatives completed as identified under new investment practices | a) At least five (5) new investment strategies introduced in 2013 | <p>a) Investment strategies implemented in 2013:</p> <p>i. International Asset Allocation Increased International Asset Allocation from 10% to 19% with infrastructure added as a new asset class</p> <p>ii. Regional fixed income investment Completed analysis on key fixed income markets namely Thailand, South Korea, Indonesia, Hong Kong (including China-based companies issuing out of Hong Kong) and Australia and the setting up of returns benchmark, investment team, key infrastructure and operational capabilities</p> <p>iii. Investment in high yielding fixed income instrument Invested in a number of non-rated corporate bonds, perpetual bonds and Tier-1 Hybrid bank capital securities (Basel III) with the objective of securing sustainable long term returns without compromising on risk</p> <p>iv. Investment in new innovative investment solutions</p> <ul style="list-style-type: none"> • Obtained approval to undertake Repurchase Agreements with Financial Institutions • Conducted analysis on the viability of investing in Credit-linked Notes which will form a crucial component to support KWAP's regional and domestic investment activities in the future. To be tabled to the Investment Panel for approval in first quarter of 2014 |

| C. Operational Objectives | KPI Measurement | Annual Target | Full Year Performance |
|----------------------------------------------------|------------------------------------------------------------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Implement new investment strategies (Continued) | a) No. of operational initiatives completed as identified under new investment practices | a) At least five (5) new investment strategies introduced in 2013 | a) Investment strategies implemented in 2013: <ul style="list-style-type: none"> <li data-bbox="1007 408 1407 583"> v. Equity: Small cap domestic stocks Established an initial fund (RM300 million) to invest in small cap domestic stocks which have necessary qualities to become future multi-year market winners and generate superior long term returns <li data-bbox="1007 615 1407 789"> vi. Equity: Quantitative modeling Developed sustainable investment strategies for domestic equity through quantitative related modeling initiatives such as modeling for stock selection and model portfolio creation <li data-bbox="1007 821 1407 1028"> vii. Return enhancement for existing properties Undertake leveraging exercise for four (4) properties (2 in UK and 2 in Australia) to free up capital for reinvestment purposes, enhance return on capital and forex hedging <li data-bbox="1007 1059 1407 1290"> viii. Developed foundation to achieve KWAP's Long Term Investment Objectives: <ul style="list-style-type: none"> <li data-bbox="1047 1146 1392 1202">• Conceptualised KWAP's Investment Beliefs <li data-bbox="1047 1234 1392 1290">• Established KWAP's Investment Risk Framework |

| C. Operational Objectives | KPI Measurement | Annual Target | Full Year Performance |
|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2. Enhance investment practices | a) No. of operational initiatives completed as identified under new investment practices | a) At least three (3) new investment practices introduced in 2013 | Investment practices introduced in 2013: <ol style="list-style-type: none"> i. Conducted major revisions (involving one hundred and four [104] changes) to the Investment Policy & Guidelines (IPG) ii. Introduced new Limits of Authority (LOA) to enhance efficiency and effectiveness in decision-making process iii. Established dedicated market intelligence / strategy section under the Macro Unit within Portfolio Strategy Department iv. Introduced Foreign Exchange Policy and Hedging Guidelines v. Developed High Level Asset Liability Modeling (ALM) and Liability Driven Portfolio construction capabilities within Portfolio Strategy Department vi. Initiated in depth research coverage for international market - Asia Pacific and UK |
| | b) % of investment proposals approved by the Investment Panel | b) At least 90% of investment proposals approved by the Investment Panel | 95.8% of the proposals (70 out of 73) have been approved in 2013 |
| 3. Enhance operational and risk management practices | a) No. of operational initiatives completed as identified under "enhance operational and risk management practices" | a) At least seven (7) operational and risk management initiatives implemented in 2013 | Operational and risk management initiatives implemented in 2013: <ol style="list-style-type: none"> i. Completed certification process for Information Security Management System based on ISO/IEC 27001:2005 standards ii. Expanded ISO 9001:2008 Quality Management System to include contribution management function iii. Established the Human Resource Committee which looks into Human Resource Strategy and Operations in the area of Talent Attraction and Acquisition, Talent Retention and Development, Remuneration Management and other Human Resource related issues |

| C. Operational Objectives | KPI Measurement | Annual Target | Full Year Performance |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>3. Enhance operational and risk management practices (Continued)</p> | <p>a) No. of operational initiatives completed as identified under “enhance operational and risk management practices”</p> | <p>a) At least seven (7) operational and risk management initiatives implemented in 2013</p> | <p>Operational and risk management initiatives implemented in 2013:</p> <p>iv. Contribution</p> <ul style="list-style-type: none"> • Compliance & Enforcement Visits. Enhanced compliance and enforcement visits with forty eight (48) employers visited in 2013 • Integrated Contribution Management System (ICMS) Commenced utilisation of ICMS Conducted workshops in Sabah & Sarawak to create employers’ awareness and familiarisation • Payment through Electronic Fund Transfer (EFT) Encourage employers to use EFT to expedite collection of contributions. As at 31 December 2013, fifty eight (58) employers have made payments via EFT <p>v. Developed country risk analysis (via matrix) and macro scenario analysis</p> <p>vi. Enhanced credit risk management functions (including credit gap analysis and remedial action plan) in line with expansion into international bonds, credit linked notes, un-rated bonds, non-tradeable instruments and increasingly complex structures</p> <p>vii. Enhanced market risk management with the implementation of the Risk Performance Strategy System (RPS) in 2013</p> <p>viii. Conducted review on KWAP’s approach to alternative investment</p> <p>ix. Developed a risk/reward measurement</p> |

| C. Operational Objectives | KPI Measurement | Annual Target | Full Year Performance |
|---------------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3. Enhance operational and risk management practices (Continued) | b) % of compliance to legislations / regulations | b) 100% compliance | b) Two non-compliances: <ul style="list-style-type: none"> i. Delay in appointment of requisite Board and Investment Panel members; and ii. Oversight in obtaining the approval for investments in certain Private Equity Funds due to differing opinions on required approvals <p>Both were addressed in the fourth quarter of 2013. As at 31 December 2013 there was full compliance</p> |
| | c) % of audit observations closed over stipulated time | c) 100% closure | c) As at 31 December 2013, one (1) audit observation remained open and was not closed within the stipulated time i.e. Establishment of KWAP's Code of Ethics. Management is in the midst of developing the Code of Ethics and expected to be completed by 2014 |
| | d) Opinion by statutory auditor | d) Unqualified Audit Certificate for the Financial Statements | d) Unqualified Audit Certificate for the Financial Statements obtained on 7 March 2013 |
| | e) Opinion by Auditor General in relation to performance audit | e) No material findings raised by Auditor General (AG) and all non-material findings raised to be resolved within six (6) months | e) No material finding raised by AG in relation to its Performance Audit on Equity Investments conducted in 2012 (tabled to Parliament in 2013). All non-material findings raised have been resolved within six (6) months |
| D. Learning & Growth Objectives | KPI Measurement | Annual Target | Full Year Performance |
| 1. Enhance talent capabilities & capacity | a) Completion timeline | a) Formalised talent attraction, retention and reward strategies by April 2013 | a) Approved by the Human Resource Committee (HRC) on 2 July 2013 |
| | | b) Completed talent pool audit and assessment gap analysis by June 2013 | b) Approved by HRC on 17 December 2013 |
| | | c) Completed Individual Career Development Plan (IDP) by October 2013 | c) Six (6) out of ten (10) talents have started their IDP |
| 2. Succession planning | a) Completion timeline | a) Develop succession planning for critical positions by December 2013 | a) Approved by HRC on 2 July 2013 |
| 3. Talent retention | a) Retention rate | a) 80% retention of talent under IDP | a) 100% retention |

| D. Learning & Growth Objectives | KPI Measurement | Annual Target | Full Year Performance |
|---------------------------------|------------------|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4. Learning and development | a) Learning days | a) Average seven (7) days per employee | a) Average 9.04 days per employee In addition, the following initiatives were conducted: In-house programs Thirty seven (37) in-house programs were conducted covering diversified topics ranging from ISO Internal Audit, Mergers & Acquisitions, Risk Awareness, Business Communication and Team Building Ten (10) Management staff (VP level & above) attended leadership courses at various business schools such as: <ul style="list-style-type: none"> • London Business School • Melbourne Business School • Harvard Business School (Alumni) • NUS Business School • ICLIF |

5. New Human Resource related initiatives implemented in 2013:

| Initiatives | Status |
|------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| i. Cost-control | Implemented cost-control initiatives vis-à-vis implementation of revised employee benefits which involves: <ul style="list-style-type: none"> • Revised annual leave carry forward guideline • Enhanced meal allowance claim process • Revised maternity coverage • Working spouse medical coverage |
| ii. Improvements to Recruitment and Resourcing | Increased effectiveness of selection process for forty five (45) new recruits in 2013 via implementation of two (2) new SOPs and introduction of one (1) new recruitment tool (web-based) |
| iii. KWAP Young Talent Acceleration Program | Launched the program which is aimed to nurture young and high potential talents as future leaders |

International Investments: New initiatives undertaken in 2013

Alternative Investments

a. Private Equity (international)

Invested in four (4) Private Equity funds

b. Property (overseas)

Purchased three (3) overseas properties:

- i. 88 Wood Street, London (GBP215 million)
- ii. 747 Collins Street, Melbourne (AUD279 million)
(40% owned by Lembaga Tabung Haji and 60% owned by KWAP)
- iii. 179 Turbot Street, Brisbane (AUD172 million)

c. International Equity

Invested RM700 million in international equity with RM300 million managed internally by KWAP and the remainder RM400 million managed by external fund managers

d. International Fixed Income

Invested USD100 million in Malaysian Sovereign Dollar Bond

CORPORATE SCORECARD 2014

| Stakeholder's Objectives | KPI Measurement | Annual Target |
|----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-----------------------------------------------------------------------------------|
| 1. Grow fund size | a) Percentage of growth in fund size | a) Increase fund size (at cost) by 9.14% from RM99.92 billion to RM109.05 billion |
| 2. Conclude merger with Post-Service Division, Public Service Department | a) Completion timeline | a) Completed by December 2014 |
| 3. Conduct a study on setting up of Shariah-compliant fund and its operating model | a) Completion timeline | a) June 2014 |
| 4. Amend Retirement Fund Act (Act 662) incorporating changes to KWAP's roles, responsibilities, contribution enforcement and investment provisions | a) Completion timeline | a) June 2014 |

| Financial Objectives | KPI Measurement | Annual Target |
|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| 1. Achieve target ROI | a) Benchmark: GDP of 2014 b) Customised benchmark (weighted average of all asset classes benchmarks) | a) ROI in 2014 of: 5.0% (low target) 5.3% (base target) 5.6% (best target) b) Outperform customised benchmark |
| 2. Increase utilisation for international investment | a) % of international asset allocation utilised from total fund size | a) International asset utilisation to be increased from 9.8% (2013 target) to 11.5% (2014 target) |

| Operational Objectives | KPI Measurement | Annual Target |
|----------------------------------------|-------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| 1. Implement new investment strategies | a) No. of operational initiatives completed as identified under new investment strategies | a) At least six (6) out of eleven (11) new investment strategies introduced in 2014 |
| 2. Enhance investment practices | a) No. of operational initiatives completed as identified under new investment practices | a) At least four (4) out of eight (8) new investment practices introduced in 2014 |
| | b) % of investment proposals approved by the Investment Panel | b) At least 90% of investment proposals approved by the Investment Panel |
| 3. Enhance operational practices | a) No. of operational initiatives completed as identified under "enhance operational practices" | a) At least six (6) out of nine (9) operational initiatives implemented in 2014 |
| | 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 six (6) months |

| Learning & Growth Objectives | KPI Measurement | Annual Target |
|----------------------------------|------------------------------------------------------------|------------------------------------------------------------------------------------------|
| 1. Succession planning | a) Completion timeline (leadership competency development) | a) Identified future leaders meet the KWAP leadership competency levels by December 2014 |
| 2. Talent attraction & retention | a) Retention rate | a) 80% retention of talent* under Individual Development Plan |
| 3. Learning and development | a) Learning days | a) Average seven (7) days per employee |

* Talent: defined as those identified under talent and succession pool as well as KWAP Young Talents

INTEGRATED CONTRIBUTION MANAGEMENT SYSTEM

In line with being a high performance organisation, the Integrated Contribution Management System (ICMS) was developed for the management of pension contributions from the Federal Government, Statutory Bodies, Local Authorities and other Agencies.



ICMS is a web-based system that is custom-designed for KWAP, specifically for the Contribution Department. The objective of the system is to enhance the department's capabilities and capacities in the day-to-day operation, to assist in streamlining the existing manual and stand-alone processes towards an integrated and automated pension contribution management in order to increase its effectiveness and efficiency. Besides that, ICMS also reduces human errors during operation processes and provides security and accuracy of the purpose of pension contribution records that will be used for any pension-related data analysis by the Government in the future.

The ICMS features two components - the Portal as the front-end interface between KWAP and the pension contributors; and the main ICMS itself as the back-end interface, where data is processed and recorded for reporting and verification. The ICMS went live on 1 January 2013, while the Portal was officially launched on 30 August 2013 by the Finance Minister II, Yang Berhormat Dato' Ahmad Husni bin Mohamed Hanadzlah.

The ICMS Portal is a platform that provides access to the contributing employers, to transfer pension contribution data online via computers, tablets or mobile devices. This eliminates the need to deliver hardcopies through for record purposes and the risk of late transfer or even loss of data during the physical transfer process. Through the Portal, employers will be able to perform transactions such as registration of employers or employees, updating individual employers or employees' data, submission of contribution payment data, application of contribution refund and also contribution related enquiries.

ICMS is interfaced to KWAP's accounting system, the Standard Accounting System for Government Agencies (SAGA), hence, providing systematic contribution data transfer for the company's overall financial report. The most important feature of ICMS is its comprehensive security measures encompassing password protection, data encryption, authorisation on access level and audit trail, to protect the system's data integrity.

In line with the launching of the ICMS, workshops and training sessions were conducted for contributing employers across East and West Malaysia to introduce ICMS and encourage the employers to fully utilise the system. The employers were given manuals and hands-on training experience to familiarise them with the system and to ensure smooth transition from the manual processes towards the use of the new ICMS.

With ICMS running live, the department can now provide timely information of contribution collection for investment purposes. Participation rate by employees to date is 40%.

PROPERTIES IN KWAP PORTFOLIO



< 10 Gresham Street,
London, UK

88 Wood Street,
London, UK



< 20 Bridge Street,
Sydney, Australia

747 Collins Street, >
Melbourne, Australia



179 Turbot Street,
Brisbane, Australia

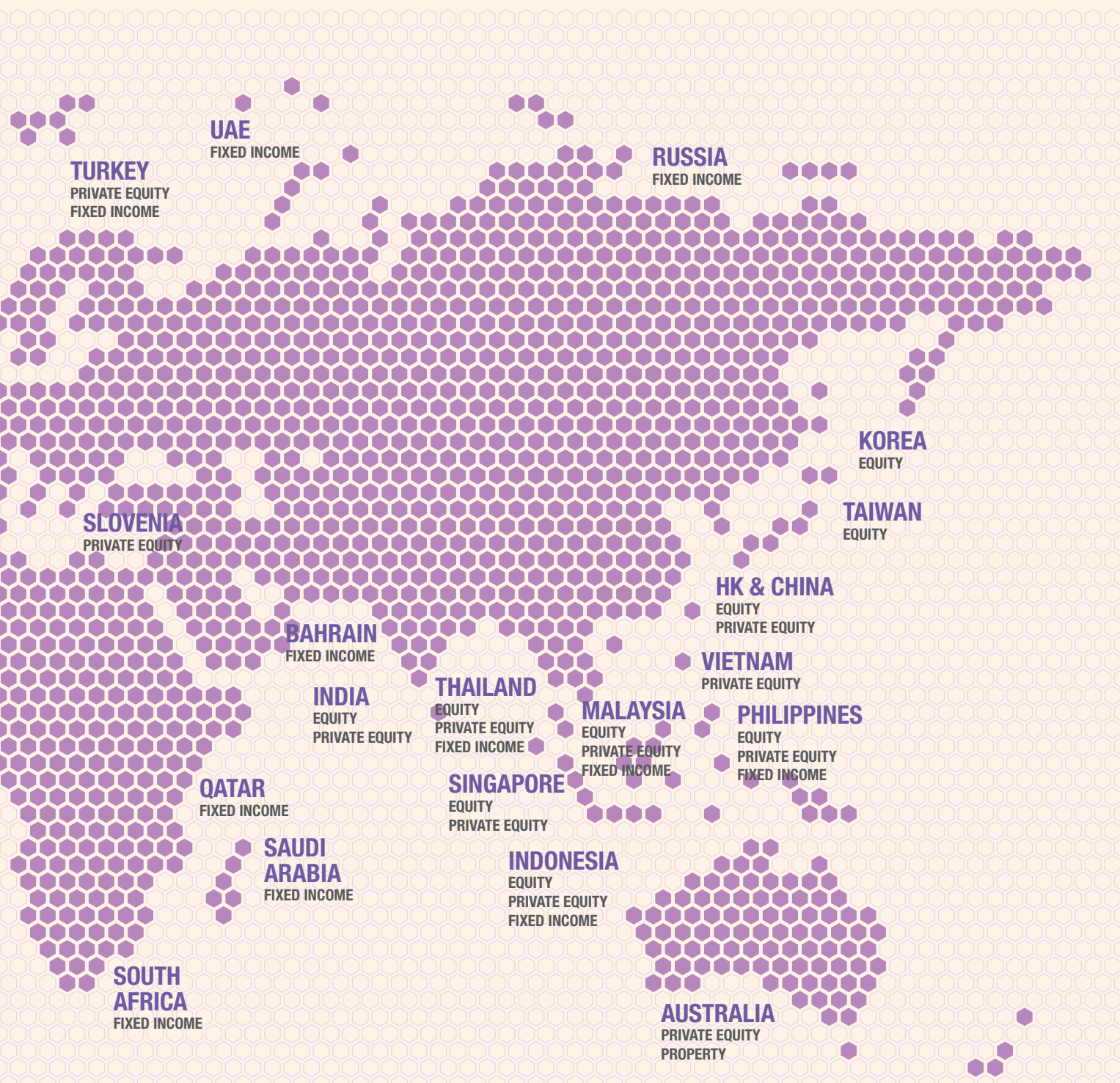


737 Bourke Street,
Melbourne, Australia

GLOBAL EXPOSURE



GLOBAL
INVESTMENT
EXPOSURE
27
countries





SECTION

03

OUR PERFORMANCE

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ECONOMIC REVIEW OF 2013

During the first half of 2013, global markets faced some uncertainty following the US Federal Reserve's suggestion in May that it would begin to cut back on its bond buying or quantitative easing program in the coming months.

Without a clear timetable accompanying the May 2013 tapering announcement, an element of volatility was seen in markets worldwide including in emerging-market currencies as investors withdrew their money in search of perceived safe havens elsewhere.

Concerns over China's slowing growth rate also added to the sense of uncertainty in the global markets, with estimates that 2013 growth would slow to a third straight annual drop in the expansion rate as growing concerns such as rising labor and environmental costs put pressure on the nation's traditional growth model of investment-led spending.

Nonetheless, the US began to show signs of recovery as the year progressed, while Europe started to reveal signs of emergence from its multi-year recession, and Japan was seemingly giving off a ray of hope based on its announcement of stimulus policies and structural reforms.

The IMF, in its latest World Economic Outlook dated October 2013, projected the US economy to grow by 2.6% in 2014 (2013: 1.6%) and the Eurozone to register positive growth of 1.0% in 2014, after experiencing two consecutive years of recession. The Japanese economy is expected to have recorded growth of 2.0% last year, which is projected to sustain at 1.2% in 2014, depending on the progress of its fiscal consolidation plan under the third arrow of the so-called Abenomics policy.

On the local front, Malaysia delivered a respectable GDP growth of 5.1% in the fourth quarter of 2013 compared to a year ago, slightly above the 5.0% rate achieved in third quarter of 2013 and backed by decent domestic demand and improving exports. The encouraging fourth quarter of 2013 GDP growth rate was backed by stable consumer spending and robust private investment amid further fiscal consolidation. For the full-year, Malaysia's GDP grew 4.7% compared to 5.6% in 2012, which was an indication of the economy's underlying resilience amid lingering external uncertainties during the year.

Looking ahead to 2014, Malaysia's economy is expected to build on the momentum from the end of 2013. Malaysia continues to exhibit strong fundamentals amidst an improving external environment and comprehensive fiscal measures in the Budget 2014 announcement to address the various concerns featured in the downgrade by Fitch Rating on its outlook for the economy mid-way through the year. Moody's Investor Services subsequently upgraded its outlook for Malaysia's A3 rating to positive from stable, which was an impressive achievement following the Fitch downgrade earlier in the year. Indeed, we expect Malaysia's GDP growth to achieve the official target GDP projection of 5.0% to 5.5% growth in 2014.

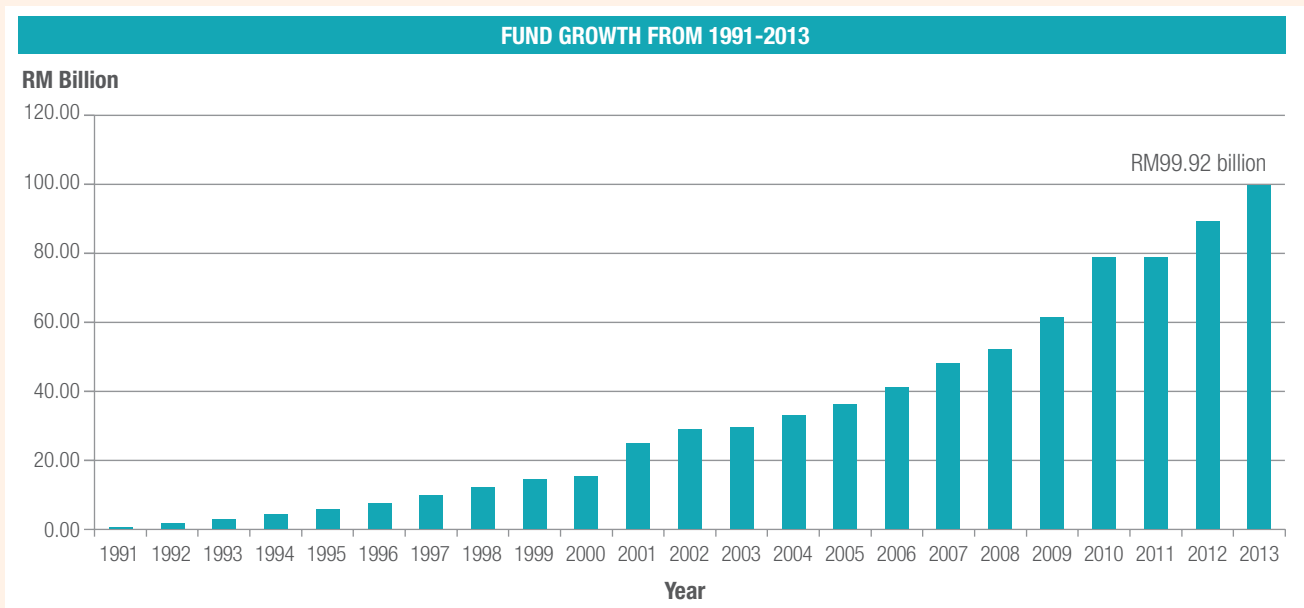
Key challenges to the outlook in 2014 include the US Federal Reserve scale-back of its quantitative easing program and the flow-on effects on emerging markets, as well as the impact of lingering unemployment and stagnant incomes in many advanced economies such as in the Eurozone.

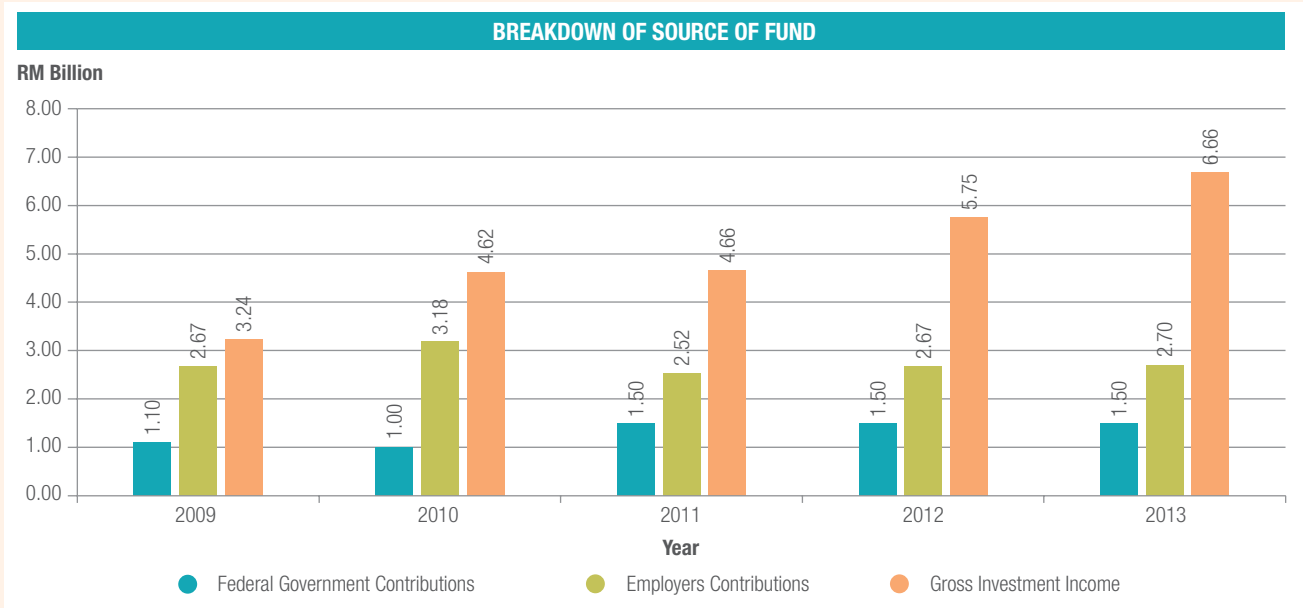
However, for the world in general, 2014 looks to be a better year than 2013 in economic terms. Consumers in advanced economies should begin to emerge from the cautiousness of recent years although they are not expected to forget their recession-era austerity immediately. In emerging countries, much depends on how steadily the US continues on its recovery path, but the growing middle class in emerging markets will continue to expand demand for consumer goods and services, lending support to the economy.

FUND PERFORMANCE

Year 2013 was a taxing year for KWAP. The 2013 General Election, the US Government shutdown and the US Federal Reserve quantitative easing measures were among the many key influencing factors to the performance of KWAP. As of end 2013, KWAP's fund size stood at RM99.92 billion, yet another sterling 12.61% year on year growth from RM88.73 billion in the previous year. The largest contributor to the fund growth was investment income of RM6.66 billion, followed by employers' contributions and Federal Government contribution at RM2.70 billion and RM1.50 billion respectively.

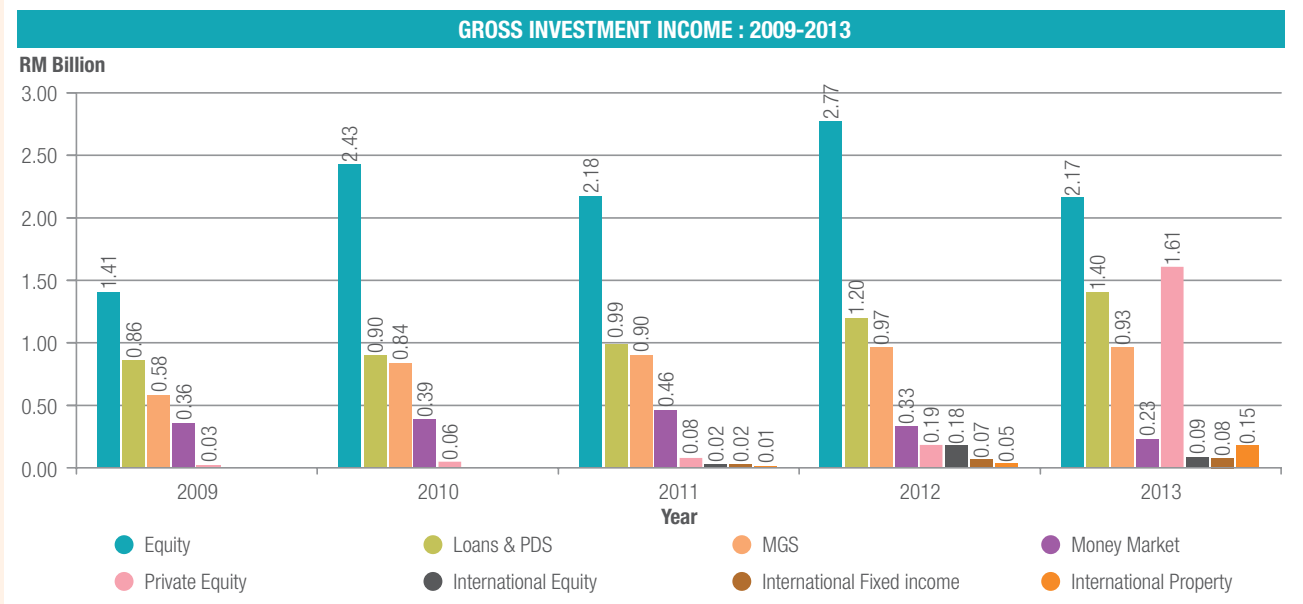
Over a period of five years, the fund recorded an average growth of 13.96% per year, with investment income persistently becoming the largest contributor to KWAP's growth. Cumulatively in 2013, income from investments contributed the highest by 54.48% while employers' contributions contributed second largest of about 29.14%. Contribution by the Federal Government provided the remainder of 16.38%. Achieving sustainable asset growth is of utmost importance to enable KWAP to effectively manage its future liabilities.





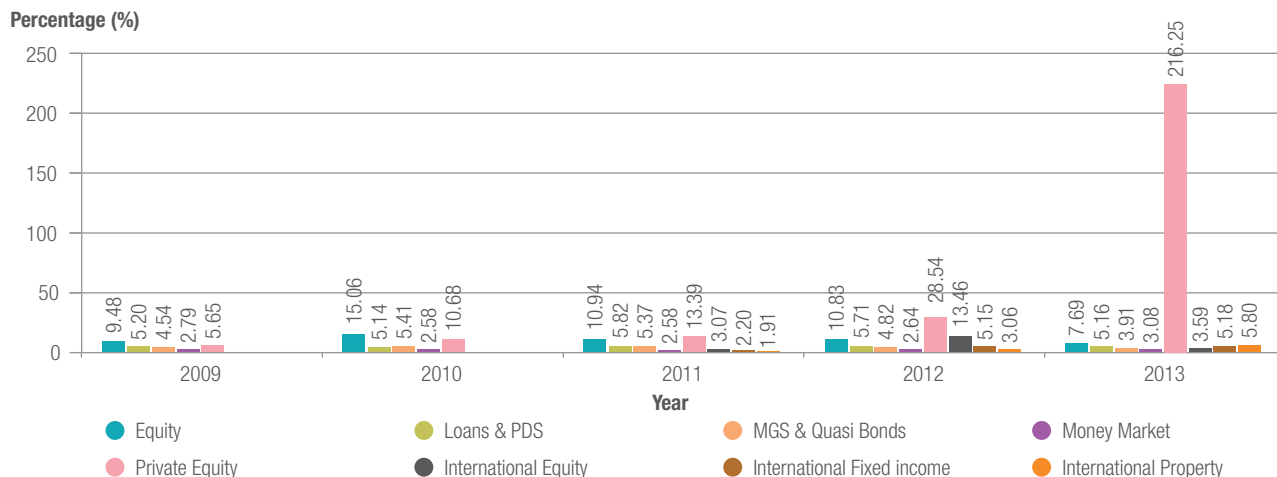
As at 31 December 2013, a total of RM63.00 billion or 63.10% of the fund was invested in fixed income securities, RM31.96 billion or 32.00% in equities and RM4.89 billion or 4.90% in alternative investments. In addition, RM11.86 billion was channeled to the external fund managers for investments in domestic and international markets. By December 2013, 88.13% of the fund was internally managed and 11.87% was externally managed. KWAP continued the year by expanding its international investment programs covering wider asset classes which saw the proportion increased to RM9.72 billion by December 2013 from RM5.66 billion in the previous year.

GROSS INVESTMENT INCOME



As at end of December 2013, KWAP accumulated gross realised investment income amounted to RM6.66 billion. This is an increase of RM0.91 billion or 15.83% compared to the preceding year of RM5.75 billion. Investments in fixed income portfolios contributed the largest portion at RM2.65 billion or 39.72% of total income, of which RM1.49 billion were from loans and Private Debt Securities (PDS), RM0.93 billion from Malaysian Government Securities (MGS) and RM0.23 billion from money market. The second largest income proportion was derived from investment in equities with a total of RM2.25 billion or 33.85% of total income. The remainder 26.43% or RM1.76 billion was contributed by alternative investments.

HISTORICAL GROSS RETURN ON INVESTMENT : 2009-2013

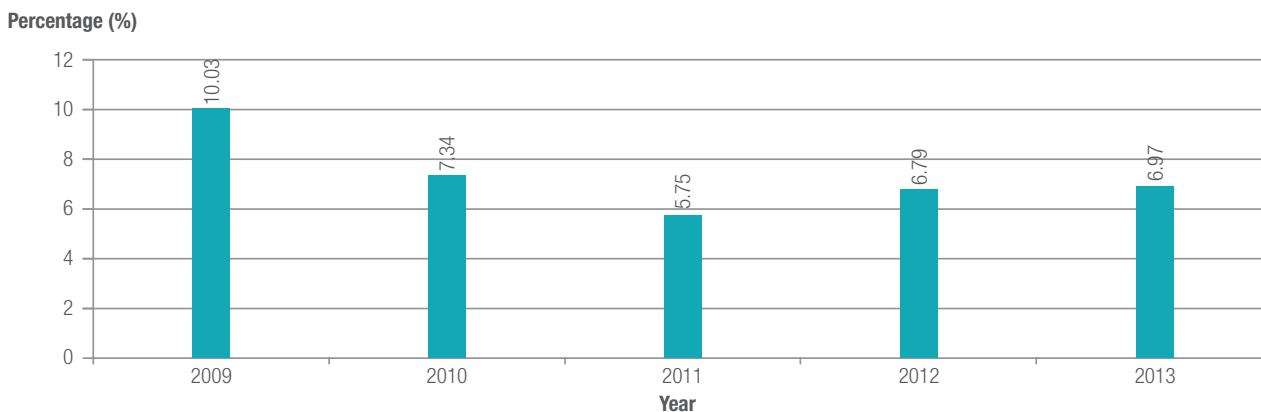


The overall gross Return on Investment (ROI) achieved as at December 2013 was 7.05% which is 21 bps higher than the preceding year of 6.84%. Gross ROI from private equity investments registered the highest at 216.25%, followed by domestic equity 7.69%, PDS and Loans at 5.16%, MGS and Quasi Bonds and money market contributed 3.91% and 3.08% respectively. On the international front, international equity and fixed income recorded ROI of 3.59% and 5.18% respectively. International property investment registered ROI of 5.09% as at December 2013.

Since the incorporation of KWAP in 2007, KWAP has delivered an average gross ROI of more than 6.0% annually. The stellar performance was indeed achieved via disciplined investment strategy encapsulated by carefully refined Strategic Asset Allocation in line with KWAP's long term objectives.

NET INVESTMENT INCOME

HISTORICAL NET RETURN ON INVESTMENT



KWAP's net income after the write-back of allowance for diminution, impairment of investments and operating expenditure amounted to RM6.57 billion. Percentage wise, the net ROI achieved for the year 2013 was 6.97%, or 18 bps higher as compared to the 6.79% attained last year.

TOTAL RETURN

| RELATIVE PERFORMANCE AS AT 31 DECEMBER 2013 | | | | | |
|---------------------------------------------|-----------------------|-----------------------|----------------------------------------|---------------------------------------|-------------|
| | Portfolio Returns (%) | Benchmark Returns (%) | Outperformance/ (Underperformance) (%) | Benchmark | ROI (%) |
| Domestic Investments | | | | | |
| Equity | 15.34 | 11.39 | 3.95 | FBM 100 | 7.57 |
| MGS & Quasi Bonds | 3.91 | 3.47 | 0.44 | Quantshop MGS (All) Yield | 3.91 |
| PDS | 5.41 | 3.85 | 1.56 | Quantshop Corp (Medium) Yield | 5.69 |
| Loans | 4.47 | 3.97 | 0.5 | Quantshop MGS (All) Yield + 50bps | 4.47 |
| Money Market | 3.08 | 3.22 | (0.14) | 3-Months KLIBOR | 3.08 |
| Private Equity ¹ | N/A | N/A | N/A | Minimum ROI of 10% p.a. | 361.82 |
| International Investments | | | | | |
| Equity | 16.71 | 28.81 | (12.10) | MSCI All Country World Index | 3.59 |
| Fixed Income | 4.38 | 4.32 | 0.06 | JP Morgan Global Aggregate Bond Index | 5.18 |
| Private Equity ¹ | N/A | N/A | N/A | Minimum ROI of 10% p.a. | 9.18 |
| Property ¹ | N/A | N/A | N/A | Minimum ROI of 5% p.a. | 5.09 |
| TOTAL | 10.03 | 7.22 | 2.81 | | 7.05 |

¹ For Private Equity and Property, the performance is measured with ROI and not Portfolio Returns

As at 31 December 2013, KWAP registered a total aggregated portfolio return of 10.03% as compared to the aggregated benchmark of 7.22%. Local mandates including equity and fixed income portfolios had each outperformed their respective benchmarks.

As for the international investments, managers' achievements were rather mixed. Five (5) out of nine (9) international portfolios underperformed the benchmarks. Nevertheless, these portfolios have throughout the year contributed significant portion in the form of realised return to the overall performance of KWAP.

INVESTMENT PERFORMANCE

EQUITY

Malaysia Market Review

The year 2013 turned out to be a pleasant year for Malaysian equities. The main market barometer, FBMKLCI index began the year at 1,688.95 points.

For the most part of 2013, equities remained volatile as external and domestic factors continued to influence the foreign and domestic fund flows. The 13th general election (GE13) dominated the scene in the first quarter causing the local bourse to underperform its regional peers. After touching a low of 1,621.36 points on 18 March, the market started to trend higher as global economic recovery gains traction.

The market continued its upward surge following the announcement of the GE13 results which turned out to be favourable to investors. The index traded at a record intraday high of 1,826.22 points the day after the GE13 results were announced.

Profit taking activities, however, set in not long after disappointing first quarter GDP numbers. Market consolidation continued in the third quarter when Fitch revised its rating outlook on Malaysia from “stable” to “negative”. The situation worsened when the US Fed first signaled the move to taper its quantitative easing (QE) by scaling down bond purchases. Investors reacted negatively by unwinding positions in bonds and equities.

However, the implementation of bold reforms by the government to improve public finances and put the economy back onto a sustainable growth path has renewed investors’ confidence towards Malaysian equities. In addition, concerns on the Fed’s tapering of QE slowly subside.

As a result, the final quarter saw a strong performance for the FBMKLCI as the index scaled new all-time highs on numerous occasions on the back of investors building positions ahead of 2014. Malaysia’s better-than-expected third quarter of 2013 GDP growth coupled with buying interest in selected blue chip stocks helped the FBMKLCI to subsequently touch a closing record high of 1,872.5 points on 30 December 2013. The index subsequently closed the year at 1,866.96 points to register a gain of 10.50% for the full year of 2013.

Market Fund Size

In terms of market value, KWAP’s total exposure in equity has recorded a marked increase of 17.37% to RM35.13 billion as at 31 December 2013 from RM29.93 billion at the beginning of the year. Domestic equity accounted for 90.09% of KWAP’s total exposure in equity at market value, whilst the balance of 9.91% was invested in international equity. In terms of division between internally managed equity against those externally managed, 82.31% out of the total exposure are managed internally by KWAP equity portfolio managers and the remaining 17.69% are outsourced to external fund managers appointed by KWAP.

Income

For the year ended 31 December 2013, KWAP equity investments recorded a total realised income of RM2.22 billion, which translates to an ROI of 7.25%. A significant portion of the income, 96.08%, was contributed by domestic equities, whilst international equities accounted for the remaining 3.92%. On a separate note, internally managed equity made up for 81.19% of KWAP’s total income from equity and the balance 18.81% was derived from equity investment outsourced to external fund managers.

INTERNALLY MANAGED

Domestic

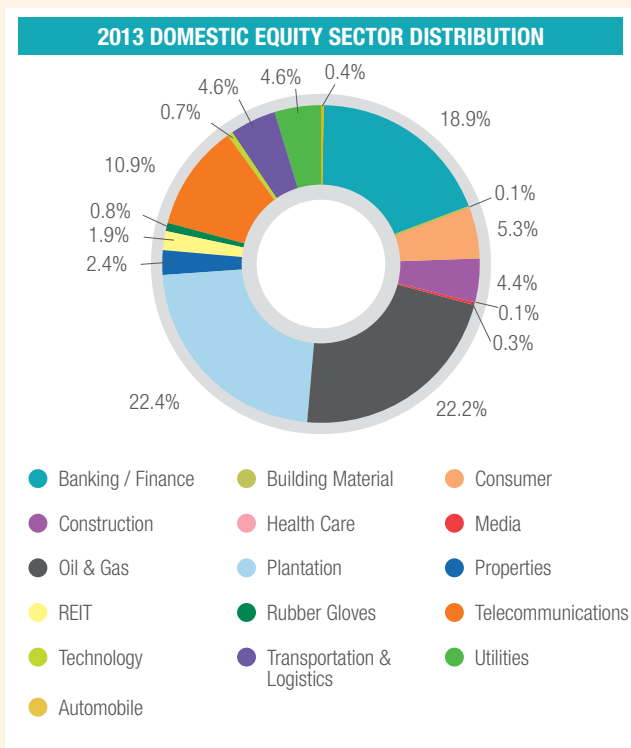
KWAP continues to exercise prudence in its investments by employing rigorous screening methodology and evaluation processes favouring companies that are fundamentally sound with strong management track record, low earnings risk, good dividend yield and high liquidity. Such approach has proven to yield good performance when the internal domestic portfolio recorded a total return of 14.63% as measured by the Time Weighted Rate of Return (TWRR). The return compares favourably against FBM100 return of 11.39%. In terms of realised return, internal domestic equity recorded a total realised income of RM1.77 billion which translates into an ROI of 7.12%. Of the total investment income, RM731.49 million or 41.33% was derived from sale of shares whilst the balance of RM1.04 billion was derived from dividend income net of tax.

Initiatives 2013

As part of our long term commitment to build a strong, profitable and sustainable portfolio, the following initiatives were undertaken in 2013:

1. To adapt quantitative strategies in domestic equity investments in support to the existing fundamental investment strategies.
2. To establish a nascent fund that invests in small cap domestic stocks.
3. To increase investments in Shariah-compliant equity.
4. To increase investments in International equity.

All of the above initiatives were successfully completed and implemented in 2013.



International

For the year ended 31 December 2013, KWAP’s internally managed international equity investments recorded a total income of RM29.29 million, which translates into an ROI of 2.44%.

The income was almost equally attributed from sale of shares and dividend income. Of the total investment income, RM15.56 million or 53.12% was derived from sale of shares whilst the balance of RM13.73 million was derived from dividend income.

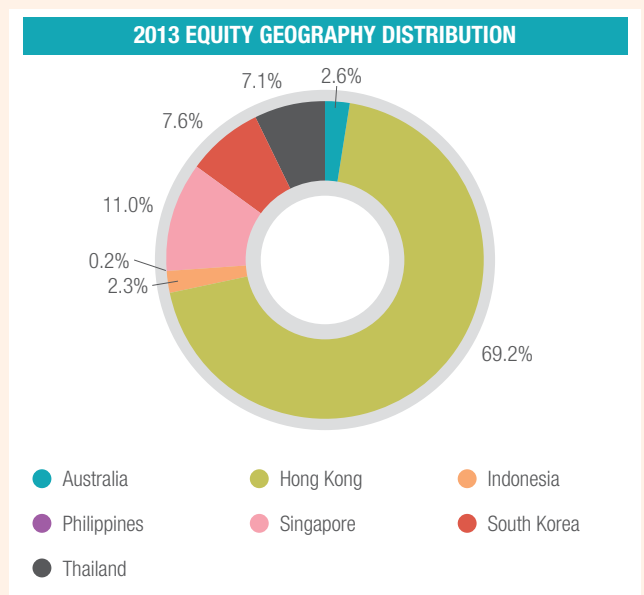
As a newly set up team, several initiatives were taken to enhance our capabilities. Regular meetings with prospective companies as well as sector teach-ins were continuously organised. In addition, several educational visits to the respective countries were done regularly for further understanding on the regional economic structures.

Generally, global equity market performed extremely well in 2013 with key world barometer index, MSCI World, recorded a superb 24.10% gain. While US stock market powered to fresh record high during the last session of year 2013, closing the year with stunning gain that some analysts say the upward trend could continue in 2014. Dow Jones Industrial Average, the US key benchmark index, catapulted almost 27%

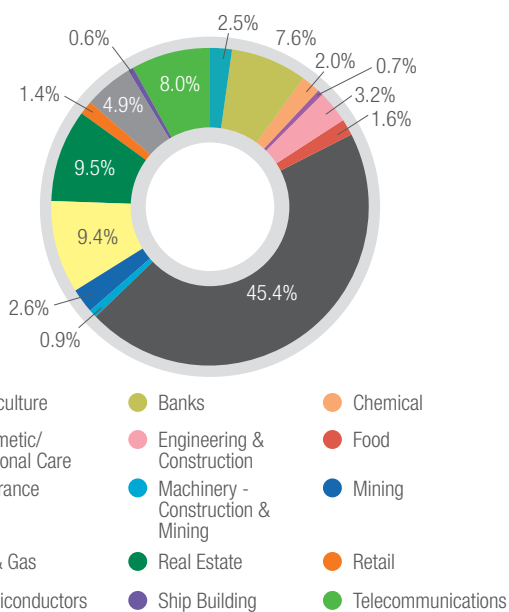
and S&P 500 jumped almost 30% in year 2013. It was indeed, the best year for US stock market since the 1990s that confirmed the recovery from the 2008 financial crisis. It was also the index’s best one year percentage increase in more than fifteen (15) years.

On the other hand, Asian equity markets were not as good as global equity markets. Global economic uncertainty, weakening currency, high household debt, slow GDP growth, increasing inflation rate, unfavourable monetary policy, natural disasters as well as domestic political turmoils had continuously dampened the Asian equity markets in 2013. Nevertheless, sturdy support from foreign funds at the end of the year helped the barometer index, MSCI Asia ex-Japan to inch up 0.46% last year. Thailand was the worst performer with a loss of almost 7% whilst New Zealand and Australia were the top gainers, yielding 16% and 15% respectively.

2014 is expected to be more challenging than 2013. Dow Jones rallied almost 27% last year despite the fear of federal shutdown, the prospect of more budget cuts and the imminent QE tapering. We believe that the key turning point for Asian equity market is China. The third plenums were well received by investment communities. Even though China’s GDP decelerated in 2013, the China’s authority is convinced that its GDP will be able to maintain at above 7.0% in 2014 due to several expansionary fiscal and monetary policies in the pipeline. Based on the recent report by International Monetary Fund, global economic growth will accelerate to 3.6% in 2014, from 2.9% in 2013. Hence, we are strongly confident that the Asian corporate earnings will be much better in 2014.



2013 INTERNATIONAL EQUITY SECTOR DISTRIBUTION



EXTERNALLY MANAGED

Domestic

As at 31 December 2013, the total funds at market value that are managed by domestic External Fund Managers (EFM) stood at RM4.34 billion, an increase of 24% from RM3.5 billion in 2012. In proportionate terms, the total equity portfolios managed by domestic EFMs accounts for 4.2% of KWAP total fund size of RM102.8 billion. 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 2013

| Domestic EFM | Fund Inception Year |
|---------------------------------|---------------------|
| Conventional Equity | |
| CIMB-Principal Asset Management | 1997 |
| Nomura Asset Management | 2007 |
| Aberdeen Asset Management | 2008 |
| RHB Investment Management | 2009 |
| Kenanga Invest Berhad | 2011 |
| Shariah Equity | |
| i-VCAP Management Sdn Bhd | 2011 |
| CIMB Principal Islamic | 2012 |
| Amlslamic Asset Management | 2012 |

KWAP held meetings with each EFM on quarterly basis to ensure the EFMs' performance delivery and operational compliance. 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, 40 quarterly meetings were conducted, typically held at the beginning of each quarter. 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 2013, KWAP's domestic equity EFMs recorded an aggregate realised income of RM360.9 million, representing an average ROI of 10.94% at cost. The aggregate realised income was derived from capital gains of RM238.6 million, dividend income of RM111.0 million and the balance of RM11.3 million from interest income.

International

In 2013, KWAP's externally managed investments in international equity can be divided into two; one being investments in Asia separated into two different mandates, and the other is investments in UK equities, via an active mandate. The passive mandate for Asia is managed by State Street Global Advisors (SSGA) while the active mandate is managed by Franklin Templeton, both started with an initial seed capital of USD100.0 million. The passive fund is benchmarked against the widely tracked MSCI Asia All Country ex-Japan index whilst the active one is benchmarked against Asia Pacific ex-Japan. Investments in APEX equities are expected to increase as more mandates are given to new managers, including active Shariah APEX equities.

To assist KWAP in the selection of new managers, renowned international consultants were engaged to provide KWAP with the top performer names in the industry. By using consultants, KWAP can tap on their vast experience, knowledge and comprehensive database of the international fund managers. KWAP also met with international portfolio managers regularly, as part of our initiative to build our own database of managers. KWAP also held quarterly reviews with our existing managers to monitor the portfolio performance as well as investment review and market outlook.

List of International External Fund Managers as at 31 December 2013

| International EFM | Fund Inception Year |
|------------------------------------|---------------------|
| State Street Global Advisors (USD) | 2011 |
| Prima Ekuiti (UK) Limited (GBP) | 2012 |
| Franklin Templeton (USD) | 2013 |

PRIMA EKUITI (UK) LIMITED**Background**

30 April 2013 marks the one year anniversary of Prima Ekuiti (UK) Limited's (Prima Ekuiti) establishment. Based at Berkeley Square House in the heart of Mayfair – a traditional heartland of London hedge funds – the office has gradually developed its capabilities to complement KWAP's ongoing foreign investment strategies as well as to enhance KWAP's international exposure.

As KWAP's first foreign venture, Prima Ekuiti was given an initial GBP100 million on 1 May 2012 to be invested in the UK equity market. An additional GBP50 million was injected on 4 January 2013 whilst another GBP50 million was disbursed on 16 April 2013, fulfilling the total GBP200 million that was originally earmarked for UK equity investments.

Prima Ekuiti has also prepared itself, throughout the second half of 2013, to manage a new mandate in the form of European ex-UK equity investments. This new mandate signifies a natural progression for the company and shall also complement KWAP's strategies to capitalise on the region's recovery as well as to diversify its portfolio abroad.

To prepare its staffs for the growing investment roles and mandate, Prima Ekuiti has constantly ensured that its staffs received exposure through international investment conferences and seminars. In 2013, its staffs attended Barclays 2013 Select Investment Series, Citigroup Global Perspective Conference, Credit Suisse Pan European Conference, JPMorgan Year Ahead Macro Seminar on top of field trips to Norway and New York.

As a wholly-owned subsidiary of KWAP, Prima Ekuiti shall continuously enhance the gathering of investment and financial information, tap local hands on training and gain international exposure and experience, all of which are instrumental to help KWAP to become a truly global pension fund.

UK Market Review

2013 kicked off with concerns over the US government going over the so called 'fiscal cliff' in January, which could have led to the technical default of the US federal government on its debts, ensuring a major crisis in global financial markets. That crisis was ended with the temporary raising of the debt ceiling, only for the US to have a more serious flirtation with default later in the year. The spring was also full of surprises. The crisis in Europe had been easing slowly, but with peripheral government bond yields elevated, most investors remained cautious. The general election in Italy resulted in deadlock, which was eventually broken by a cross party coalition. Meanwhile, the debt crisis had engulfed Cyprus, sending shockwaves across financial markets. But this event had prompted European policy makers to speed up structural reforms which include the establishment of the Single Resolution Mechanism that was finally agreed in December.

Central banks were also active and became the dominant players throughout 2013. The European Central Bank, in response to the crisis in Europe, had cut the main policy rate and the deposit rate. Meanwhile, expectations were high in Japan following the arrival of Shinzo Abe and his policies dubbed "Abenomics". The Bank of Japan's new governor also announced a huge government bond buying program. In May, the focus switched back to the US as the Federal Reserve took market by surprise by hinting that its quantitative easing program may be tapered on the back of evidence that the US economy was recovering at a faster pace than expected. This triggered the taper tantrums saga, which has largely dominated financial markets since. Markets began to price in not only a reduction of new purchases, but also interest rate rises, far sooner than the Federal Reserve would have wanted. Meanwhile, other central banks were desperately attempting to decouple from the US's slightly more hawkish stance. The Bank of England's new governor Mark Carney introduced forward guidance for the first time in the UK, and chose to use an unemployment rate of 7% as the threshold of when to consider raising interest rates. The Bank of England's forecast implied that interest rates would remain on hold well into 2016. Unfortunately, the markets did not believe the forecast as UK economy grew faster than expected and the rapid fall in the unemployment rate caught policy makers by surprise. As a result, the UK government yields rose more aggressively than even the yields of US Treasuries.

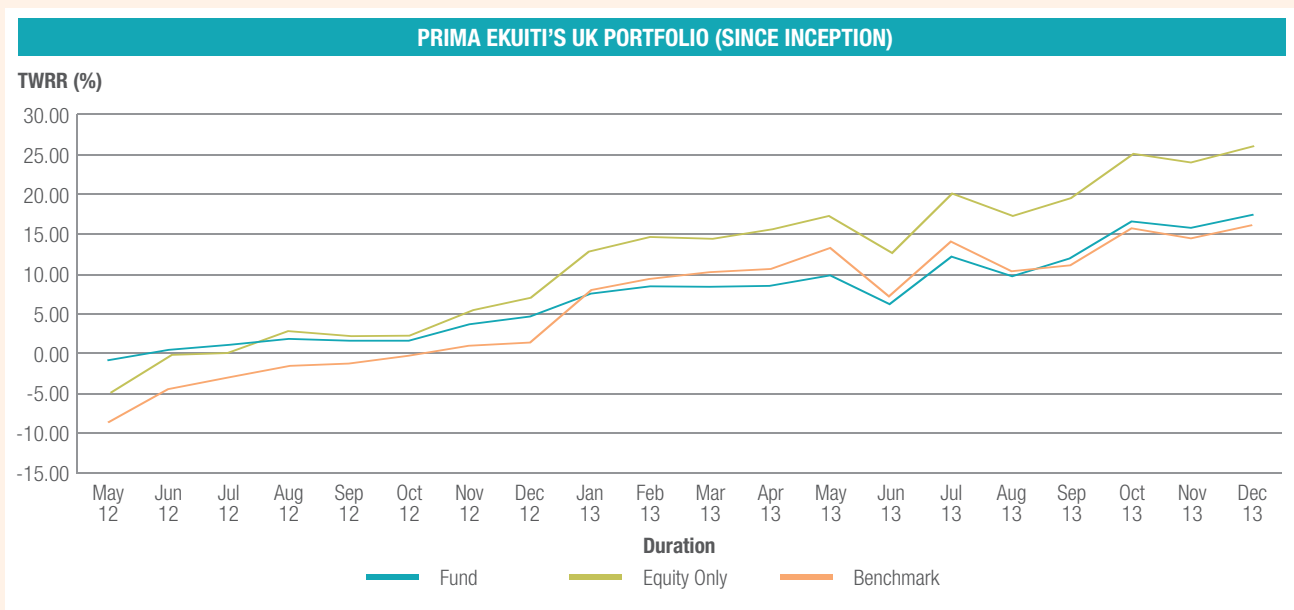
By September, investors had adjusted to the notion of US quantitative easing tapering, only for the Federal Reserve’s chairman Ben Bernanke to surprise the markets again by maintaining the pace of purchases, citing concerns about the rise in US Treasury yields and the impact on the housing market. However, US macro data continued to surprise on the upside with strong readings from forward indicators, and continued falls in the unemployment rate. In the end, the Federal Reserve did decide to begin tapering in the December meeting, trimming purchases by US\$10 billion to US\$75 billion per month. This move by the US central bank was accompanied by a very dovish statement in an attempt to temper expectations of a rise in interest rates.

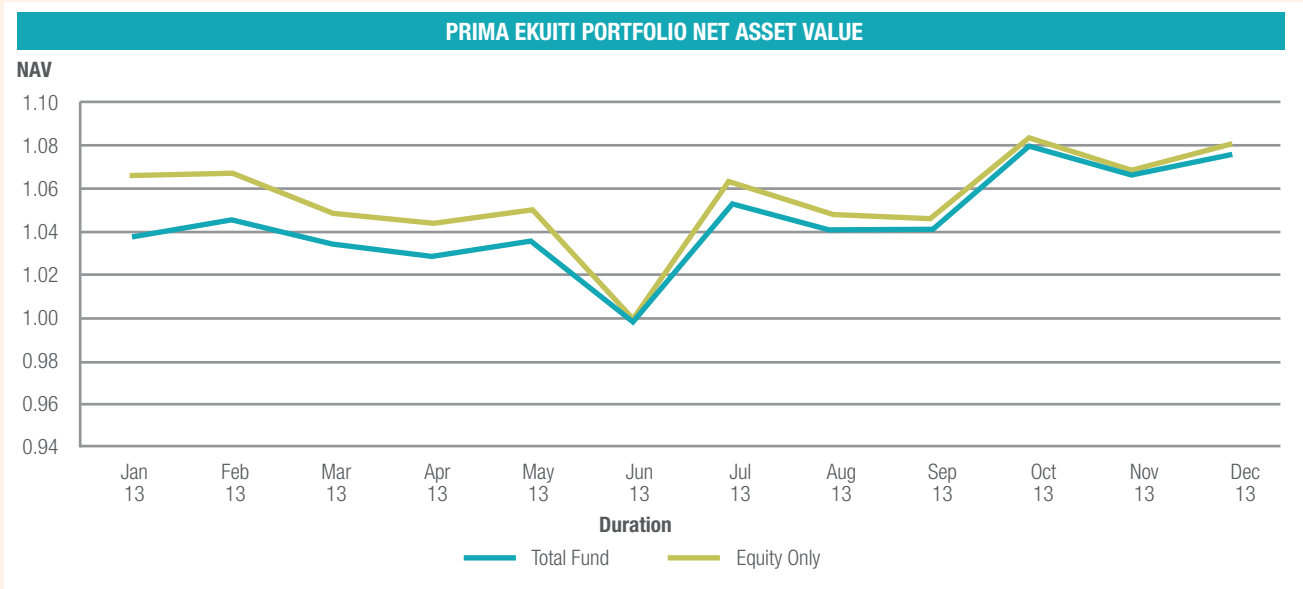
Looking across the equity markets, 2013 was a year to be long risk. Developed markets were outperforming emerging markets over 2013 as mounting signs indicated that the developed economies gathered positive momentum whilst the emerging markets slowed down.

Portfolio Review

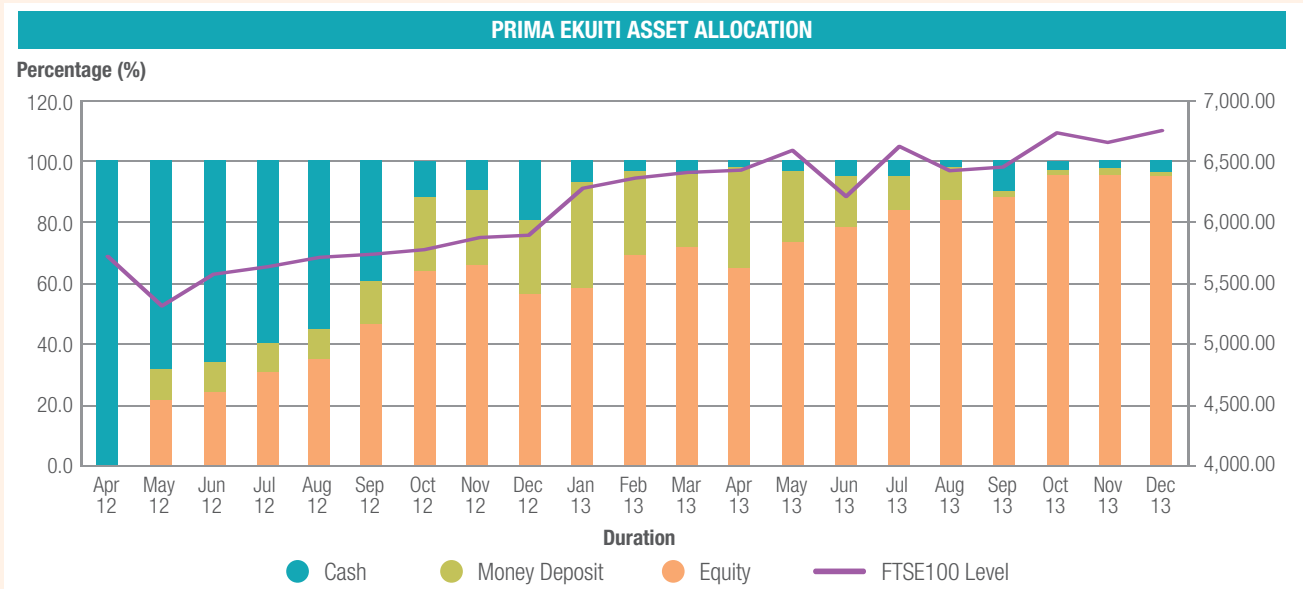
At Prima Ekuiti, asset management is its prime business and the creation of long-term value is its central goal.

As at 31 December 2013, Prima Ekuiti’s UK portfolio increased by 17.16% to GBP227.01 million compared to UK FTSE100 Index which advanced 16.12% since the portfolio’s inception. The equity carve-out portfolio, however, returned 25.90% since the portfolio’s inception. The performance was the direct results of the cautious and disciplined investing approach adopted by the portfolio manager. This investing approach had also ensured the portfolio’s net asset value (NAV) consistently stayed above 1.0. As at 31 December 2013, the UK portfolio’s NAV stood at 1.08.





Of the total GBP227.01 million, 95.4% was invested in equity, 0.9% in money deposit whilst the remaining 3.7% in cash.



The portfolio managed to achieve gross investment income of approximately GBP9.0 million or an annualised ROI of 6.2% as at 31 December 2013.

As part of the capacity building, Prima Ekuiti had undertaken initiatives to enhance their investment processes which include establishing proprietary screening system for stock selection and research database. Regular meetings with industry players and investee companies as well as quarterly strategy meetings were also conducted to keep abreast with investment ideas as well as to update on the portfolio strategy and performance.

FIXED INCOME

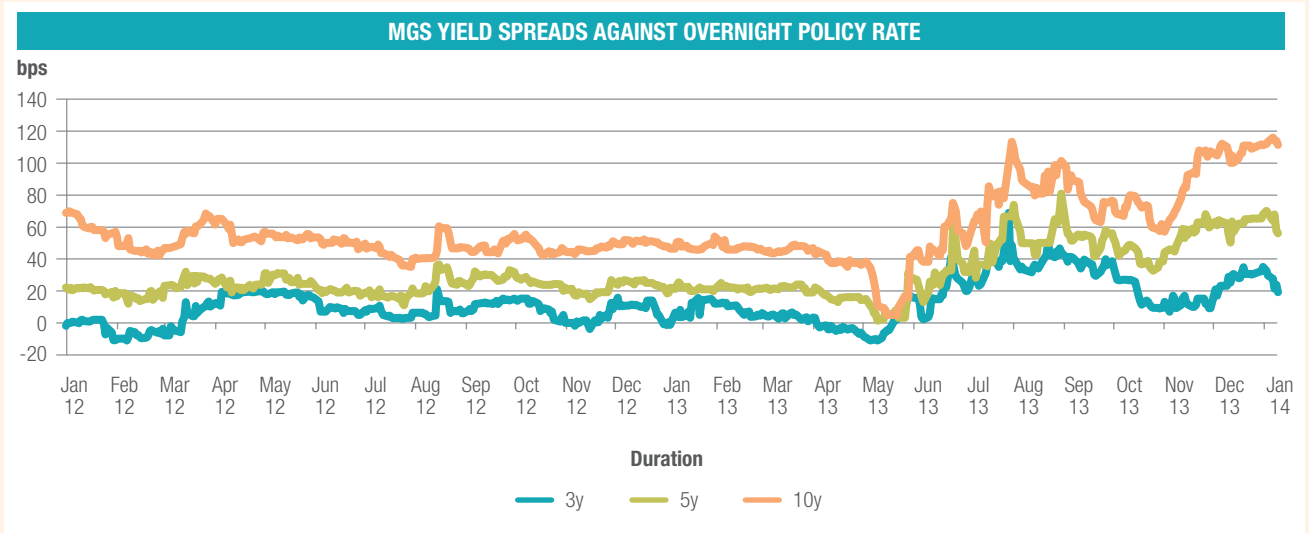
Overall Fixed Income Performance

2013 was a choppy year for the Fixed Income market and clearly a year of two halves. The year initially began on flattering pace, with yields at record low and flows being well supported. Liquidity continued to flush as interest rates remained low following prolonged economic difficulties in Japan and Europe. However, the bond market took a surprise hit in May 2013 after the Fed Chairman's first mention of tapering in its monthly bond purchasing program (Quantitative Easing III), thus sending Emerging Market debt especially Asia into a tailspin. QE III tapering played havoc with capital flows into Emerging Markets. In June 2013, we saw record outflows from Emerging Markets, forcing many fund managers to cut positions and move towards short duration. The yield curve bearish steepened in most Asia debt markets including in Malaysia. In the second half of 2013, many investors stayed sideline, spending much of their time pondering over timing of the Fed QE III tapering and how the US government would handle the shutdown alongside its debt ceiling issues.

Despite the challenges, KWAP embarked in a number of initiatives in search of active alpha, yield enhancement and greater diversification. KWAP is at the mid-point of rolling out its newly approved mandate to invest offshore. Infrastructure, resources and capability building were beefed-up in 2013 in preparation to roll out its regional investment mandate by end of first quarter 2014. For a start, KWAP will be investing in key regional economies namely South Korea, Indonesia, Thailand, China, Hong Kong and Australia in hard and local currencies. Besides that, KWAP will also actively increase its investment in offshore market via external fund managers. In the domestic market, KWAP adopted an opportunistic investment approach in investing in higher yielding fixed income instruments, such as non-rated corporate bonds, perpetual bonds, and Tier-1 hybrid capital securities (Basel III) with new investment amounting to RM1.3 billion. Besides, KWAP will continue to ride down the yield curve to capture higher investment return with risk kept at a minimum level.

On products, KWAP has obtained approval to invest in Repurchase Agreement (REPO) to enhance the liquidity of Malaysian Government Securities (MGS) and Corporate Bonds. KWAP has obtained approval to invest in Negotiable Instrument Deposit Certificate (NIDC) and Islamic deposit transactions using the Tawaruq concept and commodity Murabahah and Wakala Deposit as part of establishing more Islamic financing products and investment based on Shariah principles. Aside from managing fund internally, KWAP has appointed two new external fixed income managers to manage global sukuk portfolio. Fixed Income EFM adopted external custodian fund accounting data in line with KWAP's accounting policies.

Alongside the increasingly challenging landscape, performance for various asset segments for fixed income assets has been commendable. Overall Return on Investment (ROI) achieved for fixed income asset classes as at 31 December 2013 was 4.41%, significantly higher than the average 10-year MGS yield of 3.653%. Besides, the duration profile (interest rate risk) of the overall fixed income portfolio was much higher than typical 10 year MGS. Individually, income for corporate bond as at 31 December 2013 surged to RM802.40 million from RM678.88 million in the previous year while ROI was slightly lower at 5.7% from 6.1% a year earlier, outperforming Quantshop Corp (Medium) Yield by 167 bps. Government securities and quasi government bonds delivered RM930 million income, compared with RM966 million posted in the previous year. Although ROI tapered to 3.9% from 4.8% in the previous year, the ROI surpassed the Quantshop MGS All Yield by 44 bps. Performance of domestic external fund manager's ROI was at 5.37% from 6.3% a year ago, attributed to steadier low yielding environment and fewer great trading opportunities. International external fund manager's ROI edged a tad higher to 4.46% from 3.55% amid volatility performance in G7 government portfolio. Loan ROI eased to 4.47% from 5.14% in 2012 as some loans were redeemed earlier on the back of easy financing conditions and extension of more loans during the period. In nominal terms, it registered RM524 million of income an increase from RM458 million in 2012. Money market's ROI grew to 3.1% from 2.6% on increased drawdown during the interim and lower closing balance.



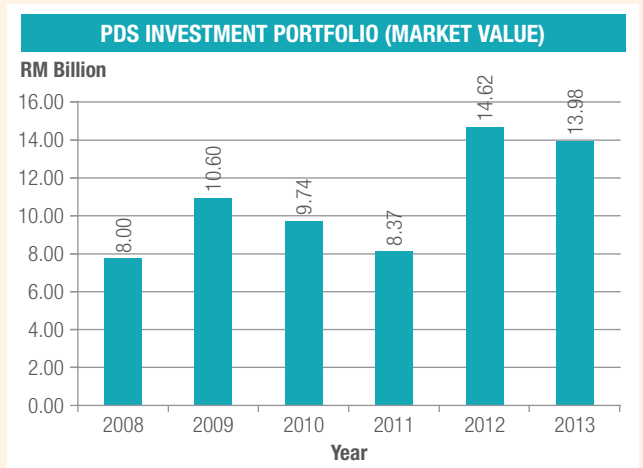
Source: Bloomberg

INTERNALLY MANAGED

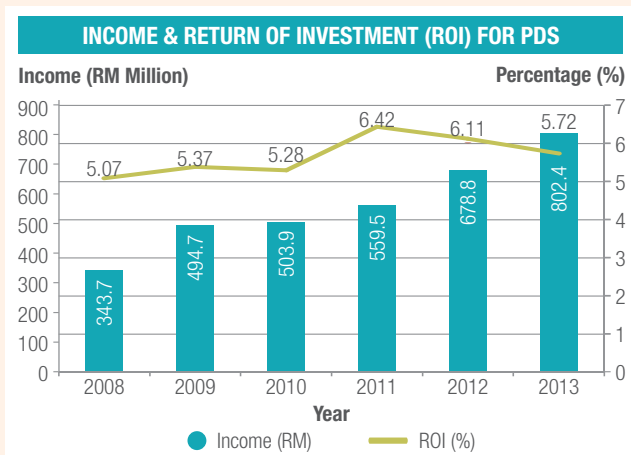
Private Debt Securities (PDS)

In 2013, credit market was still driven by excess liquidity created by Quantitative Easing (QE) Program adopted by several central banks in the world notably the United States. Yields in the credit market stayed low in the first half of 2013, carrying over the levels from 2012. However, news that the Fed may taper its QE Program, spooked the market thus sending the yields northbound across the board. The reaction then began to wane down as investors realised the market has heavily priced in the news. However yields began to spike once again towards the end of the year as the Fed began to scale down its liquidity pumping program in the fourth quarter of 2013.

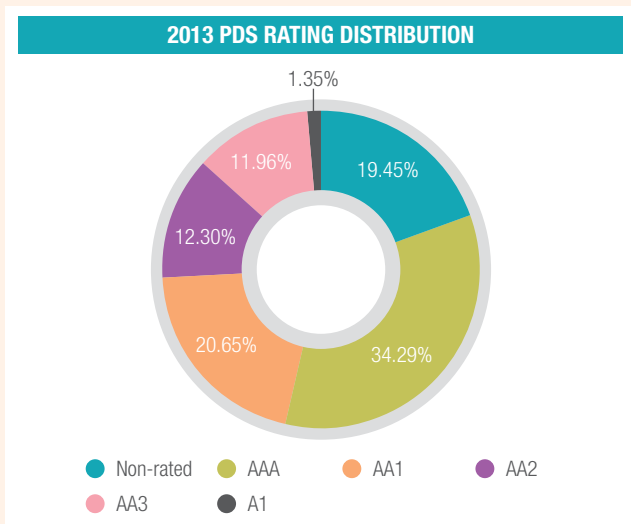
KWAP's credit portfolio holdings (at market value) declined to RM13.98 billion, down from RM14.62 billion in 2012. The decline was mainly due to the portfolio not investing aggressively in 2013 arising from thin supply of credit papers as well as lower yields environment. For the year 2013, the portfolio sold or redeemed RM1.5 billion of papers against new purchases of RM1.1 billion.



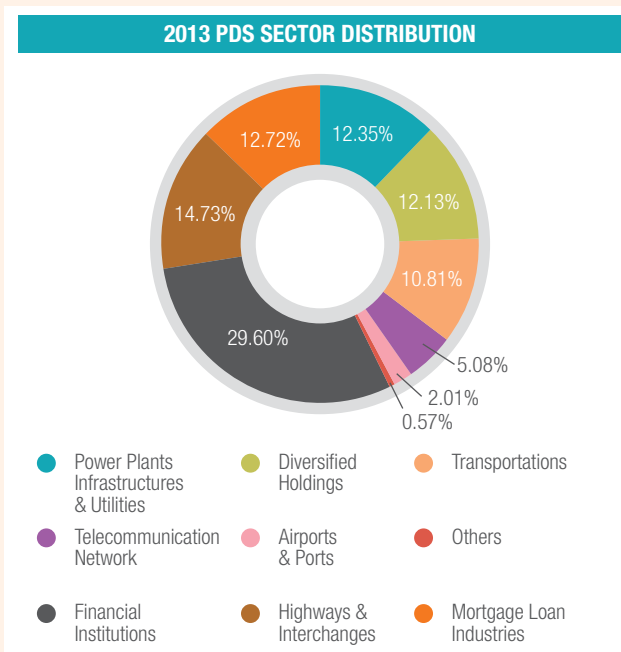
* Based on market value at 31 December 2013



Income for the portfolio increased in 2013 to RM802 million from RM678 million in 2012 as the portfolio is able to fully realise the income from purchases made in late 2012. Capital gains from sales and early redemption increased from RM54.3 million in 2013 compared to RM38.2 million in 2012. ROI for the portfolio fell to 5.7% in 2013 versus 6.1% in 2012 in tandem with low yield and interest rate environment for much of 2013. The portfolio was not able to replace maturing high yielding papers as the yields in both primary and secondary markets remained low throughout 2013.



* Based on market value at 31 December 2013



* Based on market value at 31 December 2013

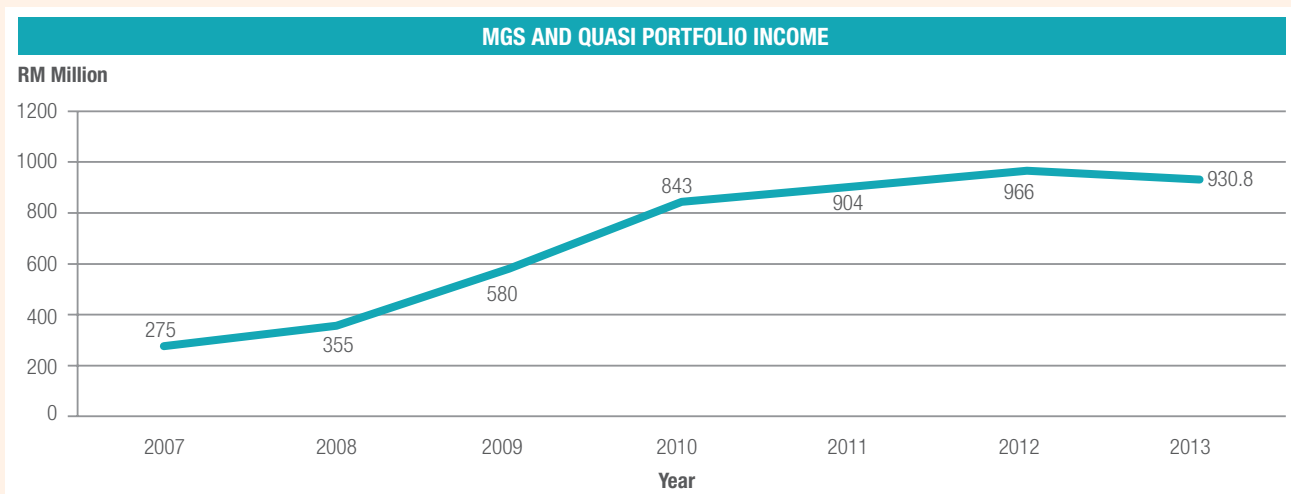
Moving forward, for the year 2014, while economic recovery remains benign, liquidity seems to be the main thematic focus for the financial markets. Low interest rate regime, a direct result from excess liquidity, may not hold for long in the new-year. We foresee yields to move up further as investors continue to price in further tapering of the QE III program in the near future. Credit environment is expected to remain stable with the supply of new papers to increase slightly on the back of improving macroeconomic conditions and reasonable yield levels. Against this backdrop the portfolio shall focus on duration management for yield pickups while still maintaining credit quality for capital preservation.

Malaysian Government Securities and Quasi Government Bonds

Choppy trading for government securities as yields spiked upwards in July and August 2013 on speculation that the Fed will start to taper its bond purchase program in September 2013. This resulted in temporal selling from Emerging Market into US Treasuries. However, the outflows reversed in late September after US Congress's budget flight clouded sentiments. Eventhough shuttered government agencies reopened on 17 October 2013 and threatened default on government debt was averted, Congress adopted temporary fixes.

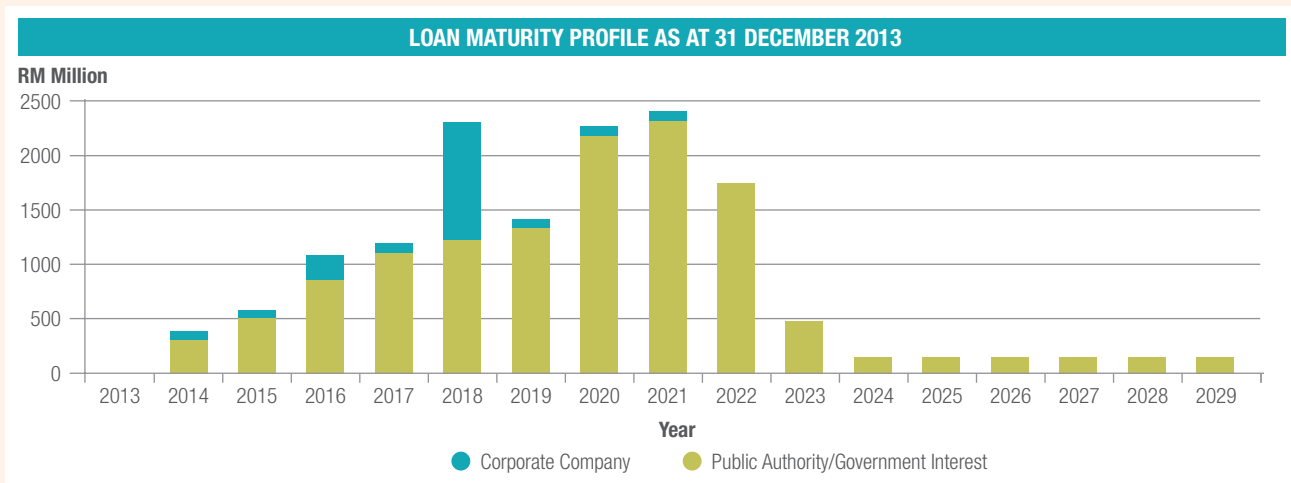
Back home, MGS yields rose moderately on the tapering announcement, as the tapering speculation was priced in earlier in November 2013 when yields shot-up by more than 50bps. The gross Malaysian Government Securities (MGS) and Government Investment Instruments (GII) size was marginally higher amounting to RM96.9 billion for 2013 compared to RM94.0 billion in 2012. Despite the relatively large gross issuance, the MGS and GII market remained well supported by ample domestic liquidity. Foreign holdings in MGS and GII remained solid at 45.1% despite outflows due to QE III tapering woes and concerns of large budget deficit. The Malaysian Government has pledged to put the economy on a sustainable growth path and undertake steps aimed at reducing the country's deficit, a move widely expected by the market.

Against this challenging backdrop, KWAP's total investment in Government Securities (MGS, GII and quasi government bonds) as at 31 December 2013 stood at RM25.01 billion as compared to RM22.31 billion as at end of 2012. The gross investment income as at 31 December 2013 fell by 3.66% to RM930.8 million as compared to last year's figure at RM966.2 million due to lower yield environment in first half of 2013 and tighter liquidity after yields spiked up in second half of 2013. The portfolio also registered ROI of 3.91% as at 31 December 2013 on the back of 6.02 years duration as compared to last year's ROI at 4.8%. Current ROI outperformed the benchmark, Quantshop MGS All Yield of 3.9% by 44 bps.

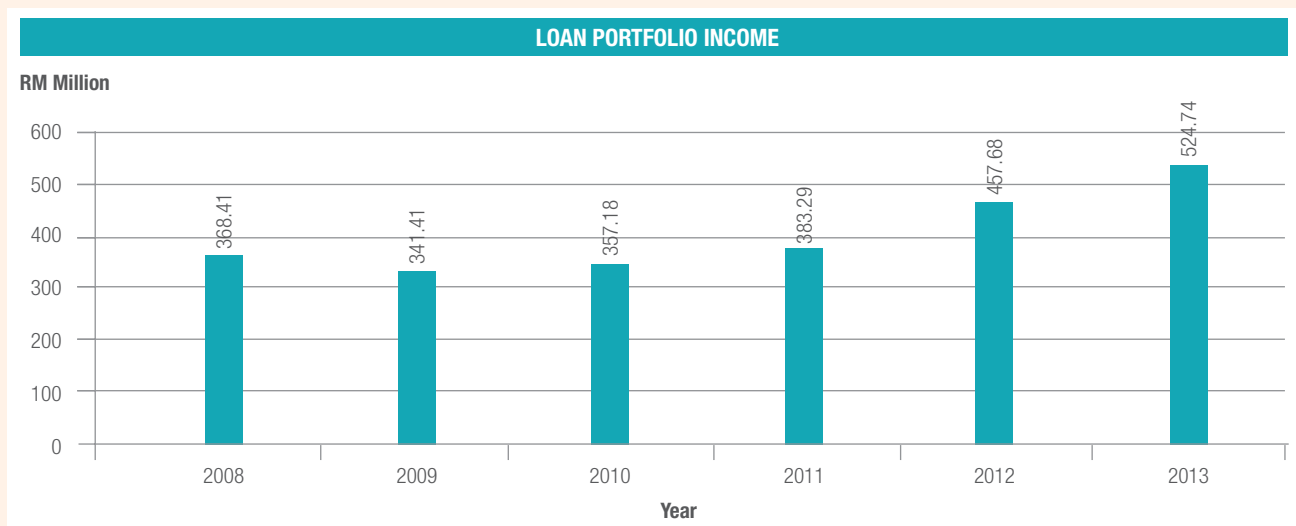


Loans

In 2013, cumulative assets in loans increased by RM2.93 billion or 28.50 % to RM13.21 billion in 2013. The increase in the loan portfolio was mainly due to new long-term loans guaranteed by the Government or government-linked entities.



A total of RM524.74 million in income was collected from this investment. This was RM67.07 million or 14.68% increase from the previous year. ROI rate was at 4.47% which exceeded the benchmark Quantshop MGS All Yield (plus 50 bps) by 50 bps. The loans portfolio made up 12.85% of KWAP's Strategic Asset Allocation.



Going forward, KWAP will continue to maximise ROI by constructing loan structure and terms that is favourable to KWAP, taking into account rising interest rate environment in coming years. In order to minimise default risk, KWAP will continue to monitor closely all borrowers via site visits and company visits from time to time.

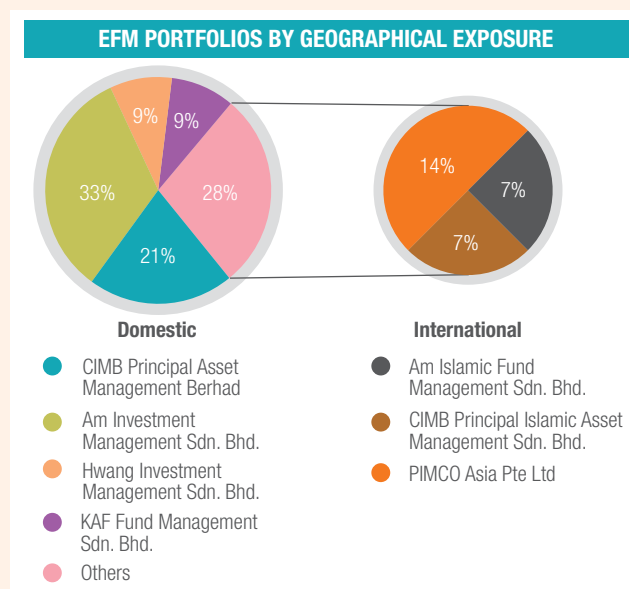
Money Market

KWAP's total money market investments balance stood at RM7.16 billion as at 31 December 2013, down 8.21% from RM7.80 billion held at the beginning of the year, maintaining sufficient cash holdings for daily operation consideration and drawdown for other asset class investments. This was also in line with our SAA plan whereby the quantum of money market investment is targeted at the optimal level of 2.0%.

The investment was largely in money market term deposits, followed by Floating Rate Negotiable Instrument of Deposit (FRNID), Negotiable Instruments of Deposit (NID), Negotiable Islamic Debt Certificates (NIDC) and Commercial Papers (CP), in both conventional and Islamic terms. The tenor ranges between overnight and five (5) years. The gross income generated from money market investment in 2013 was RM230.16 million, about 30.9% lower compared to RM333.31 million gross income received in 2012. This was due to high money market investment balance of RM7.8 billion as at 31 December 2012.

EXTERNALLY MANAGED

As at 31 December 2013, total outsourcing funds at cost managed by the fixed income fund managers stood at RM2.2 billion which accounted for 2.2% of overall KWAP fund size. In terms of geographical exposure, 72% of the externally-managed assets were invested in the domestic bond market and the remaining 28% invested globally by the external managers.



Domestic

As at 31 December 2013, total funds at cost managed by domestic fund managers amounted to RM1.57 billion, an increase of 28% from RM1.23 billion a year ago. Total fixed income portfolios managed by domestic fund manager accounted for 2.5% of overall fixed income investments. As at 31 December 2013, domestic external fixed income fund managers recorded an aggregate realised income of RM75.2 million representing an average ROI of 5.4%.

List of Domestic External Fund Managers as at 31 December 2013

| Domestic | 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 with on-site visits conducted at their respective offices. Throughout the year, sixteen (16) quarterly meetings, four (4) annual visits and one (1) compliance visit were conducted to observe their compliance with relevant internal control procedures and best business practice with regards to day-to-day trading activities and middle and back office operations.

International

In terms of the overseas investments, externally-managed fixed income investment exposure stood at USD200.0 million (RM614.0 million). Combined with in-house government bond portfolios, overall fixed income assets invested offshore accounted for 1.7% of KWAP fund size at market value as at 31 December 2013. New SAA limit for international fixed income is set at 5.0% by end 2017. As at 31 December 2013, international external fixed income fund managers recorded an aggregate realised income of USD8.7 million (approximately RM27.4 million) representing an average ROI of 4.4%.

List of International External Fund Managers as at 31 December 2013

| International | Fund Inception Year |
|-------------------------------------------------|---------------------|
| CIMB-Principal Islamic Asset Management Sdn Bhd | 2011 |
| AmlIslamic Fund Management Sdn Bhd | 2011 |
| PIMCO Asia Pte Ltd | 2011 |

KWAP holds several discussions with regards to investment related or operational matters as part of its monitoring process, which includes on-site visits at fund manager's premises in ensuring their adherence to the terms of contract as well as understanding business best practice. Regular tele-conference discussions were conducted for the 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, twelve (12) quarterly meetings, three (3) compliance audits and two (2) due diligence audits were conducted to observe their compliance with relevant internal control procedures.

| Domestic External Fund Manager | International External Fund Managers |
|--------------------------------|--------------------------------------|
| 16 Quarterly Meetings | 12 Quarterly Meetings |
| 4 Annual Visits | 3 Annual Visits |
| 1 Compliance Visit | 2 Due Diligence Visits |

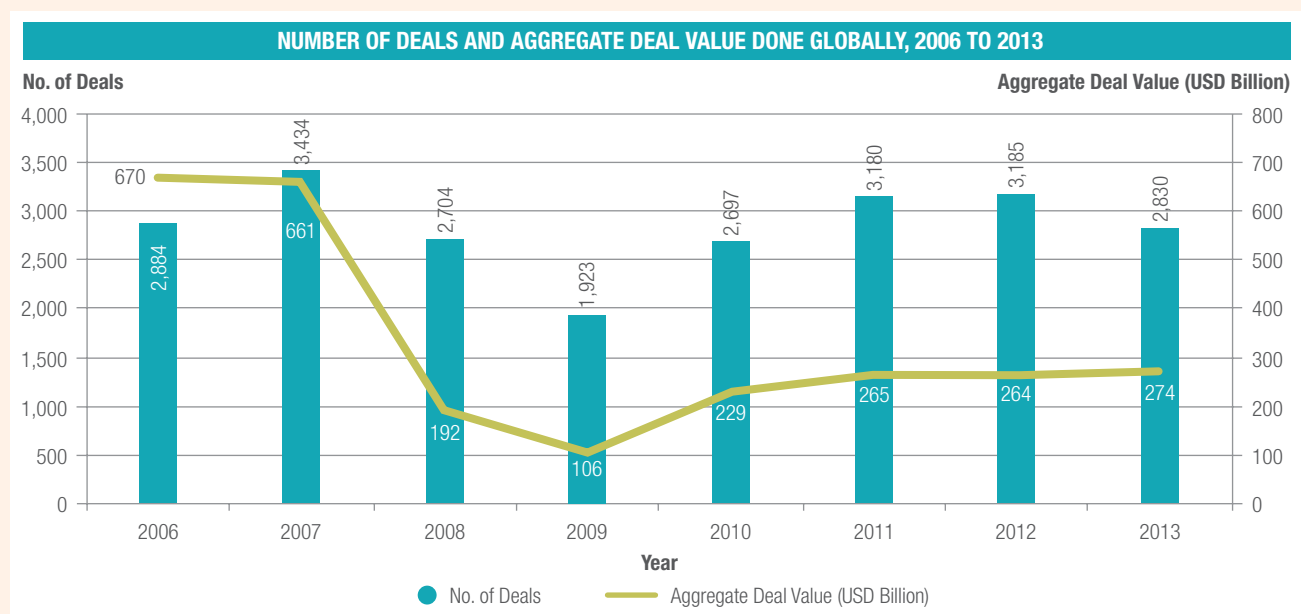
One of the unit's ongoing initiatives to diversify external managers portfolio return and investment style, an RFP (Request For Proposal) process was carried out during the year which was participated by several bond fund managers. Based on the evaluation, two (2) new external managers have been approved to manage Global Sukuk portfolios.

ALTERNATIVE INVESTMENT

Private Equity Overview

Private equity deal activity ebbed and flowed, often unexpectedly, in 2013 with more nimble private equity (PE) players demonstrating their ability to perceive and exploit the changing market conditions.

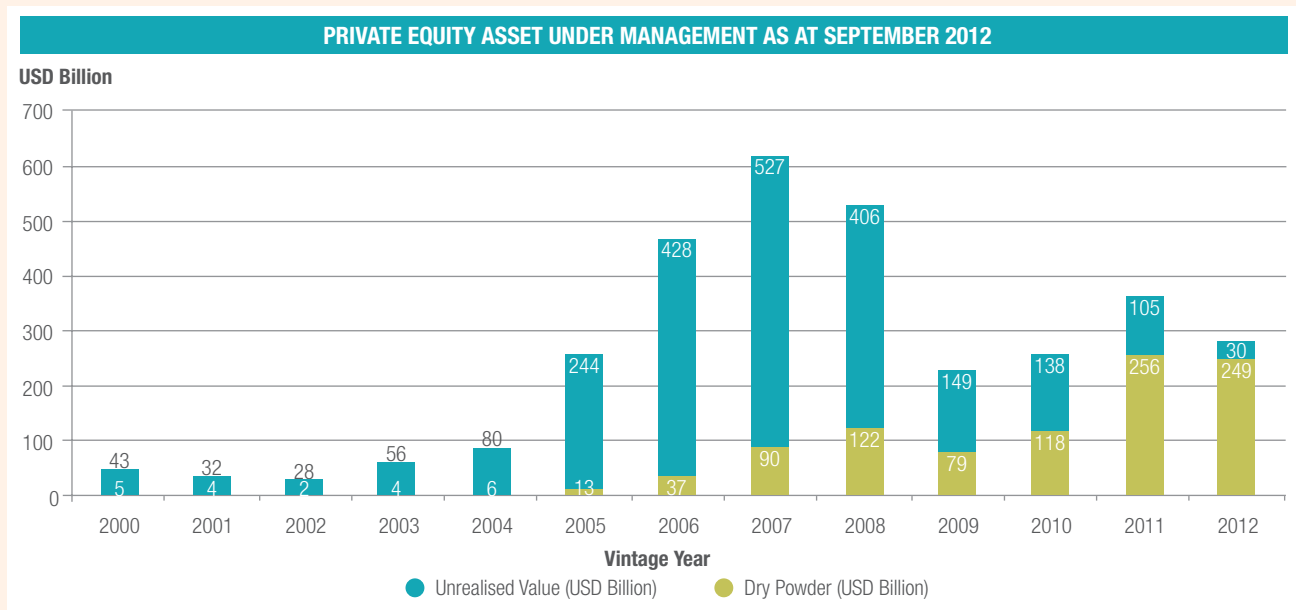
On the dealmaking front, quite a number of deals were completed in 2013. However only two (2) topped USD20 billion namely Hilton Hotel mega buyout by Blackstone at USD27.6 billion and Dell Computer's privatisation acquisition by its founder Michael Dell and Silver Lake Partners at USD24.9 billion and barely a handful exceeded USD5 billion. According to Preqin, 75% of the deals done by private equity-backed buyout deals in 2013 were small-cap investments (deals of less than USD250 million in size). But the volume totals do not reflect the many challenges of getting a deal over the finish line. There is no question that the deals are getting more complex and harder to execute and attractive assets have multiple suitors which certainly drive up valuation.



Source: Preqin

Fundraising and Dry Powder in Private Equity

According to Preqin, in 2013 half of all capital raised for private equity buyouts went to the biggest funds. It was the first time since 2008 that megafunds (defined as having more than USD4.5 billion in assets and these funds in 2008 raised USD114 billion, about half of the total amount raised) have commanded half the market. Of the USD169 billion raised by 145 buyout funds last year, USD85 billion went to megafunds. In 2012, when USD95 billion was raised, the biggest funds received USD30 billion, about 32% of the total. This shift came during a resurgence in overall fund-raising last year after several years of muted activity. This creates a more pronounced "haves-and-have-nots" situation, where institutional investors are committing increasing amounts into megafunds while making fundraising a challenge for other PE players.



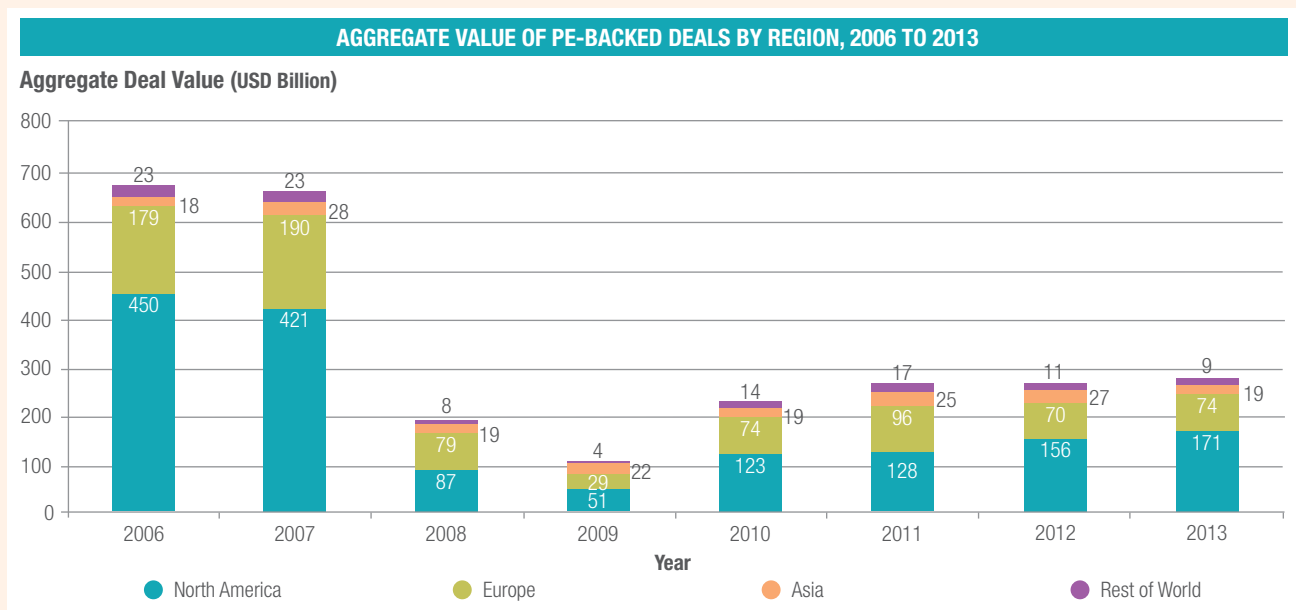
Source: Preqin

Despite the impact of the global financial crisis, over the past five years the PE industry's assets under management (AUM) have continued to grow. While total dry powder has declined slightly over this period, it has still remained at a high level, close to the USD1 trillion mark, with unrealised value increasing steadily each year.

Regional Outlook

North America is by far the strongest region for PE activity, where aggregate value of deals increased 10% in 2013 compared to 2012. Despite uncertainties early in the year surrounding the US federal debt-ceiling standoff, GPs gained confidence as the year wore on that they could count on continued growth - however slow and unspectacular though it may be. In a wider world beset by deeper woes, investors generally saw the US as a bastion of safety and security.

Europe still suffers from a general sluggishness of PE market outlined by the weak deal making in what has traditionally been one of the industry's strongest markets. Despite that, it was able to pull through a 6% increase of aggregate value of deals done in 2013 as compared to 2012. Deal activity did hold up well in North Europe, namely Germany and Scandinavia, where the economies remained strong, and also in the UK, where the reign of the pound sterling has largely kept investors above the euro-zone fray.



Source: Preqin

Asia's decade long emerging market boom was predicated on a simple, but powerful, investment thesis: Strong, steady GDP growth pushes asset values higher. However, that reliance on the reliability of GDP growth of the region is sharply tested in 2013. Asia saw a drop of 28% off its aggregate value of deals done in 2013 as compared to 2012.

2013 also marked what appears to be the continuing shift to a market that is more open to buyouts, as some business owners were even willing to cede control to secure PE investments and also the benefits that PE stewardship could offer in heightening its business growth.

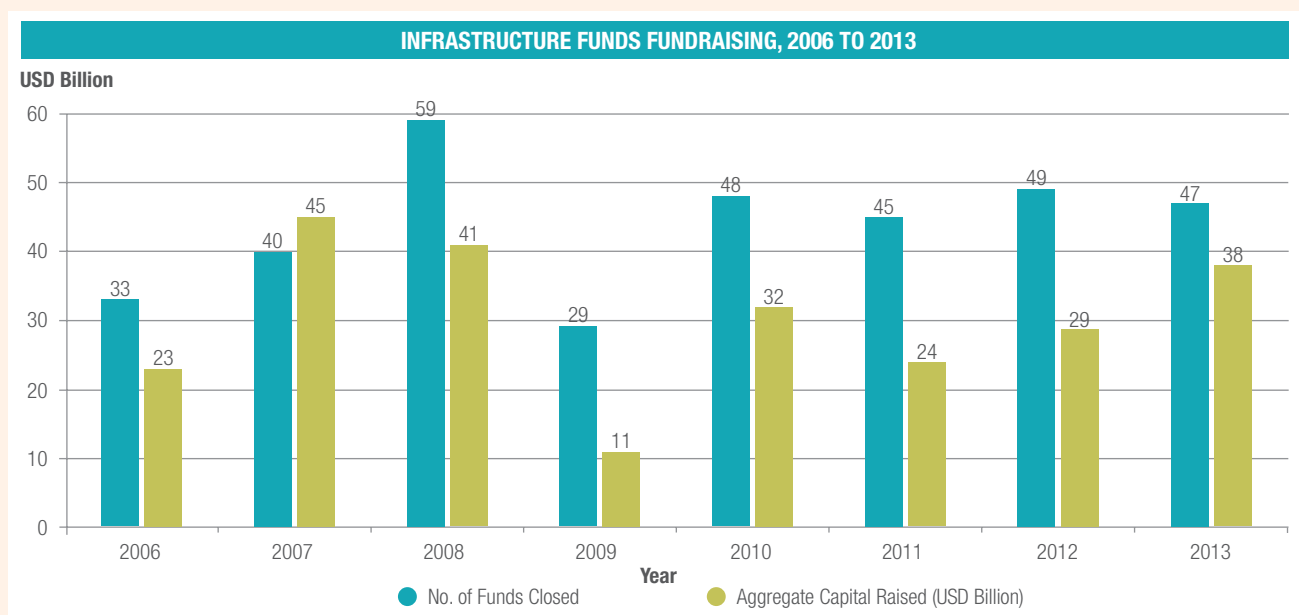
Infrastructure Overview

In 2013, infrastructure was introduced as a new sub-asset class in KWAP, sitting within the Private Equity asset class, under Alternative Investments. Infrastructure is an alternative investment with its own unique characteristics and it sits in between Private Equity and Real Estate in the risk-return spectrum.

Infrastructure investments are attractive to institutional investors such as pension funds as they are long-term investments that could match the long duration of pension liabilities. In addition, infrastructure assets linked to inflation could hedge pension funds' liability sensibility to increasing inflation.

Fundraising and Dry Powder in Infrastructure

Overall, 2013 saw 47 infrastructure funds reach a final close, raising USD38 billion; significantly higher than the USD29 billion raised in 2012. The average size of unlisted infrastructure funds that closed in 2013 is USD872 million, again higher than the USD647 million average size in 2012 and the highest since 2007.



Source: Preqin

Two (2) infrastructure funds account for 68% of capital raised in 2013: Brookfield Infrastructure Fund II raising USD7 billion and EIG Energy Fund XVI raising USD6 billion. 54% of funds closed in 2013 achieved or exceeded their target size compared to 40% in 2012 signalling higher demand and also confidence by the institutional investors.

TOP-10 LARGEST INFRASTRUCTURE FUNDS AND ITS GEOGRAPHICAL FOCUS

| Fund | Manager | Fund Size (mil) | Final Close Date | Location Focus |
|-------------------------------------------|----------------------------------------------------------|-----------------|------------------|-----------------------|
| Brookfield Infrastructure Fund II | Brookfield Asset Management | 7,000 USD | Oct-13 | Global |
| EIG Energy Fund XVI | EIG Global Energy Partners | 6,000 USD | Dec-13 | Global |
| Macquarie European Infrastructure Fund IV | Macquarie Infrastructure and Real Assets (MIRA) | 2,750 EUR | May-13 | Europe |
| EQT Infrastructure II | EQT Funds Management | 1,925 EUR | Jan-13 | Europe, North America |
| AXA Infrastructure Generation III | Ardian | 1,450 EUR | Mar-13 | Europe |
| Stonepeak Infrastructure Partners | Stonepeak Infrastructure Partners | 1,650 USD | Oct-13 | North America |
| Urban Construction Fund | Suzhou International Development Venture Capital Holding | 10,000 CNY | Apr-13 | China |
| BTG Pactual Brazil Infrastructure Fund II | BTG Pactual | 1,380 USD | Aug-13 | Brazil, South America |
| IFC Global Infrastructure Fund | IFC Asset Management Company | 1,200 USD | Oct-13 | Global |
| Actis Energy III | Actis | 1,150 USD | Dec-13 | Emerging Markets |

Source: Preqin

Regional Outlook

North America is seen as a region where the balance between government and private investor is increasingly moving in favour of the investor. Regulations are generally favourable (or at least generally fair) to the investor and are improving. The mid-market space in North America continues to be attractive.

Europe through 2013 was generally unfavourable. Too much scope lies with government, either via heavily regulated sectors with little upside potential or through heavy reliance on subsidies.

The Asian infrastructure markets on the other hand, present a different set of challenging regulatory and political risks. The Asian market is most attractive for new builds and unregulated assets, where the additional risks are adequately offset by higher potential returns.

Private Equity Fund Investments

As at 31 December 2013, KWAP has invested in eighteen (18) private equity funds and maintains two (2) direct private equity investments. KWAP's total private equity investment amounted to RM816.23 million or 0.79% of KWAP's total fund size and is within the approved 2.0% Strategic Asset Allocation (SAA).

For 2013, KWAP concentrated its efforts on Private Equity funds portfolio diversification. This diversification exercise focuses on geographical and also fund strategy. With that in mind, as at 31 December 2013, KWAP invested in four (4) new private equity funds. These funds are Acon Equity Partners III LP (Acon III), Affinity Asia Pacific Fund IV, Stonepeak Infrastructure Fund, LP (Stonepeak) and Nordic Capital VIII (Nordic Capital).

As a direct result of KWAP's private equity funds portfolio diversification efforts, KWAP has managed to break new grounds in its private equity portfolio, namely first North American PE Fund commitment (Acon III), first Asian large buyout fund commitment (Affinity IV), first North American Infrastructure Fund commitment (Stonepeak) and first European large buyout commitment (Nordic Capital).

Direct Private Equity Investments

As at 31 December 2013, KWAP maintains two (2) direct private equity investments in Malaysia.

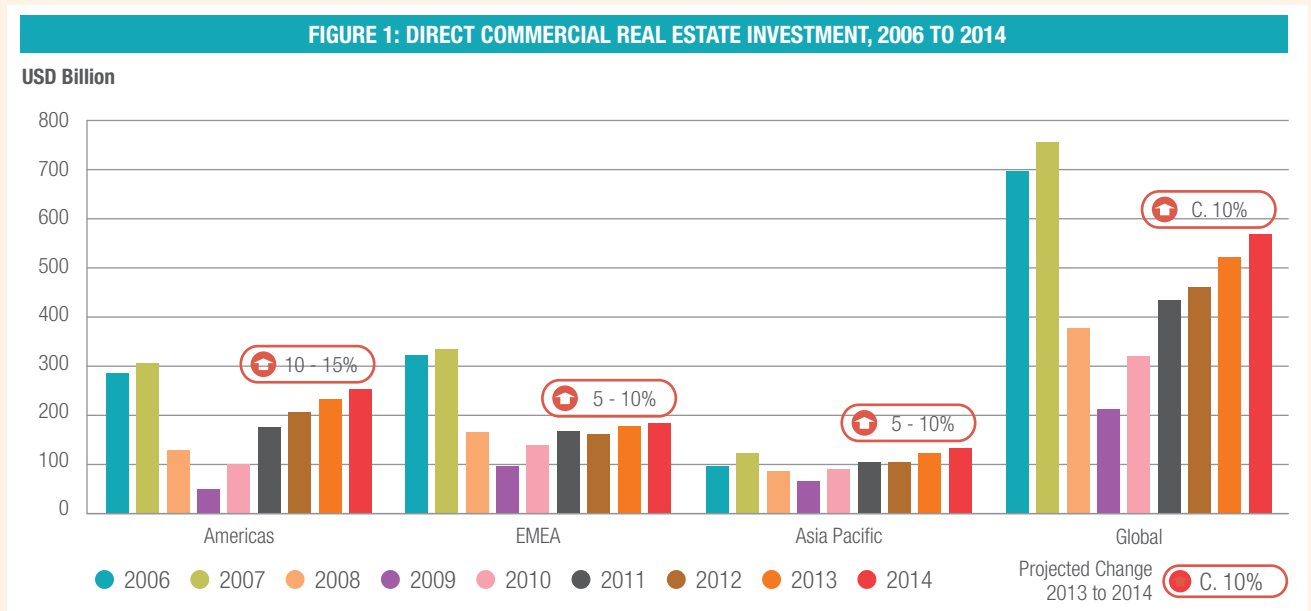
The direct private equity investments generated a total income of RM1,605.86 million with return on investment of 216.3%. Of the total income, 98.2% was derived from exceptional dividend received from one of the direct investee companies and the remainder was from Private Equity funds.

ALTERNATIVE INVESTMENT

Property Market Review

Global

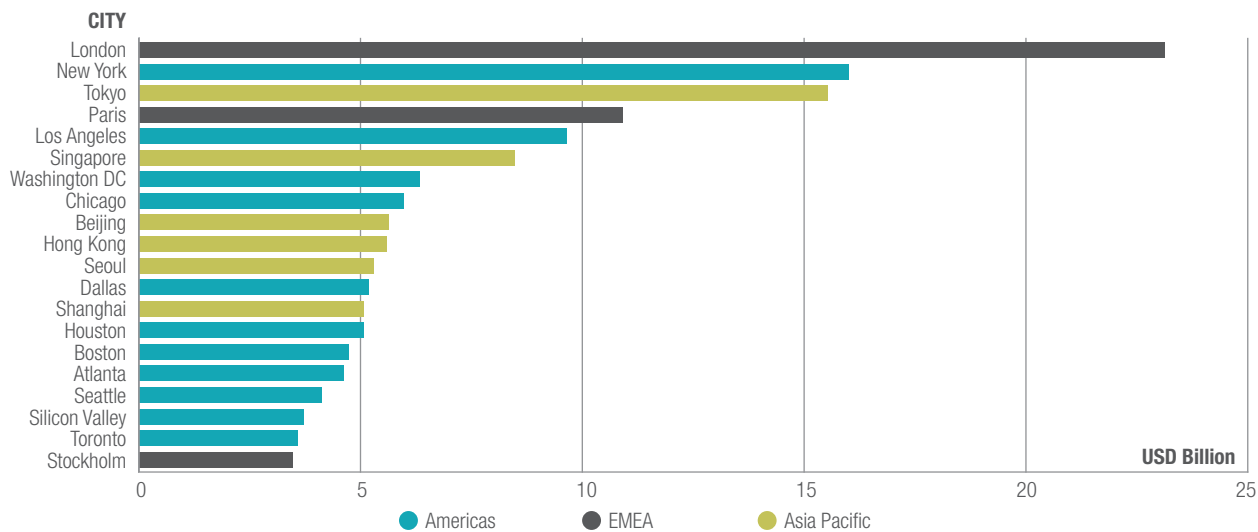
Direct commercial real estate investment has recorded approximately USD366 billion transaction volumes on year to-date third quarter of 2013, a 21% increase compared to the same period in 2012. Total full year investment for 2013 is expected to exceed USD500 billion (Figure 1). Strong performers of established major markets in third quarter of 2013 were USA with USD55 billion, UK USD18.5 billion and Japan USD8.7 billion. Investment activity in Europe for 2013 is expected to exceed USD161 billion recorded in 2012, driven by its three largest markets UK, Germany and France¹. London with approximately over USD24 billion of investment is a city which recorded the highest direct commercial investment, followed by New York USD16 billion and Tokyo USD15 billion (Figure 2).



Source: Jones Lang LaSalle October 2013

¹ Jones Lang LaSalle Global Market Perspective Q4 2013

FIGURE 2: DIRECT COMMERCIAL REAL ESTATE INVESTMENT FOR TOP CITIES IN 2013

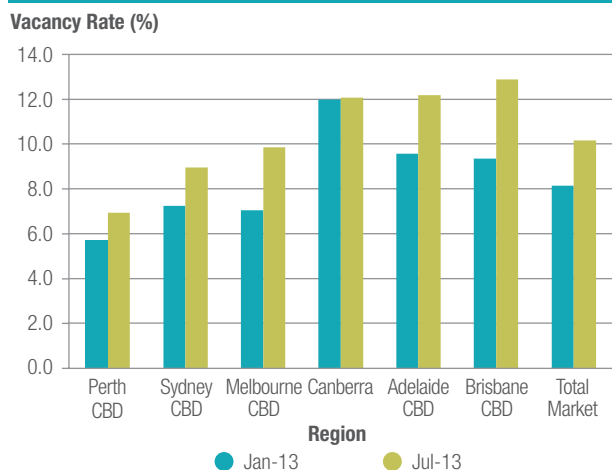


Source: Jones Lang LaSalle October 2013

Australia

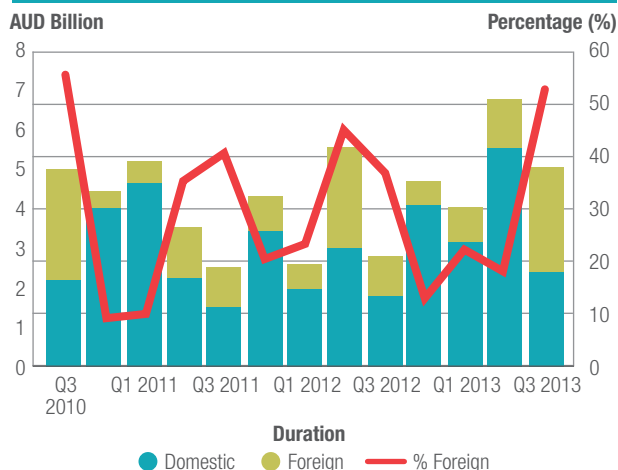
Australian CBD offices saw an increase in vacancy rate from 8.4% in January 2013 to 10.1% in July 2013. Top performer was the commodities driven Perth with -12,504 sq m absorption of office space in July 2013 with vacancy rate at 6.9% (Figure 3). Sydney trailed behind with 8.9% vacancy rate and -26,984 sq m of absorption. Melbourne recorded a vacancy rate of 9.8% in July 2013 with absorption at -3,655 sq m². The overall increase in the vacancy rate is due to a slowdown in economic growth from 3.8% in second quarter of 2012 to 2.4% in second quarter of 2013 which had a direct impact on demand for office space. As at third quarter of 2013, foreign investment in Australia's commercial real estate accounted to AUD2.7 billion or 53% of total investment³ (Figure 4).

FIGURE 3: AUSTRALIAN CBD VACANCY RATE



Source: Property Council of Australia

FIGURE 4: DOMESTIC VS. FOREIGN INVESTMENT (AUD bil)

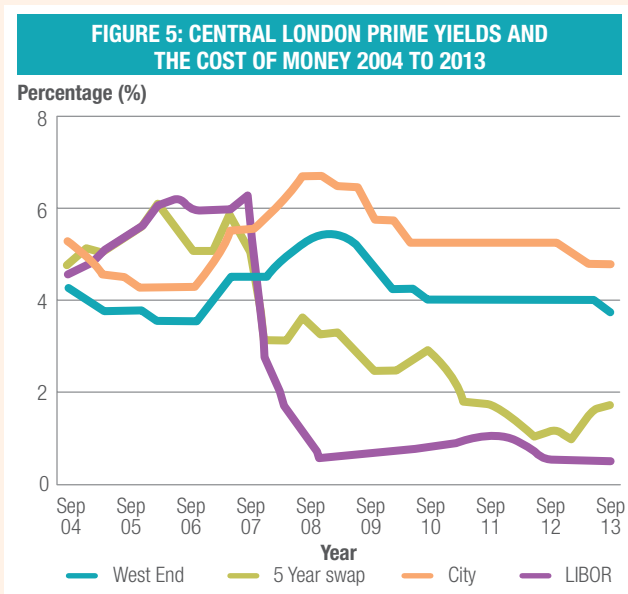


Source: DTZ Research

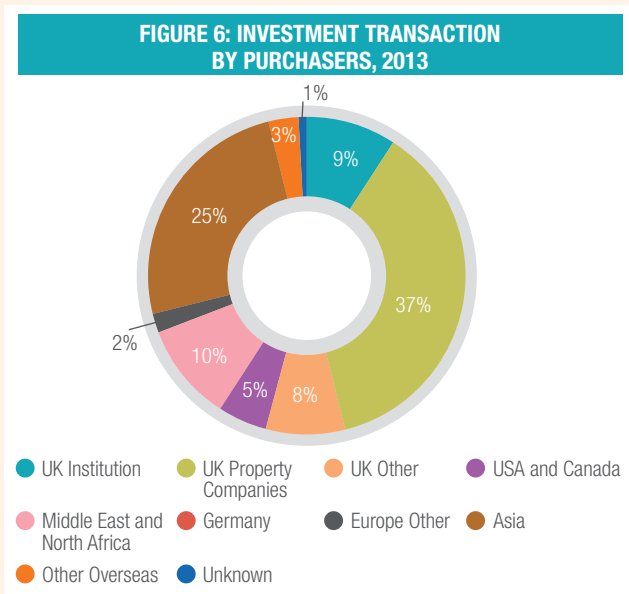
² Australian Property Council Office Market Report July 2013
³ DTZ Research Investment Market Update Australia Q3 2013

UK

The overall UK office vacancy rates stood at 12%, a reduction from 12.7% but still above the 10 year average of 10.7%⁴. The average prime office yield in Central London submarkets of City and West End in the third quarter of 2013 were at 4.75% and 3.75% respectively (Figure 5). Central London recorded an increase in investment from £2.7 billion in the second quarter of 2013 to £4.8 billion in the third quarter of 2013⁵. As at the third quarter of 2013, international investors accounted 45% of transaction volume in Central London, where Asian investors were the most prominent, accounting for 25% of the total (Figure 6).



Source: Jones Lang LaSalle



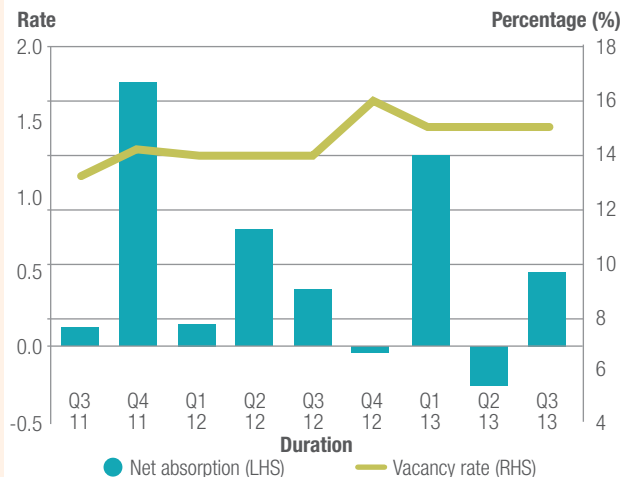
Source: CBRE

Malaysia

Office buildings in Kuala Lumpur recorded an average vacancy rate of approximately 15% in the third quarter of 2013. This was despite a significant increase in the year to date net absorption rate to 1.5 million sq ft in the third quarter from 1.0 million sq ft in the second quarter, as this increase in net absorption was offset by additional supply (Figure 7). The existing office stock increase 1% quarter on quarter from 67.8 million sq ft to 68.3 million sq ft. Rents remained at an average of RM6.13 per sq ft between the second quarter and the third quarter of 2013. Similarly, the average capital value was stable at RM838 per sq ft. With substantial pipeline of supply of approximately 1.4 million sq ft for remaining of 2013 and 10 million sq ft from 2014 to 2016, rents are expected to be under pressure⁷ (Figure 8).

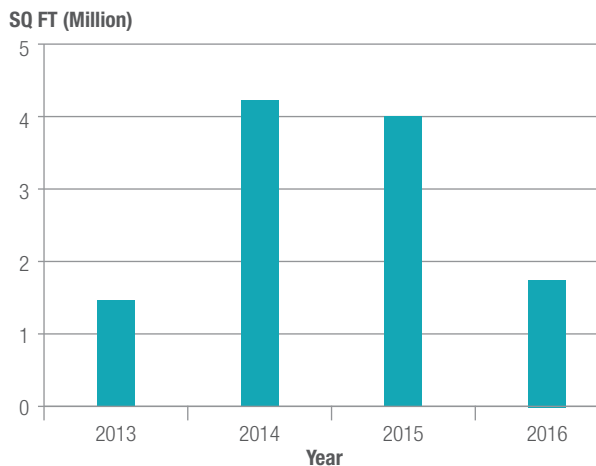
⁴ Jones Lang LaSalle UK Office Market Outlook Q2 2013
⁵ Jones Lang LaSalle The Central London Market Q3 2013
⁶ CBRE Research Central London Property Market Review Q3 2013
⁷ DTZ Property Times Kuala Lumpur Q3 2013

FIGURE 7: OFFICE NET ABSORPTION, SQ FT (MILLION) AND VACANCY RATE



Source: DTZ Research

FIGURE 8: OFFICE DEVELOPMENT PIPELINE, SQ FT (MILLION)



Source: DTZ Research

Performance

As at 31 December 2013, KWAP’s total investment in international property amounted to RM4.08 billion or 3.96% of KWAP’s total fund size and is within the approved international property investment Strategic Asset Allocation (SAA) of 6.0%. Utilisation of the fund was for 737 Bourke Street office building in Melbourne, 20 Bridge Street in Sydney (ASX Building), 747 Collins Street in Melbourne, 179 Turbot Street in Brisbane, 10 Gresham Street office building in London and 88 Wood Street in London.

One of KWAP’s property, 88 Wood Street in London had won several awards in 2013. The awards are ROSPA Gold Award, Clean City Gold Award, Flowers in the City - Atrium Trophy, City in Bloom - Silver Award and Building Security Accreditation.

As at December 2013, the six (6) properties generated a net cash income of RM154.55 million. The average annualised net yield for the four (4) Australian assets for 2013 was 6.1% while the annualised net yield for the UK assets stood at 5.7%.

CONTRIBUTION MANAGEMENT

PENSION CONTRIBUTION

One of KWAP's functions is to manage the pension contributions remitted by 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 with pensionable status by the Public Service Department (PSD). Apart from employers' contribution, KWAP also receives government's portion from agencies such as Employees Provident Fund (EPF), Armed Forces Fund Board (LTAT), Public Service Department (PSD) and others.

In year 2013, KWAP received a total of RM4.19 billion comprising Federal Government's contribution of RM1.5 billion, receipts of government's portion of RM1.76 billion and employers' contribution amounting RM0.93 billion.

EMPLOYERS' CONTRIBUTION

Collection of employers' contribution in 2013 is RM929.47 million.

Breakdown of employer's contributions:

| CATEGORIES OF EMPLOYER | RM (Million) |
|------------------------|--------------|
| Statutory Bodies | 750.66 |
| Local Authorities | 174.30 |
| Agencies | 4.51 |

RECEIPTS OF GOVERNMENT'S PORTION

Receipts of government's portion remitted to KWAP by EPF, LTAT, PSD and other government organisations in 2013 are RM1.76 billion.

| GOVERNMENT AGENCIES | RM (Million) |
|------------------------------------|--------------|
| Employees Provident Fund | 1,301.69 |
| Armed Forces Fund Board | 423.07 |
| Public Service Department & others | 36.61 |

STATISTIC OF CONTRIBUTING EMPLOYERS AND MEMBERS

Total Number of Contributing Employers:

| EMPLOYERS | 2013 | 2012 | 2011 | 2010 | 2009 |
|-------------------|------------|------------|------------|------------|------------|
| Statutory Bodies | 194 | 184 | 181 | 176 | 175 |
| Local Authorities | 149 | 149 | 149 | 148 | 145 |
| Agencies | 162 | 280 | 271 | 244 | 218 |
| Total | 505 | 613 | 601 | 568 | 538 |

Total Number of Members:

| EMPLOYERS | 2013 | 2012 | 2011 | 2010 | 2009 |
|-------------------|----------------|----------------|----------------|----------------|----------------|
| Statutory Bodies | 116,641 | 106,278 | 96,881 | 90,789 | 86,421 |
| Local Authorities | 43,325 | 38,798 | 36,349 | 34,924 | 34,497 |
| Agencies | 594 | 779 | 825 | 671 | 654 |
| Total | 160,560 | 145,855 | 134,055 | 126,384 | 121,572 |

TOP 20 CONTRIBUTORS

| NO. | EMPLOYERS | RM (Million) |
|-----|----------------------------------------------------------------|--------------|
| 1 | Universiti Teknologi MARA (UiTM) | 105.26 |
| 2 | Majlis Amanah Rakyat (MARA) | 57.87 |
| 3 | Universiti Kebangsaan Malaysia (UKM) | 47.96 |
| 4 | Universiti Teknologi Malaysia (UTM) | 35.83 |
| 5 | Universiti Putra Malaysia (UPM) | 33.07 |
| 6 | Dewan Bandaraya Kuala Lumpur (DBKL) | 31.44 |
| 7 | Universiti Malaya (UM) | 28.62 |
| 8 | Universiti Sains Malaysia (USM) | 26.00 |
| 9 | Hospital Universiti Sains Malaysia (HUSM) | 25.18 |
| 10 | Universiti Utara Malaysia (UUM) | 19.00 |
| 11 | Pihak Berkuasa Kemajuan Pekebun Kecil Perusahaan Getah (RISDA) | 18.37 |
| 12 | Pusat Perubatan Universiti Malaya (PPUM) | 17.73 |
| 13 | Institut Penyelidikan dan Kemajuan Pertanian Malaysia (MARDI) | 17.42 |
| 14 | Lembaga Kemajuan Tanah Persekutuan (FELDA) | 15.38 |
| 15 | Lembaga Pertubuhan Peladang Kuala Lumpur (LPP) | 14.93 |
| 16 | Universiti Tun Hussein Onn Malaysia (UTHM) | 11.71 |
| 17 | Lembaga Pemasaran Pertanian Malaysia (FAMA) | 11.63 |
| 18 | Lembaga Minyak Sawit Malaysia (MPOB) | 10.89 |
| 19 | Universiti Pendidikan Sultan Idris (UPSI) | 10.65 |
| 20 | Universiti Teknikal Malaysia Melaka (UTeM) | 10.45 |

NEW EMPLOYERS REGISTERED WITH KWAP IN 2013

| NO. | EMPLOYERS | REGISTRATION DATE | CATEGORY |
|-----|---------------------------------------------------------------------|-------------------|----------------|
| 1 | International University Of Malayan Wales Sdn Bhd | 3 January 2013 | Agency |
| 2 | Jabatan Ketua Menteri (Sabah) | 29 January 2013 | Agency |
| 3 | Pertubuhan Peladang Kawasan Endau | 14 February 2013 | Agency |
| 4 | Labuan Halal Hub Sdn Bhd | 15 February 2013 | Agency |
| 5 | Pihak Berkuasa Peranti Perubatan | 20 February 2013 | Statutory Body |
| 6 | The Association Of Natural Rubber Producing Countries | 14 March 2013 | Agency |
| 7 | Yayasan Pembangunan Keluarga Terengganu | 8 April 2013 | Statutory Body |
| 8 | 1Malaysia For Youth | 9 April 2013 | Agency |
| 9 | VE Intellitech Sdn Bhd | 15 April 2013 | Agency |
| 10 | University College Of Technology Sarawak | 16 April 2013 | Agency |
| 11 | Yayasan Pelajaran Mara | 17 April 2013 | Agency |
| 12 | International Institute Of Advanced Islamic Studies (IAIS) Malaysia | 9 May 2013 | Agency |
| 13 | Cybersecurity Malaysia | 20 May 2013 | Agency |
| 14 | Pengelola Bijaya Diraja KDYMM Sultan Pahang | 22 May 2013 | Agency |
| 15 | Perak Investment Management Centre | 12 June 2013 | Agency |
| 16 | Al Hijrah Media Corporation | 12 June 2013 | Agency |
| 17 | Perbadanan Kota Buku | 13 June 2013 | Agency |
| 18 | Panorama Langkawi Sdn Bhd | 25 June 2013 | Agency |
| 19 | Perak Industrial Resources Sdn Bhd | 10 July 2013 | Agency |
| 20 | Majlis Sukan Negeri Selangor | 15 July 2013 | Agency |
| 21 | Pengangkutan Awam Putrajaya Sdn Bhd | 31 July 2013 | Agency |
| 22 | Jabatan Ketua Menteri Melaka | 2 September 2013 | Agency |
| 23 | Persatuan Bolasepak Negeri Johor | 30 September 2013 | Agency |
| 24 | Komatra Sajjan Sdn Bhd | 9 October 2013 | Agency |
| 25 | Sinergi Perdana Sdn Bhd | 9 October 2013 | Agency |

| NO. | EMPLOYERS | REGISTRATION DATE | CATEGORY |
|-----|---------------------------------------------------|-------------------|----------------|
| 26 | Ekuiti Nasional Berhad | 11 October 2013 | Agency |
| 27 | Syarikat Prasarana Negara Berhad | 17 October 2013 | Agency |
| 28 | Putra Business School | 24 October 2013 | Agency |
| 29 | Perbadanan Pr1ma Malaysia | 30 October 2013 | Agency |
| 30 | Southeast Asian Ministers Education (SEAMEO SEN) | 13 November 2013 | Agency |
| 31 | Perbadanan Pembangunan Kampong Bharu (PKB) | 15 November 2013 | Statutory Body |
| 32 | Institut Seni Malaysia Melaka | 10 December 2013 | Agency |
| 33 | Akademi Pengurusan Yapeim Sdn Bhd | 12 December 2013 | Agency |
| 34 | Putrajaya International Convention Centre Sdn Bhd | 13 December 2013 | Agency |
| 35 | Kolej Poly-Tech Mara Sdn Bhd | 17 December 2013 | Agency |

REFUND

Various types of refund applications were made payable to EPF, PSD, employers and individuals. In 2013, KWAP has approved 4,830 refund applications totaling RM11.6 million.

Refund details:

| YEAR | 2013 | 2012 | 2011 | 2010 | 2009 |
|------------------------|-------|-------|-------|-------|-------|
| Number of Applications | 4,830 | 3,725 | 4,801 | 4,087 | 3,403 |
| RM (Million) | 11.60 | 9.39 | 13.20 | 11.26 | 10.57 |

REMITTANCE OF PENSION CONTRIBUTIONS VIA ELECTRONIC FUND TRANSFER/TELEGRAPHIC TRANSFER (EFT/TT)

As part of Contribution Department's initiative for 2013, remittance of pension contribution via Electronic Fund Transfer (EFT) and Telegraphic Transfer (TT) was introduced. The response received from employers was very encouraging, as it improved efficiency by expediting payment of contribution. As a result, a total of 61 employers remitted their pension contribution via EFT/TT in 2013 amounting to RM112.12 million.

INTEGRATED CONTRIBUTION MANAGEMENT SYSTEM (ICMS)

The Integrated Contribution Management System (ICMS) was implemented in 2013 to administer the overall management of pension contributions. It replaced the operational functions which were previously performed manually and enhanced the department's efficiency and effectiveness in ensuring the accuracy and integrity of contribution data.

ICMS Workshop and Training

Several ICMS Workshops and Training sessions were conducted in 2013 to encourage and educate employers to utilise the newly introduced system. Focus was given to new employers who registered with KWAP in 2013.

ICMS Workshops and Training conducted in 2013:

| NO. | LOCATION | NO. OF EMPLOYERS | NO. OF PARTICIPANTS |
|-----|--------------|------------------|---------------------|
| 1 | Sabah | 31 | 58 |
| 2 | Sarawak | 49 | 67 |
| 3 | Kuala Lumpur | 16 | 39 |
| | Total | 96 | 164 |

COMPLIANCE AND ENFORCEMENT VISIT

The objective of Compliance and Enforcement visit is to ensure total compliance by all employers in remitting pension contribution to KWAP as stipulated in Act 239 and Service Circular No.12/2008 on the Policy and Procedure of Appointment of Secondment, Temporary and Permanent Transfer.

During these visits, the activities include validating documents, briefings and discussions with employers to resolve various issues pertaining to contribution management. The team also took the opportunity to create awareness among employers on the newly implemented ICMS system. A total of 48 employers were visited in 2013.

Compliance and Enforcement visits conducted in 2013:

| STATE | MONTH OF VISIT | NO. OF EMPLOYERS VISITED |
|------------------|-------------------------|--------------------------|
| Johor | April 2013 | 14 |
| Kedah and Penang | May 2013 | 5 |
| Kedah and Perlis | June 2013 | 11 |
| Sabah | October & December 2013 | 18 |
| Total | | 48 |



SECTION

04

OUR BUSINESS OPERATIONS

074 High Performance Culture

079 Review of 2013 Operations and Achievements

HIGH PERFORMANCE CULTURE

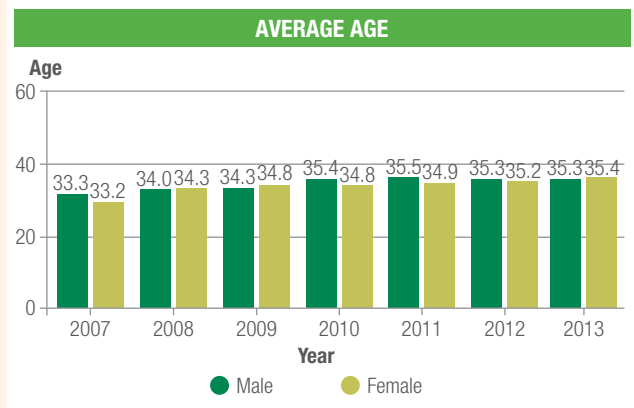
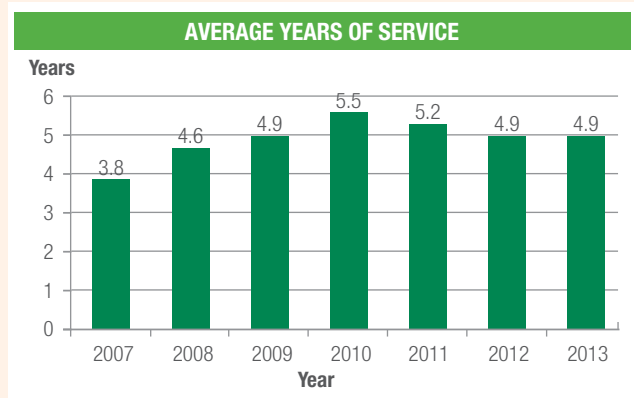
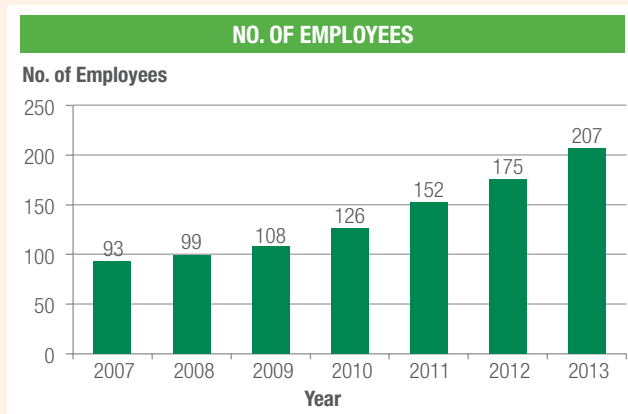
SELECTION AND RECRUITMENT

KWAP's recruitment objective is to recruit talents with the best competencies and motivation level to support the business growth. We believe that the combination of good talents and KWAP's work environment that supports employees' development can motivate employees to perform their best.

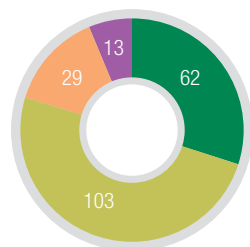
In 2013, our recruitment efforts were extensive to fulfil the recruitment objective. Apart from sourcing for candidates through job advertisements, recruitment agency and referrals, KWAP also actively sourced candidates through social media such as LinkedIn.

Another initiative taken in 2013 is the verification check on new recruits. As part of Information Security Management System (ISMS) requirement, Human Resource initiated credit history and personal details verification check on candidates shortlisted for recruitment. The purpose of this check is to ensure that KWAP recruits talents that have a high level of integrity and professionalism.

As at 31 December 2013, KWAP's total manpower stood at 207 employees, a tremendous increase since its incorporation of merely 26 employees.

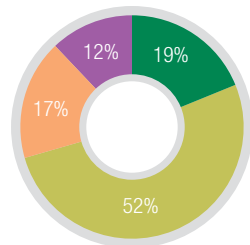


MANPOWER DISTRIBUTION BY AGE



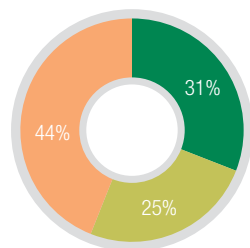
● Age < 30 ● Age 31 - 40 ● Age 41 - 50 ● Age Above 50

PROFESSIONAL QUALIFICATION



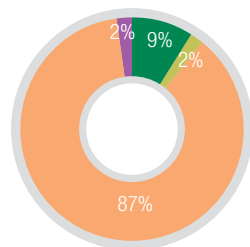
● Post Graduate/CFA Charterholder ● Degree/Professional Qualification ● Diploma ● Certificate

INVESTMENT & SUPPORT FUNCTION



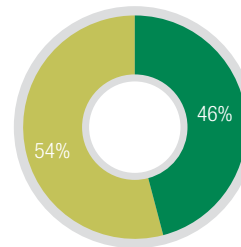
● Investment ● Functional Support ● Operational Support

ETHNIC BREAKDOWN



● Chinese ● Indian ● Malay ● Others

GENDER DISTRIBUTION



● Male ● Female

HUMAN CAPITAL AND DEVELOPMENT

For the year 2013, the Management allocated RM1.5 million specifically for employee's training and development initiatives and activities. Out of the total amount, 31% of KWAP's annual training budget was spent on leadership and management programs, 39% was utilised for Middle Management and the remaining budget was utilised for the Top Management, Middle Management and Support staff.

TEAMBUILDING AND WALKHUNT 2013

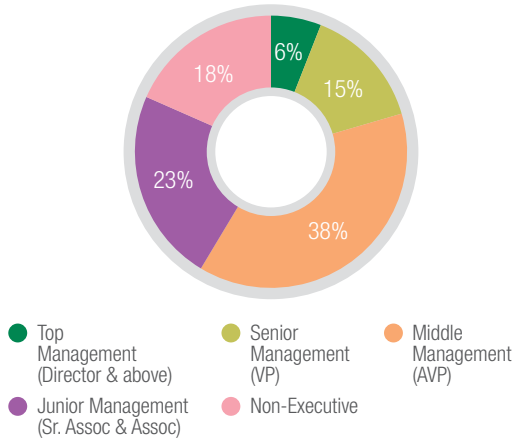
Teambuilding is considered a "must-have" activity each year for KWAP employees. Apart from building stronger and better working relationships amongst its employees, the program is used as a platform to motivate and super charge employees to perform their jobs better by inculcating positive work attitude, strengthen trust amongst employees, bridge interdepartmental gaps and at the same time promote a sense of belonging towards the organisation.

This year, the Team Building marked a refreshing difference with the introduction of a first ever Walk Hunt, comprising treasure hunt and Amazing Race put together. It was all-in-all an 8km-walk of solving clues and finding items. Participants were required to be on their feet 75% of the time and depend on public transportation for the remaining 25%. This actually tested all the intended objectives that had been set for the whole event.

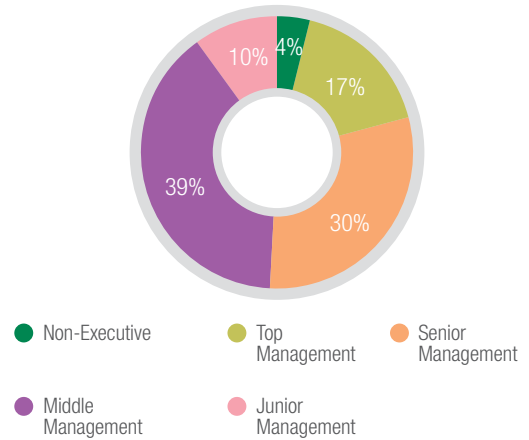
BACK TO BASICS ENGLISH CLASS

Back to Basics English Class was introduced as a development program for executives and non-executives employees in KWAP. The program, better known as B2B English is an in-house training program that was designed, developed and delivered by KWAP's own "English Teacher" from the Learning & Development Unit in Human Resource Department. Participants are required to sit for a placement test called English Diagnostic Test to determine their level of English proficiency. The classes covered the basics of the English Language – Grammar, Vocabulary and Simple Writing, that were conducted in 2-hour sessions over the course of 12 weeks. Participants were graded based on weekly exercises, assignments and an end-of-term test which included a short 5-minute presentation.

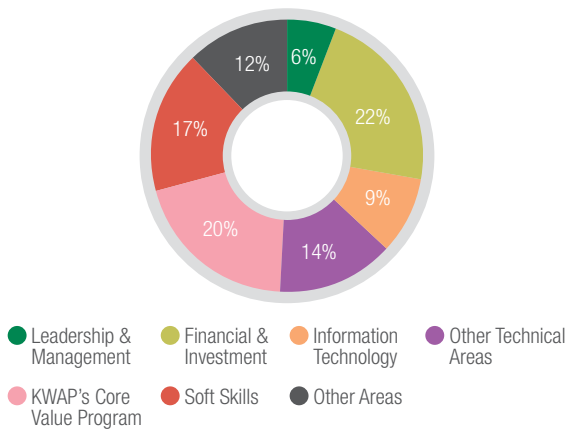
LEARNING DAYS BY CATEGORY OF EMPLOYEES



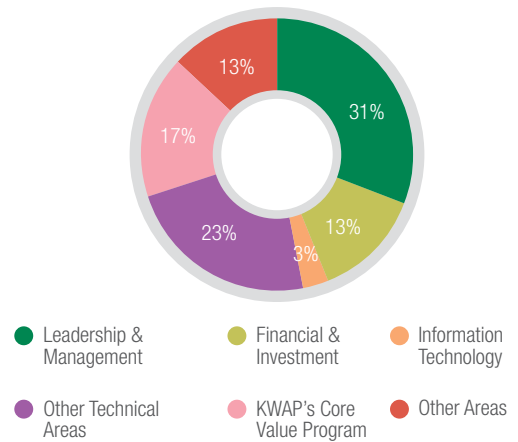
TRAINING BUDGET EXPENDITURE BY CATEGORY OF EMPLOYEES



LEARNING DAYS ATTENDED BY EMPLOYEES (BY CATEGORY OF PROGRAM)



TRAINING BUDGET EXPENDITURE BY TYPE OF PROGRAM



TALENT AND REWARDS MANAGEMENT

KWAP YOUNG TALENT CAREER ACCELERATION PROGRAM

The Malaysian financial market is becoming more competitive and diversified in recent years. In order to remain competitive, KWAP places great emphasis on the development of its employees through KWAP Succession Planning Program.

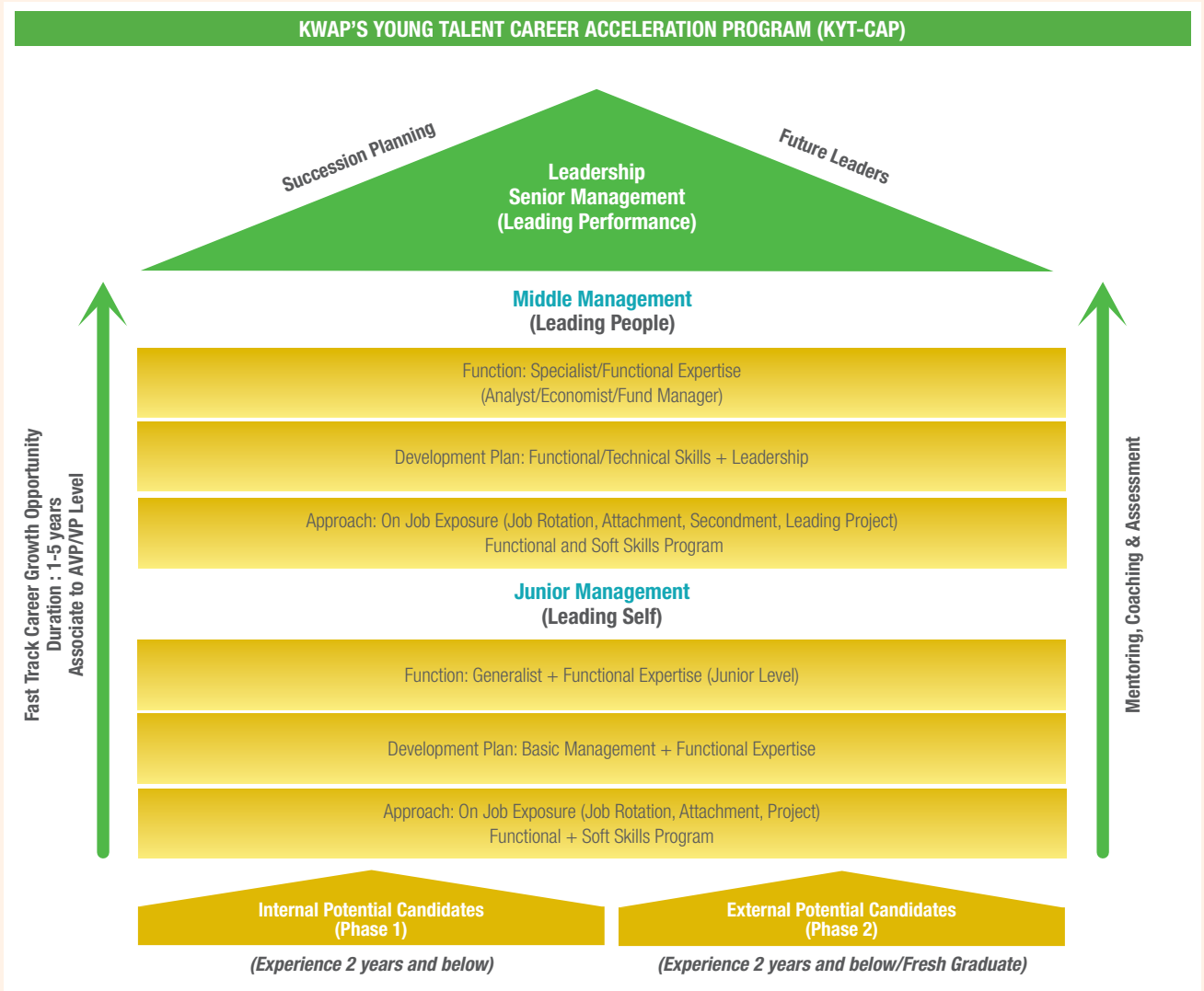
As part of KWAP Succession Planning initiative, KWAP Young Talent Career Acceleration Program (KYT-CAP) was introduced in 2013 which is aimed towards developing well rounded and capable employees (junior executive level) for functional or specialist career ladder whilst nurturing their leadership competencies towards future leadership roles and accountabilities.

The KYT-CAP provides a structured skills enhancement opportunity through various approaches and extensive exposure such as job rotation within the organisation, involvement in projects and assignments, attachment to external organisation, soft and functional skills training program.

The deployment plan of the capable employees shall be based on the employees' readiness and capability levels in terms of expertise, knowledge as well as their passion in respective areas.

FOCUS TO DEVELOP WELL-ROUNDED AND HIGHLY CAPABLE EMPLOYEES





HUMAN RESOURCE OPERATIONS AND SERVICES

HUMAN RESOURCE INFORMATION SYSTEM

As part of a continuous effort to manage the HR functions effectively and efficiently, the existing Human Resource Management Information System (HRMIS) was upgraded in 2013. One of the important features of the upgraded HRMIS is the eAsset module, a new self service application for employees to fill in and submit their asset declaration online.

REVIEW OF 2013 OPERATIONS AND ACHIEVEMENTS

| DEPARTMENT | KEY ACHIEVEMENTS IN 2013 |
|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ACCOUNTS AND MANAGEMENT SERVICES | <ol style="list-style-type: none"> <li data-bbox="478 320 1422 484"> 1. Payments via Electronic Fund Transfer (EFT) Enable KWAP to make electronic fund transfers (EFT) for payments relating to operations for operational efficiency. As a result, payment and bank reconciliation processes were made faster and administrative processes relating to physical handling of cheques were substantially reduced. <li data-bbox="478 484 1422 596"> 2. Fixed Asset Tracking System Enable KWAP to track and reconcile its fixed asset items effectively and efficiently. As a result, reconciliation was faster and the monitoring of KWAP's fixed asset items was more effective. <li data-bbox="478 596 1422 727"> 3. Review of Financial Policies and Guidelines (FPG) Enable KWAP to enhance its Financial Policies and Guidelines (FPG) for use by all departments in KWAP. As a result, all departments were guided by an up-to-date and enhanced FPG for operational efficiency. |
| | GOING FORWARD |
| | <ol style="list-style-type: none"> <li data-bbox="478 771 1422 864"> 1. Review of Standard Operating Procedures (SOPs) To review all the Standard Operating Procedures (SOPs) in order to enhance them. |
| | <ol style="list-style-type: none"> <li data-bbox="478 864 1422 975"> 2. Financial Reporting Standards (FRS) Implementation To commence the phased implementation of Financial Reporting Standards (FRS) for KWAP to replace its current Private Entities Reporting Standards (PERS) accounting standard. |

| DEPARTMENT | KEY ACHIEVEMENTS IN 2013 |
|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CUSTODIAN | <ol style="list-style-type: none"> 1. Compliance, Audit and Regulations <ul style="list-style-type: none"> • 100% compliance to rules and regulations. 2. Improvement on Work Processes <ul style="list-style-type: none"> • Reviewed current work processes and realign with best practices. Activities involved include reviewing department structure, job rotation, discussion with related departments, revising and tabling of new SOPs to management. • Investment Policy & Guidelines related to custody services reviewed and revised to define scope of work, to improve control and clarity. 3. Meeting Stakeholder <ul style="list-style-type: none"> • Developed business continuity plan and successfully conducted various tests to ensure custody operations run smoothly in the event of disruptions/disasters. • Visited KWAP's appointed Custodians - BNY Mellon and Citibank - and performed service review. • Visited KWAP's appointed EFMs to understand their back office operations and obtained feedbacks on the services provided by KWAP's appointed custodians. 4. Collaboration with global custodians and related external parties on learning and growth initiative <ul style="list-style-type: none"> • Together with Human Resource Department, coordinated trainings with external parties such as BNY Mellon, Citibank, JP Morgan, Deutsche Bank, HSBC, ICBC China, OMGEO and many more. Amongst others, training covered various topics including custody and settlement, fund accounting, securities borrowing & lending, foreign exchange and cash management. • Coordinated 2 days training program at Citibank Kuala Lumpur on custody, settlement, fund accounting, foreign exchange and cash management. 5. KWAP International Investment <ul style="list-style-type: none"> • Setting up of KWAP's internally and externally managed accounts with global custodians in various international markets. • Discussion with global custodians on opportunities to invest in China (Onshore & Offshore Market). This includes understanding QFII application and China's market rules and regulations. • Invited global custodians to brief KWAP's departments on international market rules and regulations. Conducted three (3) briefing sessions covering various markets such as Taiwan, India, Indonesia, Thailand, Australia, South Korea, Brazil, etc. • Attended BNY Mellon's Asset Servicing Seminar in Singapore. |
| | <p>GOING FORWARD</p> <ul style="list-style-type: none"> • Ensure all custody operations comply with relevant rules and regulations. • Focus on building capabilities that includes continuous improvement on work processes, understanding market rules and regulations and adoption of best market practices in providing custody services. • Strengthen operational control and enhance efficiency by leveraging on technology. • Collaborate within and across teams to achieve common goal and great outcomes. |

| DEPARTMENT | KEY ACHIEVEMENTS IN 2013 |
|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>INFORMATION TECHNOLOGY</p> | <ol style="list-style-type: none"> 1. Completed live Disaster Recovery (DR) exercise covering the Integrated Fund Investment Management System (IFIMS) and expanded the scope of the live exercise to include the new Integrated Contributions Management System (ICMS). This year the scope also covered the expansion and implementation of the real-time online replication for the file server. The recovery time of the server is reduced from six (6) hours to a few minutes. 2. Selected end-of-life equipment [Switches & Intrusion Prevention System (IPS)] were replaced and the network architecture enhanced to mitigate risk of business disruption due to failure of these legacy equipment. 3. Fully implemented the ICMS and the Risk Performance Strategy system (RPS), which the “RPS Day2” focuses on enhancing Business Performance measurements. 4. Delivered over 20 new business requirements and system change request for various systems [IFIMS, ICMS Integrated Financial Accounting System (IFAS), Human Resources Information Management System (HRMIS) Internet and Intranet Portals]. 5. Implemented controls via the Mobile Device Management (MDM) system, in ensuring the IT Security and Governance practices are relevant and effective. 6. Implemented the Information Security Management System (ISMS) and has been recommended for the award of the ISO/IEC 27001:2005 certification standard in December 2013. |
| | <p>GOING FORWARD</p> |
| | <p>The Information Technology Department (ITD) will continue to work alongside the business units to implement system automation and enhancements to improve efficiency and operational precision.</p> |
| | <p>As KWAP expands into regional markets and diversify its portfolio, KWAP’s ITD and business shall embark on an extensive project to refresh its Integrated Fund Investment Management System (IFIMS).</p> |
| | <p>In addition, ITD shall collaborate with Risk Management and Compliance Department to identify and rollout systems to improve Credit Risk. ITD shall explore opportunities to deploy data analytics together with all business users.</p> |
| | <p>Another corporate wide project that ITD will be working closely with the Corporate Planning and Development Department shall be embarking on is the refresh of its Microsoft Sharepoint collaboration system to improve collaboration and improve operational efficiency and agility.</p> |

| DEPARTMENT | KEY ACHIEVEMENTS IN 2013 |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| INTERNAL AUDIT | <p>1. Internal Audit Plan For the Year 2013</p> <ul style="list-style-type: none"> • Completed the audit engagements in accordance with the approved internal audit plan for the year 2013. • Strengthened the Internal Audit resources in order to meet the audit tasks. • Successfully installed the Audit Command Language (ACL), a computer assisted audit techniques application system to assist in audit reviews. <p>2. Engaging Stakeholders</p> <ul style="list-style-type: none"> • Participated in KWAP's Disaster Recovery exercises as independent observers. • Visited KWAP's custodial bank, Citibank in Kuala Lumpur and the External Fund Manager (EFM), AMInvest to understand the processes in performing due diligence review together with Risk Management and Compliance Department. • Issued Internal Audit Newsletters to all KWAP employees that contains articles related to Governance, Risk Management and Internal Control. |
| | <p>GOING FORWARD</p> <ul style="list-style-type: none"> • To continue fulfilling and achieving the Internal Audit Plan for the year 2014. • To participate in major initiatives by KWAP as an independent observer or advisor on internal control matters. • To continually enhancing the Internal Auditors' competencies in the areas of Financial Investments and auditing skills. |

| DEPARTMENT | KEY ACHIEVEMENTS IN 2013 |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| INVESTMENT SETTLEMENT | <ol style="list-style-type: none"> 1. To continue effort in improving and enhancing the capability of Real-Time Electronic Transfer System (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. <ul style="list-style-type: none"> • Successful testing of USD settlement with appointed Settlement Bank. • Successful participation in Industry Wide Testing RENTAS Stress Test. • Successful testing on upgrading, connectivity and configuration of e-PKI (Private Key Identification) from 1024 bits to 2048 bits in RENTAS/iLink at Production and DRC. 2. Department Readiness for expansion of KWAP's International Equity Investment for new markets as well as segregation of Syariah and non-Syariah Portfolio. <ul style="list-style-type: none"> • Enhancing staff competency and knowledge on rules and regulations of international market as well as attachment program with foreign-based asset management organisation. • Creation of new Standard Operating Procedures for Prima Ekuiti (UK) Limited, International Equity Investment (Asia Pacific Ex-Japan Portfolio) and International Fixed Income Securities. |
| | <p data-bbox="478 780 1424 827">GOING FORWARD</p> <ul style="list-style-type: none"> • To implement the SWIFT-Compliant Multi-Currency New RENTAS Full STP Gateway Client/Front-End System that provides STP capabilities for both IFTS and SSDS transactions. It provides multi-currency settlement with OSI (Onshore Settlement Institution), multi-currency securities depository as well as real-time online settlement links with international centralised securities depositories (ICSD) such as Euroclear. • To enhance the department's readiness for KWAP's new Asian Fixed Income Portfolio, Euro Fund Equity and Securities Borrowing & Lending - Repurchase Agreement (SBL - REPO). • To implement the OMGEO system, an automated system solutions for acceleration of clearing and settlement of trades, seamlessly connect and interoperate with the counterparties, and respond to changing market and regulatory conditions. • To support the implementation of International Financial Reporting Standard (IFRS) in the organisation. |



SECTION

05

CORPORATE GOVERNANCE

086 Managing Our Risks

102 Statement on Governance

110 Statement on Internal Control

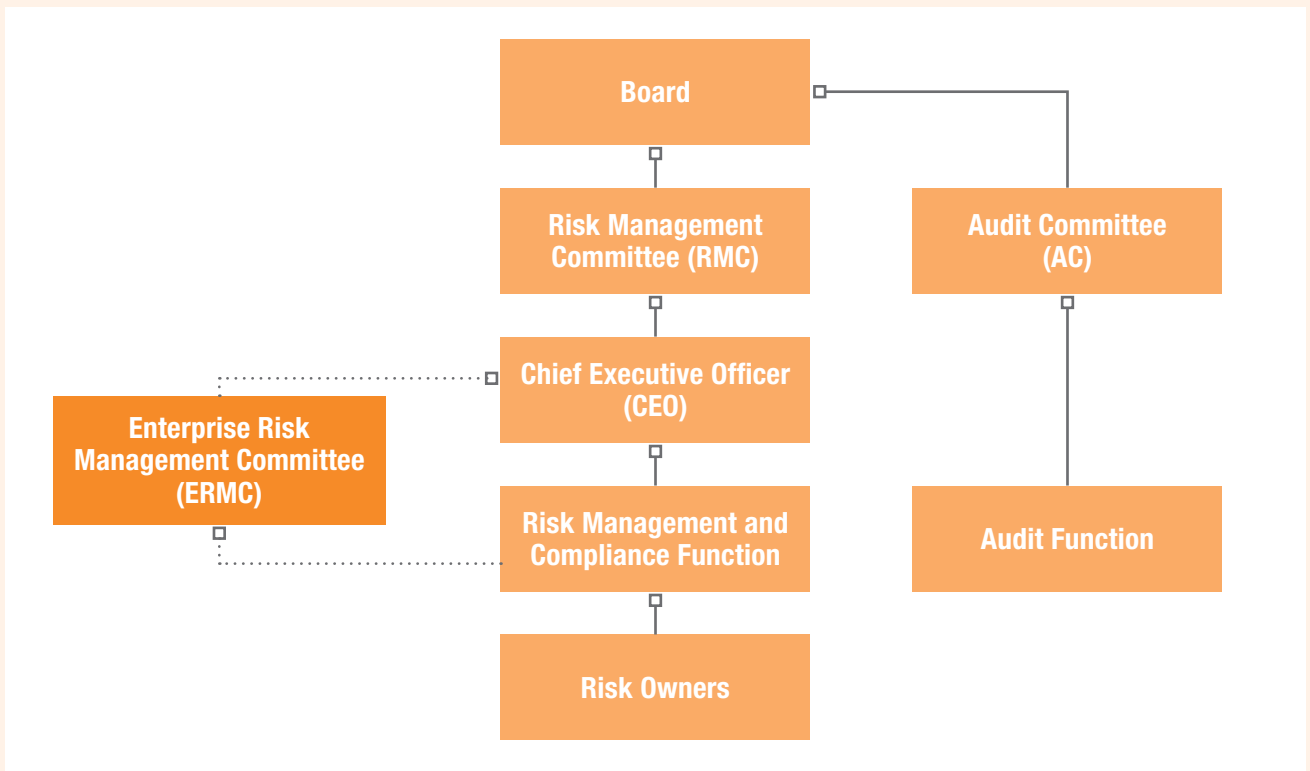
MANAGING OUR RISKS

OVERVIEW

KWAP is embarking on a journey to continuously transform itself to meet the aspiration and business needs, consistent with the entity's Mission and Vision Statement. Part of the transformation involves creating the necessary mechanism to manage threats, tap opportunities and preserve values. This is achieved through different mechanisms including the adoption of Enterprise Risk Management (ERM) which is applied in strategy setting across the enterprise, designed to identify potential events that may affect the entity, and manage risks to be within its risk framework, thus providing reasonable assurance regarding the achievement of KWAP's objectives.

RISK MANAGEMENT GOVERNANCE STRUCTURE

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 the organisation.

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.

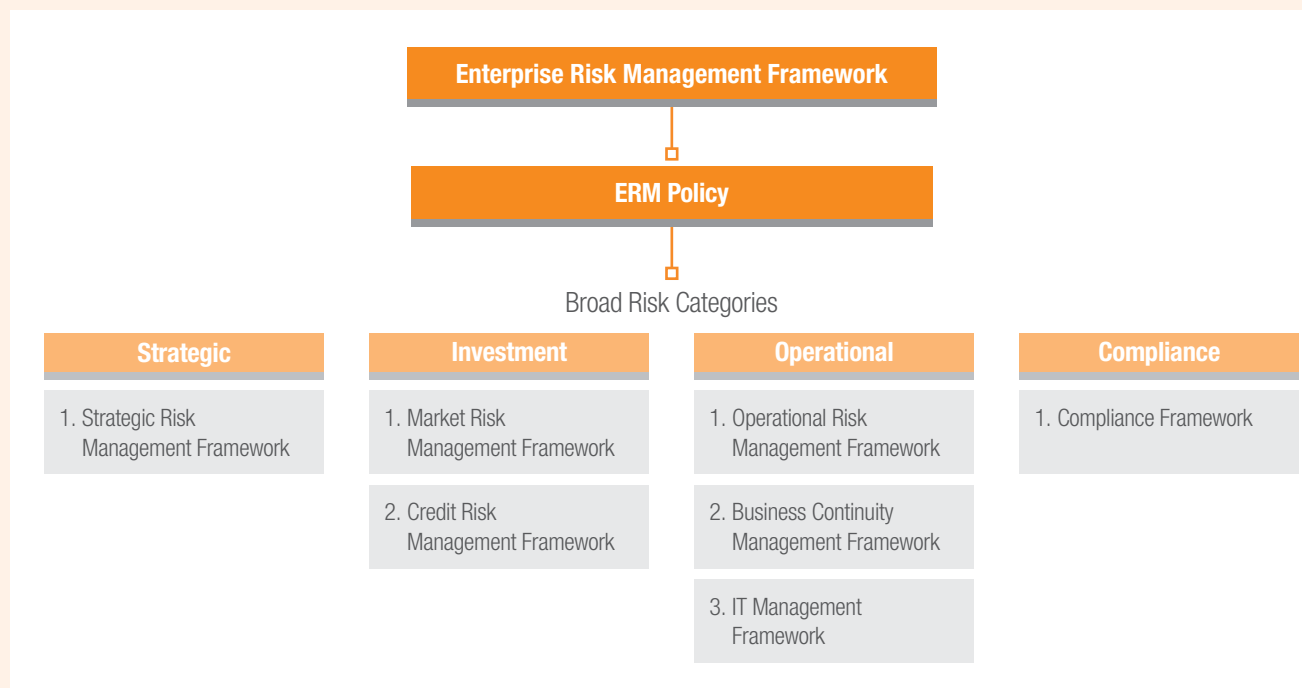
Enterprise Risk Management Committee which is chaired by the CEO serves as a platform where all risk related matters put forward by operational and investment units are being deliberated and addressed. Issues are then updated to Board's RMC for notification and decision if necessary.

The dedicated and independent risk management and control functions, namely the Risk Management and Compliance Department (RMCD) and Internal Audit Department are responsible for ensuring implementation and compliance of the approved risk management framework and policies. They are also responsible for facilitating the risk management processes with operational units which include risk identification, assessment, mitigation and monitoring.

The operational units are responsible for identifying and managing risks within their purview. They are to ensure all daily activities are carried out within the established framework and complied strictly with the approved policies, procedures and limits.

RISK MANAGEMENT FRAMEWORK & POLICY

To facilitate the implementation of ERM, KWAP has formalised the Enterprise Risk Management Framework (ERMF) which is supported by an ERM Policy. The ERM approach is aligned to the ISO 31000:2009 Risk Management Standard and is adequately documented. Below is the structure of ERMF key areas:



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 a modular basis to provide for a fair degree of segregation, depth and understanding of key risks. KWAP has the flexibility to develop new sub-framework to address other risks if necessary. Other type of risks that fall outside the broad risk categories (if any) are addressed when developing the corporate risk profile. Management of such risk would include risk mitigation programs that comprehensively addressed all the identified risks.

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Through Operational Risk Event (ORE) reporting, KWAP is able to capture and record loss events or near misses that occur within its business operations. It also serves as an avenue whereby relevant departments cooperatively work towards addressing risk issues pertinent to the reported events facilitated by RMCD.

In 2013, there were no reported OREs with damaging impact to KWAP's operation as majority of OREs were rectified on a 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 the various parties involved.

Business Continuity Management (BCM)

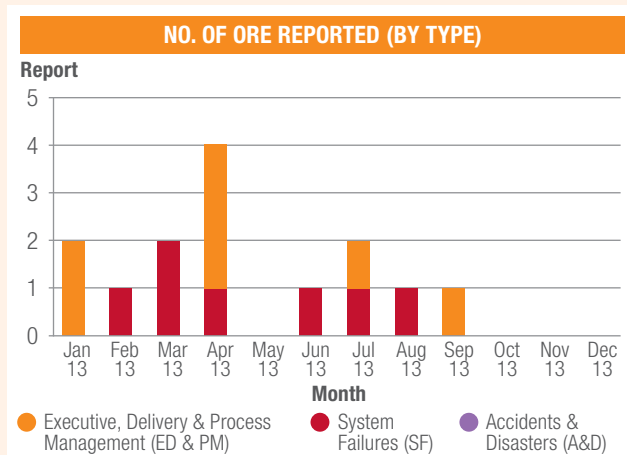
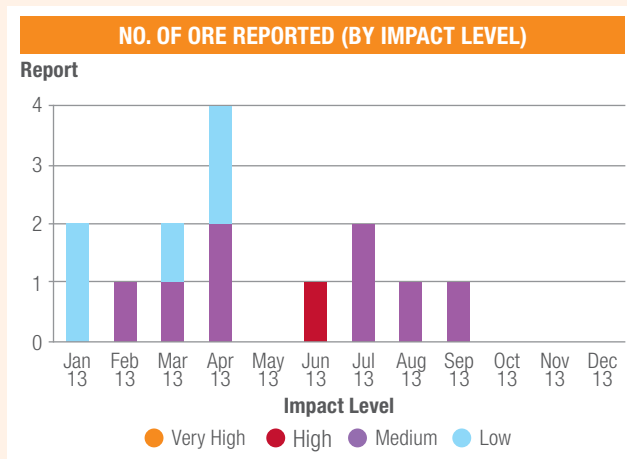
Business Continuity Management (BCM) has always been given continued priorities. Throughout 2013, KWAP continued with the implementation of BCM framework where gaps on internal capabilities and competencies are identified and improved to mitigate the risk of severe operational disruptions.

One of the key activities was the Disaster Recovery Exercise (DRE) in which operational readiness was tested on its ability to recover critical functions within a set timeline. In 2013, KWAP had successfully conducted two (2) major and four (4) smaller DREs carried out at an alternate site that was equipped with necessary infrastructure and facilities. A critical test was a "Live" Disaster Recovery which was successfully conducted in 2013. The exercise involved the critical functions of KWAP's operations at the Disaster Recovery Center and migrated back to the head office at Menara Yayasan Tun Razak. During the exercises, personnel who served as members of the Business Continuity Team were mobilised and tasked to perform the recovery of critical functions within the required timeline. The live DRE was successful in testing all the critical elements of KWAP's operations in the event the BCM is needed to be activated.

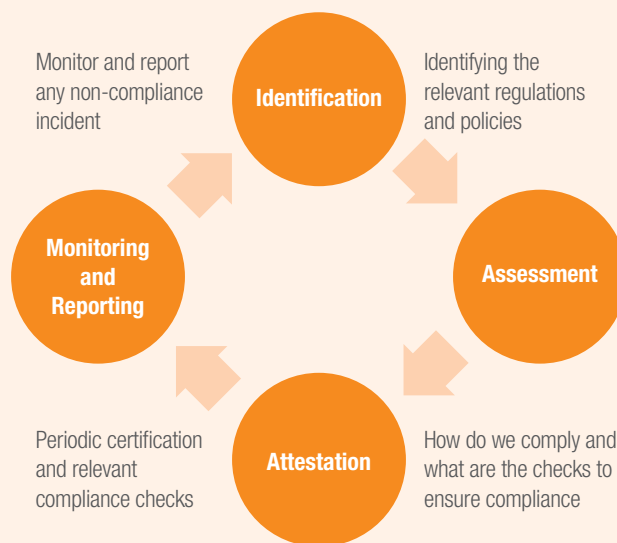
COMPLIANCE

The compliance function of an organisation has gained prominence in recent years due to the nature and size of financial losses and reputational risks that arise from breached of laws, rules and regulations. Compliance serves as an independent function that identifies, assesses, advises on, monitors and reports on the compliance risk, that includes the risk of legal or regulatory sanction, financial loss, or loss to reputation that the organisation may suffer as a result of non-compliance.

KWAP's compliance objectives involved the preserving of the reputation, competitive standing reputation and shared values are not only maintained, but also enhanced. To achieve this objective, there is a need to effectively measure and manage the compliance risk of the organisation to meet the expectations of all stakeholders. Compliance risk is defined as the risk of impairment to the organisation's business model, reputation and financial condition from the 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. KWAP's Compliance Framework consist of the Three Lines of Defense Model in managing the compliance risk in KWAP.



The three lines of defense model involved three components; 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 conducts of their business activities are carried out within the approved policies. To supplement, Compliance Liaison Officer was appointed in every department to act as reference point in any non-compliance issues and ensure that the departments are kept abreast of any new implementation of the policies and guidelines. Risk Management and Compliance Department forms the second line of defense. The compliance function has a key role in their control structure. This includes helping the business to anticipate the regulatory or internal policy 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.



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 and mitigating factors were identified. 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, for example, Investment Policy and Guidelines, Discretionary Authority Limits and Standard Operating Procedures. RMCD'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.

Value of Compliance

As business models change, new technologies emerge and investments in new asset classes increase amidst the intense focus on yield enhancements and operational efficiencies, KWAP has now been exposed to expanded category of risks. In this regard, the Board and Senior Management of KWAP had given priority to the criticality of the compliance functions by establishing the tone from the top, which essentially emphasizes strongly the culture to comply with all rules and regulations, and the practice of ethical behavior. Such trust if breached intentionally would require strong disciplinary action. The effective cascading of a proper compliance culture into all business and operating units would enhance KWAP's public domain presence and facilitate early detection of compliance risk. This has resulted in quicker compliance risk mitigation actions being undertaken. KWAP recognises that a strong compliance culture is the foundation for good compliance practices and it is imperative that it becomes part of KWAP's culture.

Compliance Process

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

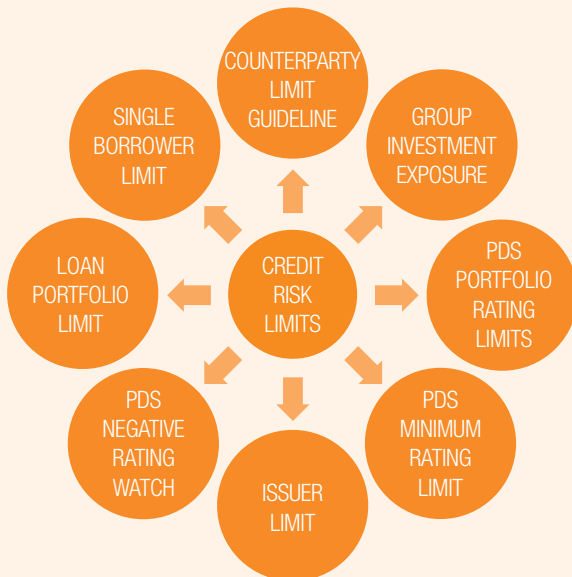
CREDIT RISK MANAGEMENT

Credit risk is defined as the potential that a borrower or counterparty will fail to meet its financial obligations in accordance with agreed terms. KWAP being an active player in the domestic fixed income and money markets with participation in both primary and secondary markets requires strong credit risk policies. Industry best practices are instilled via continuous updates of credit risk policies and processes. The purpose of credit risk management is to keep credit risk exposure within an acceptable level, and to ensure the returns are commensurate with the risk taken. The Credit Risk Framework and Credit Risk Guidelines were introduced in 2012 to formalise the credit risk function covering credit risk measurement, credit risk assessment and monitoring.

| EFFECTIVE CREDIT RISK MANAGEMENT | | | | | |
|----------------------------------|---------------------------|-----------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------|--------------------------------------------|
| Portfolio Risk | | | Credit Analysis | Internal Ratings | Credit Review |
| Counterparty Risk | Issuer Risk | Concentration Risk | | | |
| Counterparty Limit Guideline | PDS Minimum Rating Limit | PDS Portfolio Rating Limits | Quantitative Analysis and Qualitative Analysis to determine credit worthiness | Credit scoring model for PDS, loan and unrated counterparty | Evaluation on PDS and loan on yearly basis |
| Group Investment Exposure | Issuer Limit | Loan Portfolio Limit | | | |
| | PDS Negative Rating Watch | Single Borrower Limit | | | |

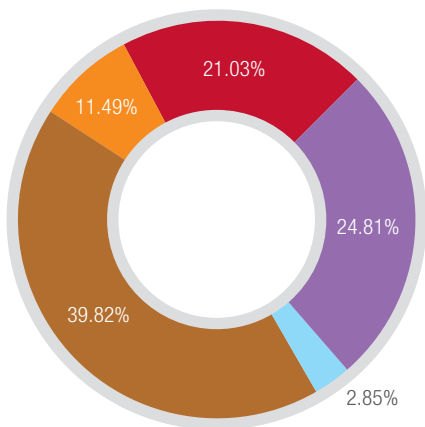
There are several credit risk limits that have been implemented in managing KWAP’s credit exposures as illustrated below.

The credit limits are structured to either cap risk exposure within a certain asset class or sub-asset class or cap exposures to a single entity or issuer.



In addition, some measures have management action triggers which warrant management review of the position and accompanying risks.

KWAP FIXED INCOME PORTFOLIO (AS AT 31 DECEMBER 2013)



- Money Market
- Loans
- PDS
- International Debt
- MGS & Quasi Bond

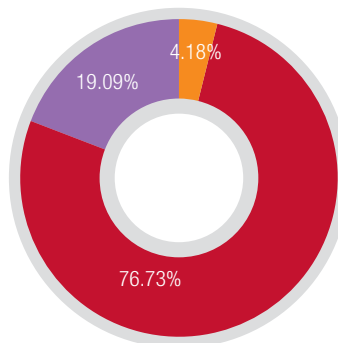
The table above shows KWAP investment position in fixed income instruments where 70.87% is in Malaysian Government Securities (MGS) and Quasi Government Bond, Treasury and Loans which are high credit quality instruments. In Private Debt Securities (PDS) exposure our weighted average credit quality of the portfolio is AA.

MARKET RISK MANAGEMENT

Market risk relates to the risk of loss resulting from adverse changes in the value of its asset holdings arising from movements in market rates or prices. The predominant market risk drivers within KWAP are mainly Interest Rate Risk, Equity Risk, Currency Risk and Credit Spread Risk.

There are three (3) main asset classes that KWAP is investing in, with 76.73% contribution of risk from Equity, followed by 19.09% Fixed Income and 4.18% Alternative Investment.

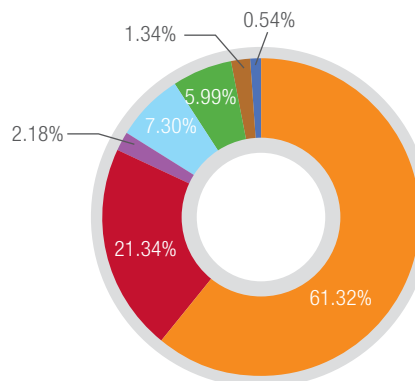
RISK CONTRIBUTION BY ASSET TYPES



- Alternative
- Equity
- Fixed Income

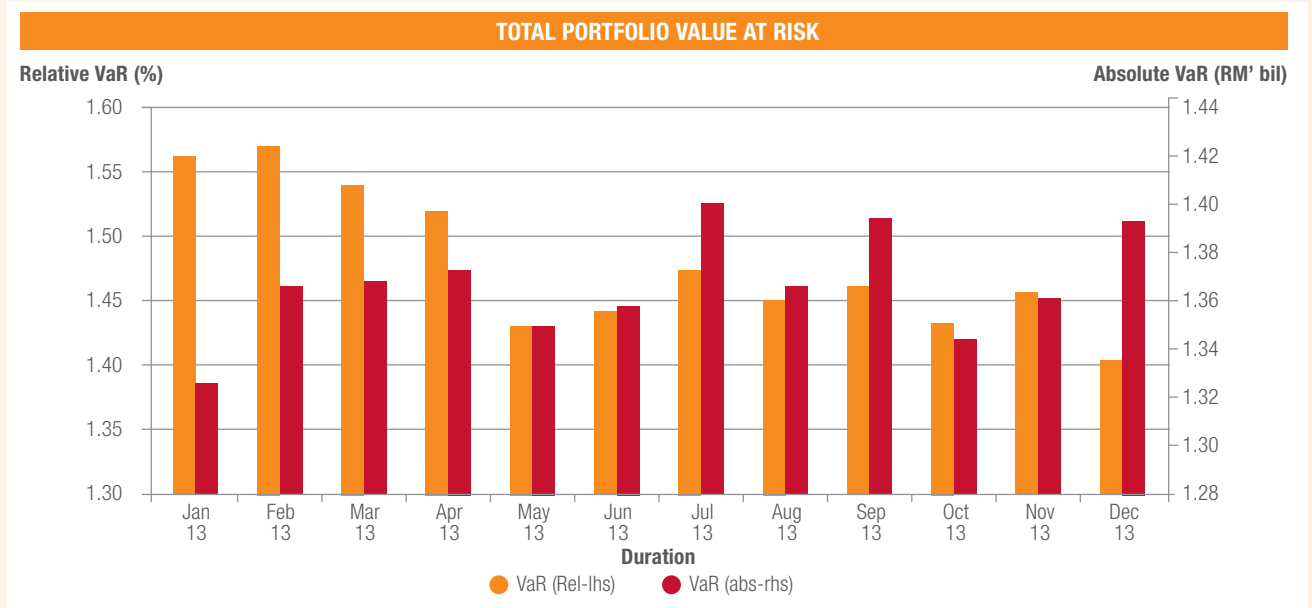
The graph below illustrates the risk decomposition as at December 2013. The bulk of the portfolio risk was from Malaysia Equity and Malaysia Fixed Income (61.32% and 21.34%). International exposure contributed 2.18% while currency risk was 1.34%.

PERCENTAGE PORTFOLIO RISK DECEMBER 2013

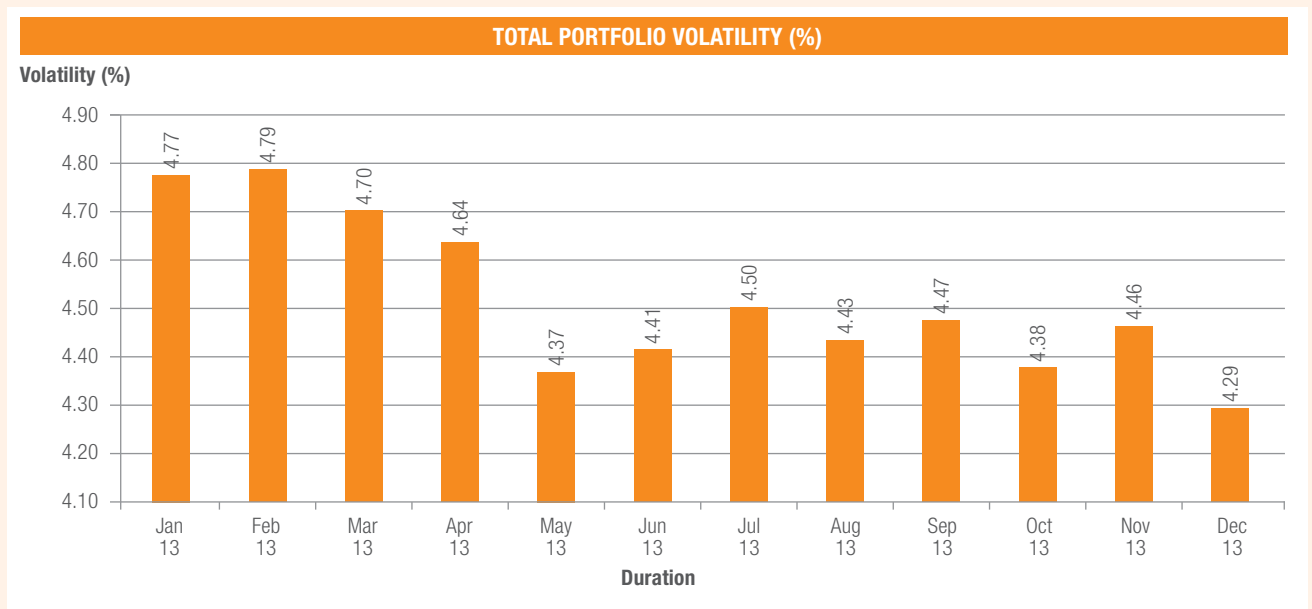


- Malaysia Equity
- Malaysia Fixed Income
- International Exposure
- Factor Interaction (FI and EQ)
- Selection Risk/Specific Risk
- Currency Risk
- Currency/Market Interaction

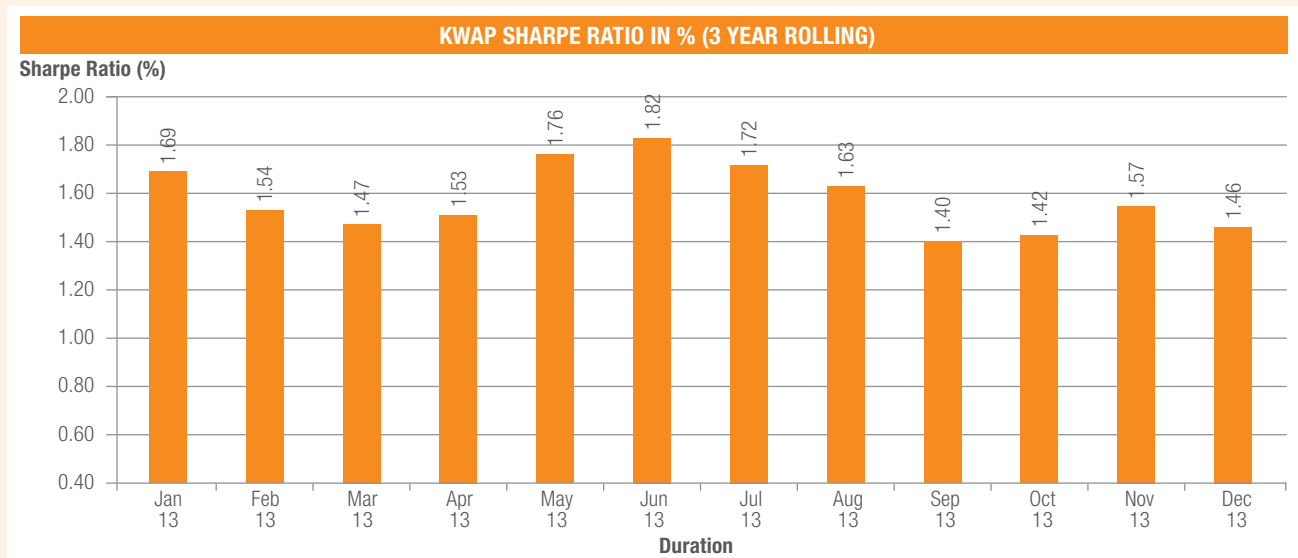
A key measure of Market Risk used in KWAP is Value-at-Risk (VaR). KWAP currently measures VaR as the worst possible loss that may occur at 5% probability, over a ten (10) days trading period. Overall, KWAP's VaR averaged at 1.48% of the fund's market value. In other words, for a 2 week period, there is a 95% probability that KWAP will not lose more than 1.48% of the fund's market value due to market 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 $\pm 4.52\%$. The model estimates that the portfolio can increase or decrease in value by 4.52% in 1 year time. The higher the number, the more volatile the portfolio value, hence the more risky it is.



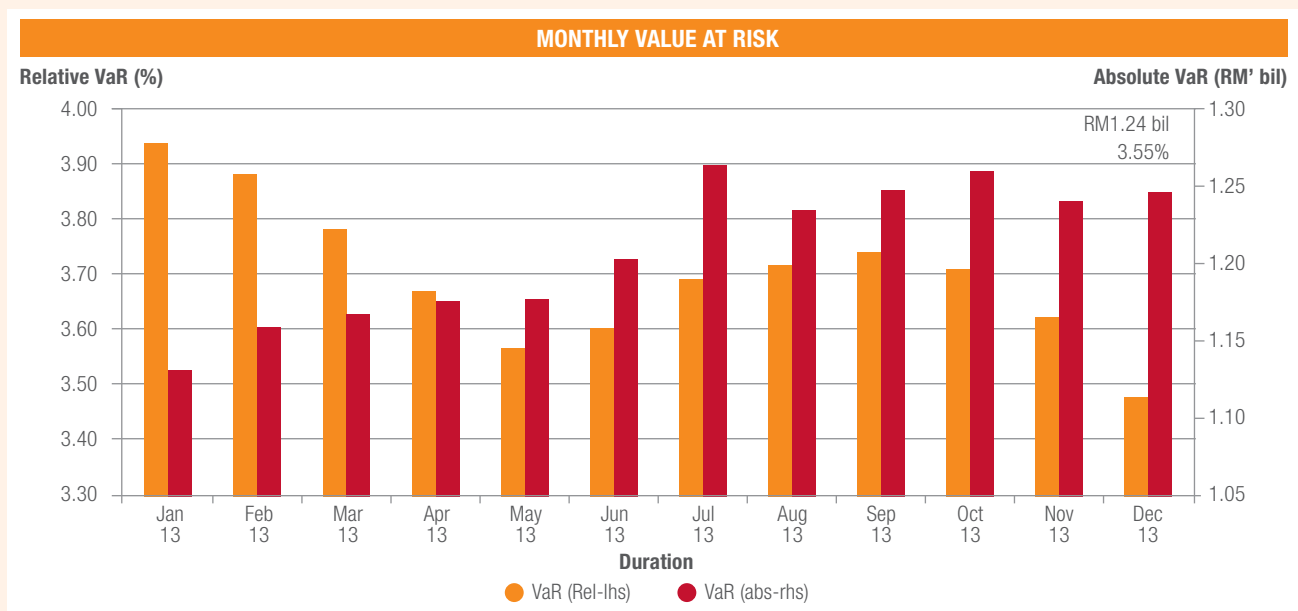
We enhance our monitoring and understanding of portfolio volatility by supplementing it with risk return measures such as Sharpe Ratio as shown below.



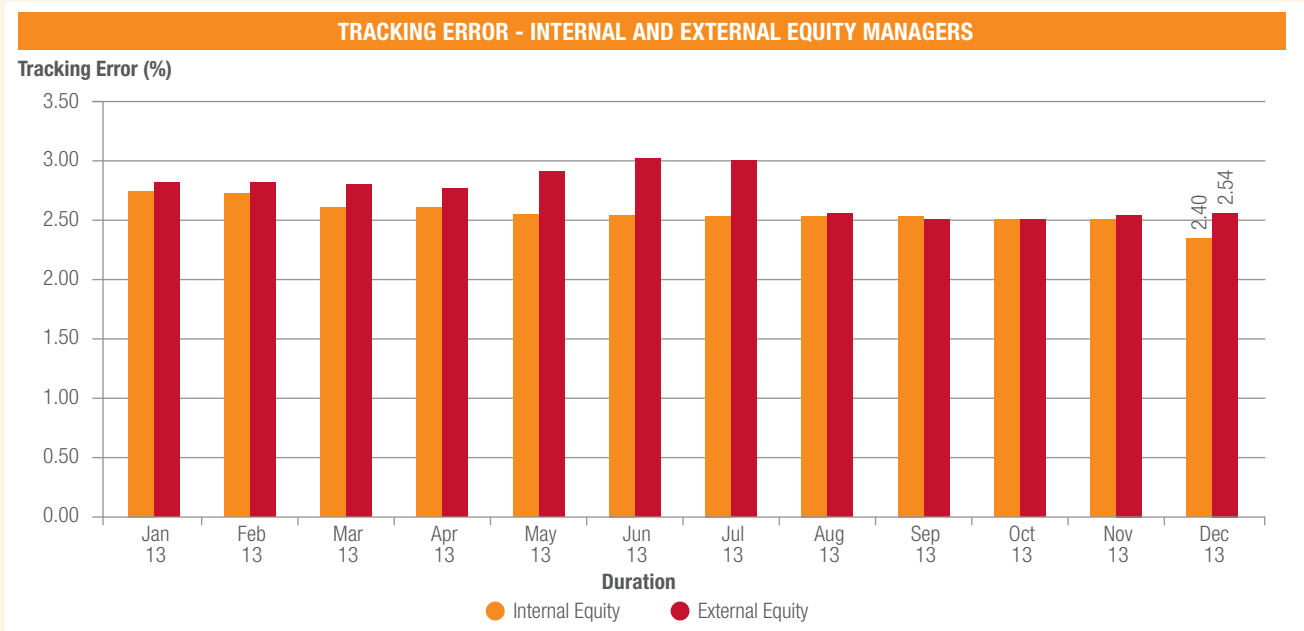
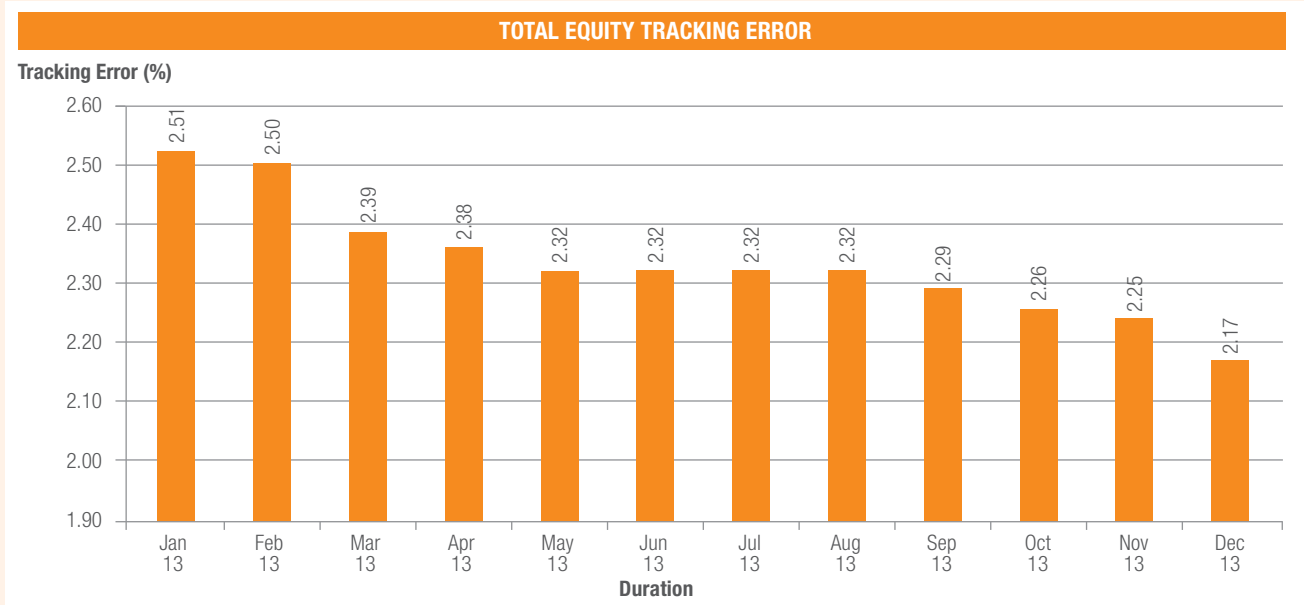
KWAP's Sharpe ratio is at 1.46% in December 2013 which indicates that KWAP's portfolio was able to increase its value by 146 basis points over the risk free rate of 3 months KLIBOR.

Equity Risk Exposures

Equity Portfolio represents on average 34.18% of the total portfolio market value. Overall, KWAP's Equity VaR averaged at 3.74% of the fund's equity portfolio market value, i.e. portfolio loss of 3.74% of portfolio value over a 2 week period assuming a 95% confidence Interval.

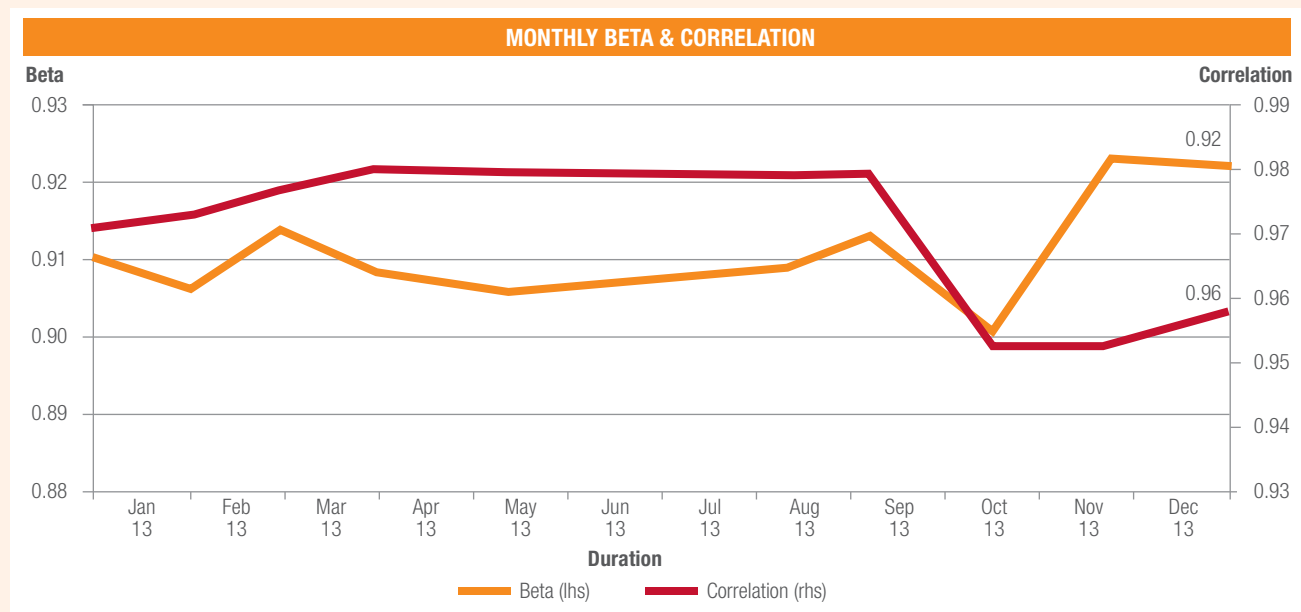


Tracking error (also called active risk) is a measure of the deviation from the benchmark; an index fund would have a tracking error close to zero, while an actively managed portfolio would normally have a higher tracking error. Tracking error for KWAP Equity Portfolio has been declining since the start of the year and stood at 2.17% in December 2013.

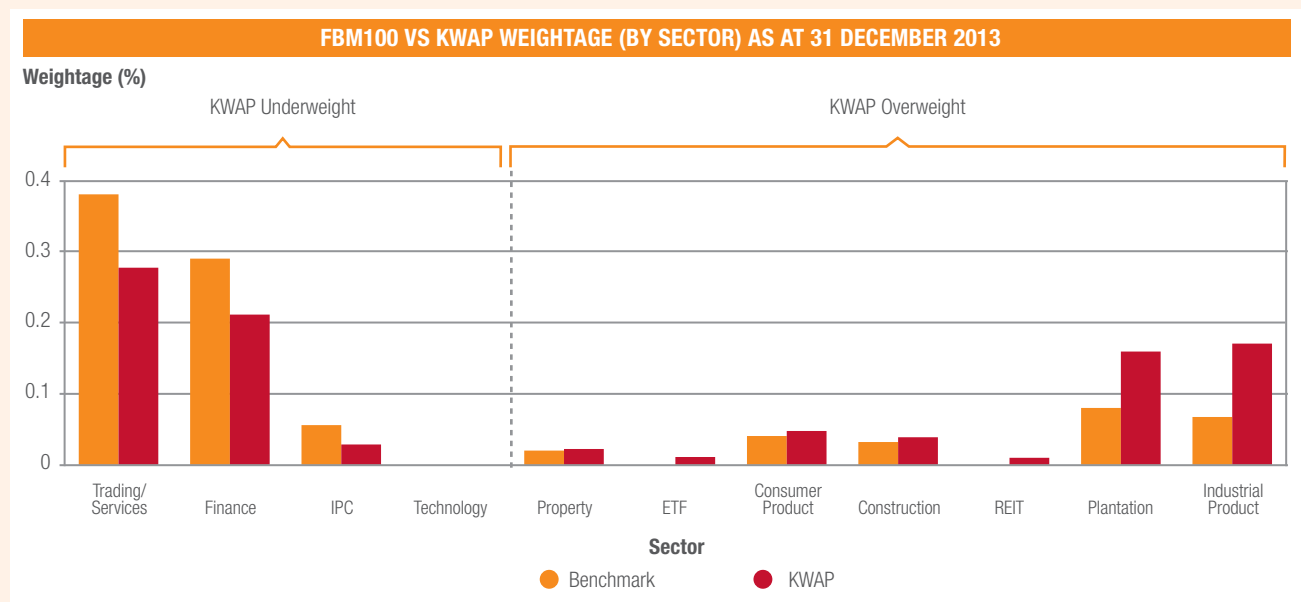


Correlation analysis measures how close the portfolio moves are with benchmark while Beta estimates the quantum of such moves.

Correlation to the benchmark (FBM100) was relatively high for the entire year at an average of 0.971 while Beta averaged 0.911. The correlation and beta which was close to 1 indicated that KWAP has a defensive portfolio and we are less volatile compared to the benchmark.



The next diagram illustrates KWAP equity sector exposure versus the FBM100 index. As at year end of December 2013, 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.



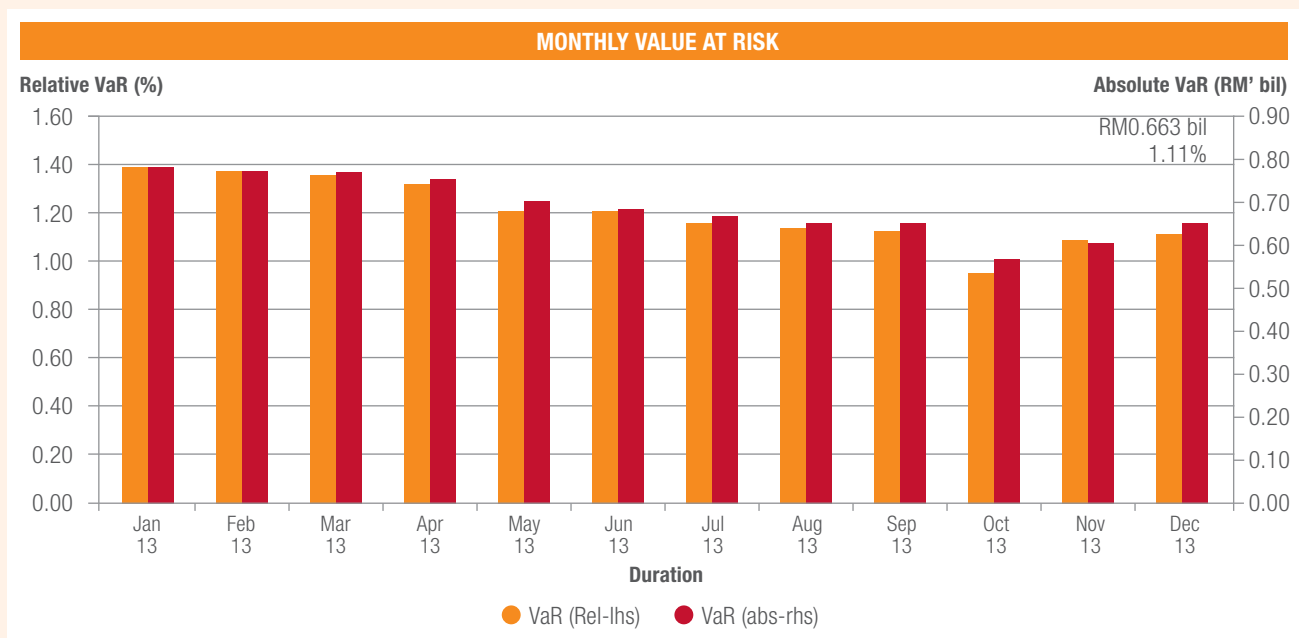
Stress Test on Equity

KWAP also periodically conducted stress test for the portfolio on a variety of scenarios based on historical and forward looking basis. The results were reviewed, analysed and assessed to give insights into portfolio vulnerabilities.

Of the multiple stress scenarios run, we compiled the top 5 worst results and sorted by magnitudes. The worst case scenario for the equity portfolio should a downturn of the same magnitude as the Asian Financial Crisis of 1997 were to reoccur again. The portfolio could potentially lose 52.38% of value. The smallest magnitude from the top 5 scenario is a potential repeat the more recent Global Financial Crisis, namely the volatility period for July 2008 to January 2009. This would have resulted in a potential loss of value by 23.74%.

Fixed Income Exposures

Fixed Income Portfolio (MGS/GII and PDS) represents 53.60% of the total portfolio market value and Money Markets 7.31%. Overall, KWAP's Fixed Income VaR averaged at 1.20% of the fund's fixed income portfolio market value.

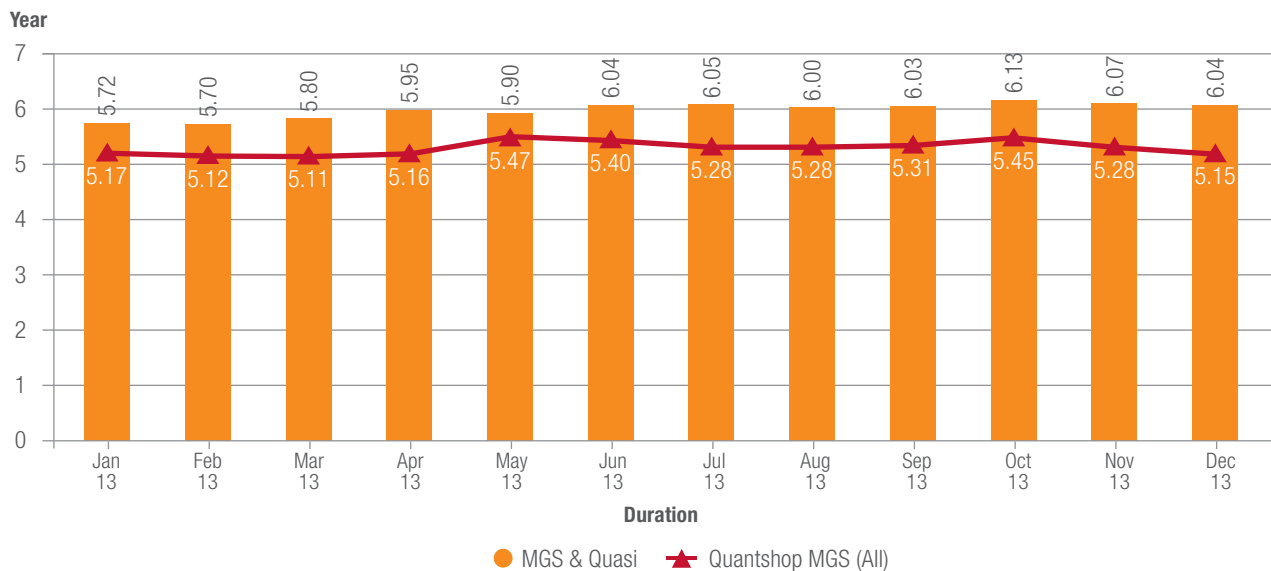


Modified duration follows the concept that interest rates and bond prices move in opposite directions. It is used to determine the effect that a 100-basis-point (1%) change in interest rates will have on the price of the bond portfolios.

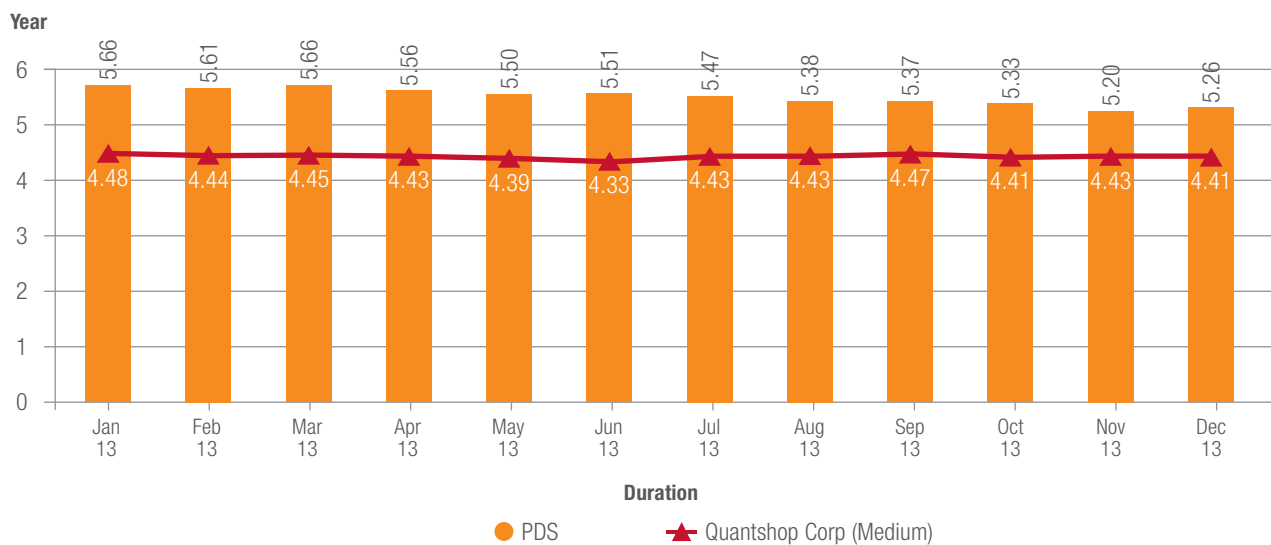
On average, KWAP's modified duration in both MGS/GII and PDS surpasses the modified duration for their respective benchmarks at 5.95 versus the benchmark Quantshop MGS All Index of 5.26 and PDS's 5.46 vs. the benchmark Quantshop Corp (Medium) benchmark of 4.42.

This means that if the rates change by 100 bps, the portfolio value will change by 5.95% for MGS and 5.46% for PDS. Essentially this means that KWAP's holding portfolios which tend to be longer tenure in nature are more sensitive to the interest rate movement compared to the benchmark.

2013 INTERNAL VS. BENCHMARK MODIFIED DURATION FOR MGS AND QUASI



2013 INTERNAL VS. BENCHMARK MODIFIED DURATION FOR PDS

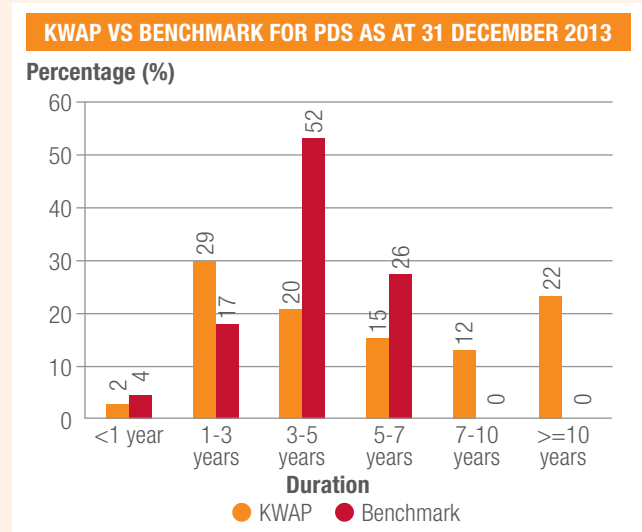
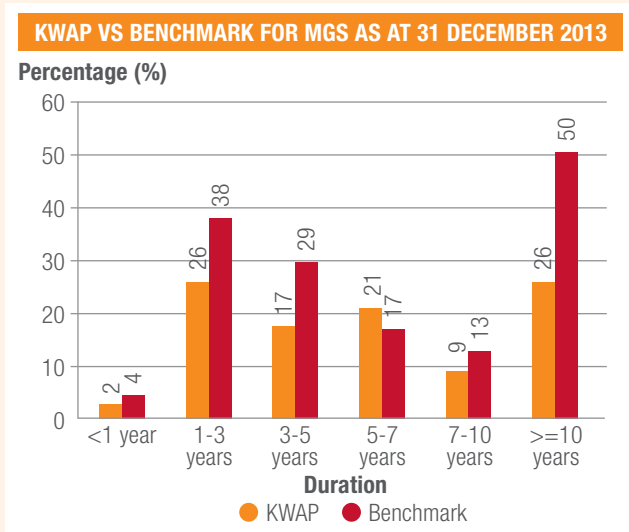


MGS and Quasi - Government Bonds

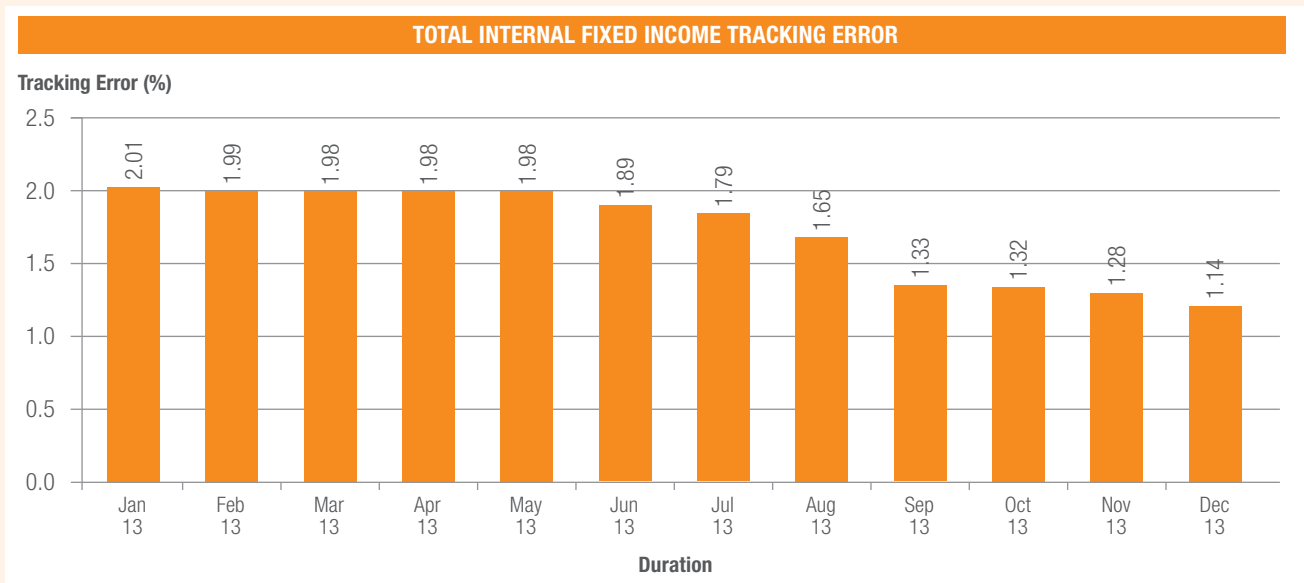
The MGS and Quasi-Government bonds maturity profile was skewed towards medium (1-3 years) and long term maturities (>10 years), similar to the benchmark's remaining maturity profile. As a pension fund with long term liabilities, KWAP's risk appetite is gradually expanding into longer duration, but took into consideration interest rates moves and adjust strategies dynamically.

Private Debt Securities (PDS)

KWAP PDS maturity profile was skewed towards medium (1-3 years) and long term maturities (>10 years), as opposed to the benchmark's remaining maturity profile, which focuses on 3-5 years remaining maturity. Essentially this means that KWAP as a pension fund does have a different focus on the maturity profile of its holdings as compared to the benchmark of medium term holding.

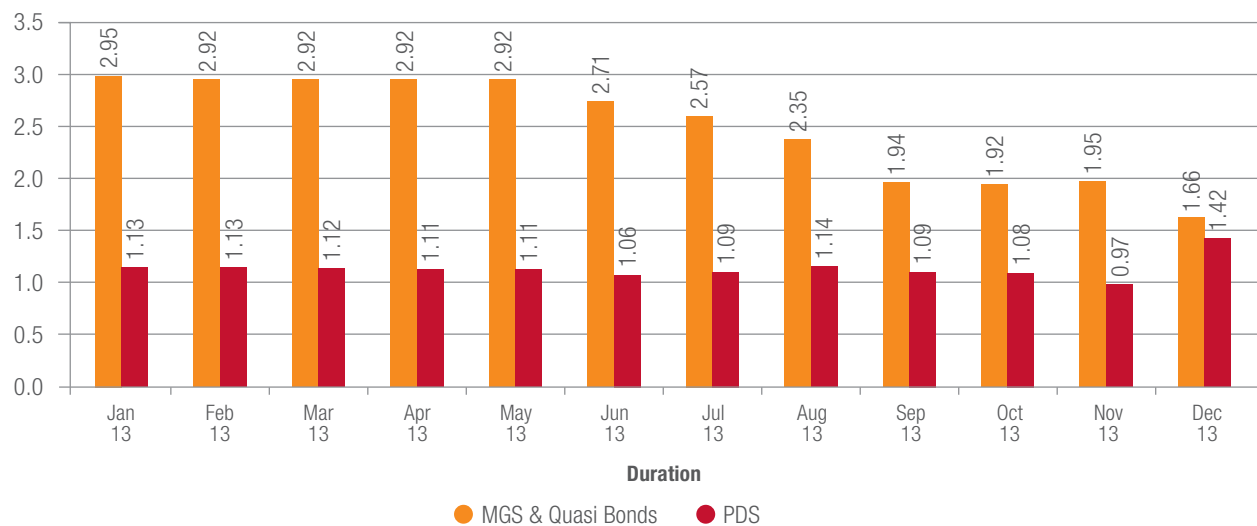


The rolling 3-year tracking error of External Fixed Income portfolios remains relatively stable at 1.14 and 1.54%.



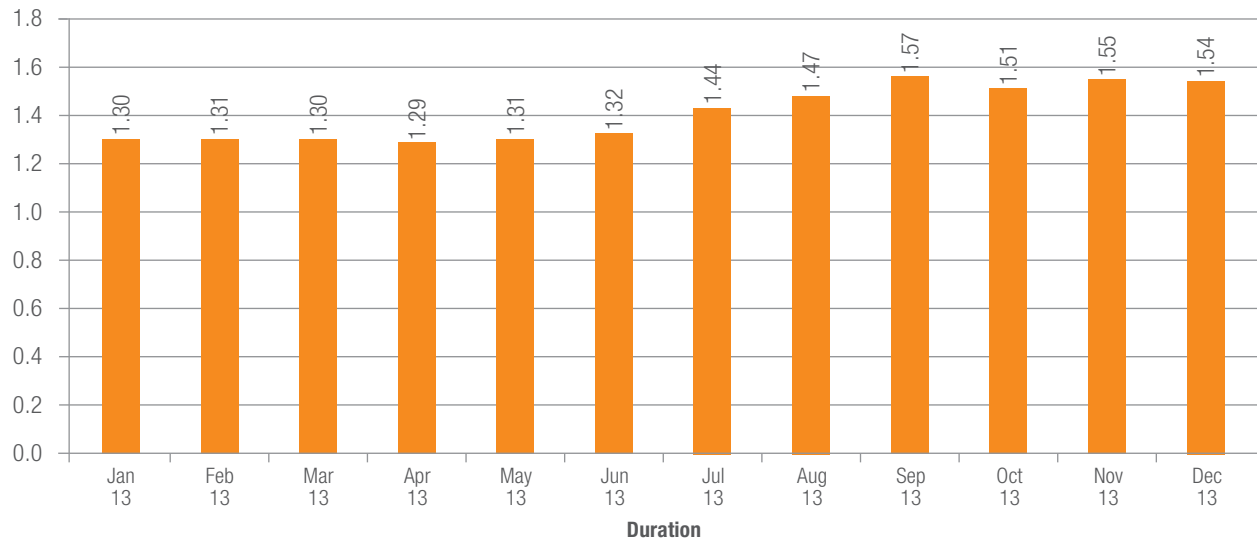
INTERNAL NON PDS AND PDS TRACKING ERROR

Tracking Error (%)



TOTAL EXTERNAL FIXED INCOME TRACKING ERROR

Tracking Error (%)



Stress Test on Fixed Income

KWAP also periodically stress tests the portfolio on the Internal Private Debt Security (PDS) and Malaysia Government Security (MGS) in year 2013.

The worst scenario for MGS was a 3.01% loss of value due to further cuts by major central banks such as the European Central Bank and Bank of England on policy interest rates and the continuation of quantitative easing in January to March 2013.

As for PDS, in the event that interest rate increases by 50bps and 100bps in parallel, the portfolio may suffer a loss of 2.92% to 5.76% respectively.

Alternative Investments

As of December 13, KWAP invested about 4.75% in alternative investment asset classes, i.e. real estate, private equity, and private equity funds.

Property (International)

KWAP's investment in foreign properties are in Australia and the United Kingdom. The investments are of a long term nature with the primary purpose of obtaining a steady stream of rental income. The risk relates to the variability and maturity of lease agreements and mitigated via active management of the properties.

Private Equity Fund (Domestic and International), and Direct Investment (Domestic)

As at December 2013, KWAP had a 0.82% of exposure in Private Equity Fund (PE Fund) and Private Equity (PE), where 0.38% of total PE Fund was invested in the non-Ringgit denominated currency.

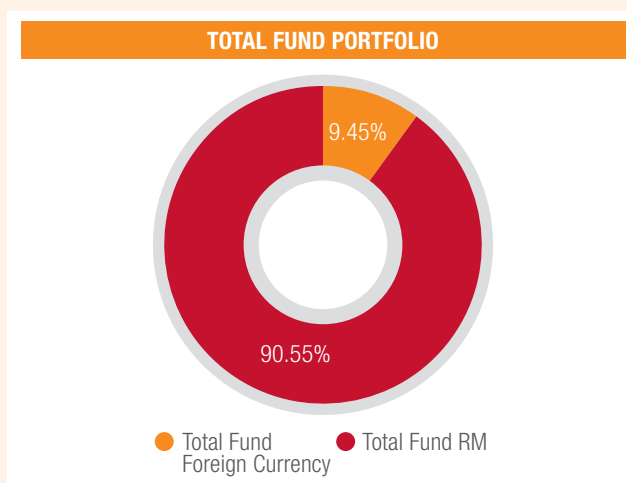
Risk management of PE funds was typically concentrated in pre-appointment evaluation of the fund managers and their investment strategies, taking into account PE strategies and target maturities. Post appointment activities were concentrated on operational risk management and monitoring of the funds and potential impairment to possible write offs or losses.

Derivative and Structured Product

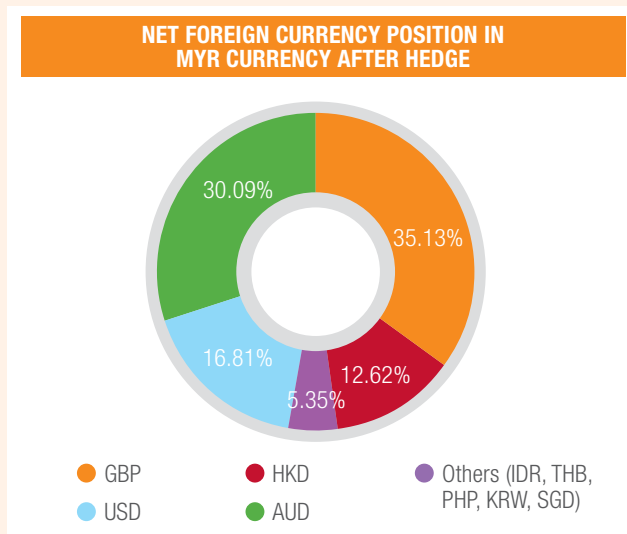
A variety of derivative contracts were also utilised to manage the Plan's market risk exposures. In 2013, 0.97% of the total fund as at December 2013 was invested in Range Accrual instrument. KWAP also entered into Cross Currency Swap and FX Forward which were used as a hedge for non-Ringgit exposure.

Currency Risk

Currency Risk exposure in international investments was at 9.45% of total investment as at December 2013.



The foreign currency components is illustrated in the next diagram with top major currency exposures GBP, AUD and USD as of December 2013.



In an effort to better manage the increasing exposure on the international front, KWAP has developed and implemented Foreign Exchange Management Framework. This framework details down the hedging strategies and guidance on hedging ratio for each asset class.

To support investment activities, constant updating was made in risk modelling. The recently rolled out BarraOne system which allows KWAP to run an enhanced analytics and scenario analysis that enables better strategies and risk mitigation while aiding decision making. Table below shows the risk attribution based on BarraOne multifactor model. The primary driver of market risk was the industry risk at 4.02% while currency risk after hedging was relatively small at 0.52%.

| Risk Source | Portfolio VaR (in RM' billion) | Portfolio Volatility (in %) |
|---------------------------------------------|-----------------------------------|--------------------------------|
| Total Risk | 1.41 | 4.30 |
| I. Local Market Risk | 1.41 | 4.29 |
| A. Common Factor Risk | 1.36 | 4.15 |
| i. MY Equity | 1.11 | 3.38 |
| a. Industry | 1.16 | 3.54 |
| b. Style | 0.09 | 0.29 |
| ii. MY FI | 0.66 | 2.02 |
| a. Term Structure | 0.66 | 2.02 |
| iii. Unassigned Factors (For Non-MY factor) | 0.21 | 0.65 |
| B. Selection Risk | 0.35 | 1.06 |
| II. Currency Risk | 0.17 | 0.51 |

STATEMENT ON GOVERNANCE

THE BOARD

Throughout the years, KWAP Board has ensured that KWAP's business and affairs are in strict adherence to the principles of good corporate governance such as integrity, transparency and professionalism which are among key components contributing to the organisation's continued progress and success towards achieving stakeholder's objective.

To ensure the highest standards of integrity and business ethics, professionalism is embedded where applicable. Although KWAP is not required to abide by the Malaysian Code on Corporate Governance, The Board has adopted best practices on governance to ensure that the highest standards of corporate governance are practiced to protect and enhance stakeholder's value.

Composition of the Board

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.

As specified by section 6 of the Retirement Fund Act 2007 (Act 662), the Board shall consist of the following members that shall be appointed by the Minister of Finance:

- (i) a Chairman who shall be the Secretary General of Treasury, the Ministry of Finance;
- (ii) a representative from Bank Negara Malaysia;
- (iii) a representative from the Ministry of Finance;
- (iv) the Chief Executive Officer who shall be 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 contributors to the Retirement Fund other than the representative of the Government of Malaysia.

Chairman and Chief Executive Officer

As part of best practice, the roles of the Chairman and the Chief Executive Officer (CEO) should be separated.

The Chairman of KWAP is primarily responsible for ensuring Board effectiveness and conduct while the CEO 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 CEO is assisted by the management in managing day to day administration of KWAP and the administrative control of its employees.

In 2013, the term of the Board expired on 28 February 2013 and they are eligible for re-appointment. All of the Board members were re-appointed except Encik Cheah Teik Seng who indicated his intention for non-renewal due to his other commitments.

On 19 March 2013, Dato' Azian binti Mohd Noh retired as KWAP's CEO and was succeeded by Encik Wan Kamaruzaman bin Wan Ahmad on 2 May 2013. In the interim period, during the vacancy of the post of CEO, the Board had appointed an interim Board Committee which consisted of the following three (3) Board members to act as the CEO:

- (i) Dato' Sri Idrus bin Harun;
- (ii) Dato' Siow Kim Lun; and
- (iii) Dato' Azmi bin Abdullah.

In the third quarter of 2013, the Finance Minister appointed Datuk Wan Selamah binti Wan Sulaiman as KWAP's new Board member effective 1 October 2013, by virtue of section 6(4)(e) to fill the vacancy of one of the three (3) representatives of the Government of Malaysia. On 19 December 2013, Dato' Omar bin Osman retired from his post as the President of CUEPACS and was succeeded by his Deputy President, Encik Azih bin Muda who was appointed to the KWAP Board on 20 December 2013.

A brief profile of each Board member is presented on page 114 to 127 of this Annual Report.

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 procedure 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 principle 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.

| COMPONENTS OF AN EFFECTIVE BOARD | |
|---------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Structuring a high-performing Board | <ul style="list-style-type: none"> Structures the Board to match the organisation's requirements Defines committees' role, structure and composition to complement the Board's requirements Selects and nominates Board Members using a disciplined process Evaluates the Board as a whole and each Board Member regularly |
| Ensuring effective Board operations and interactions | <ul style="list-style-type: none"> Makes every Board meeting productive Ensures the quality and timeliness of all Board information Builds trust via positive Board interaction and open communication within the Board and with management |
| Fulfilling the Board's fundamental roles and responsibilities | <ul style="list-style-type: none"> Contributes to developing corporate strategy and setting of targets Upholds a strong corporate performance management approach Oversees development of the organisation's future leaders and talents Understands and manages the organisation's risks Adopts a stakeholders' perspective when making decisions Balances valid stakeholder interests |

Board Meetings

Every year, the Board Meetings are scheduled in advance at the beginning of the 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.

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

During the financial year 2013, nine (9) board meetings and one (1) special board meeting were held.

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

| NO. | NAME | ATTENDANCE |
|-----|-------------------------------------------------------------------------------|------------|
| 1. | Tan Sri Dr. Mohd Irwan Serigar bin Abdullah Chairman | 10/10 |
| 2. | Dato' Sri Idrus bin Harun | 9/10 |
| 3. | Datuk Wan Selamah binti Wan Sulaiman (*Appointed effective 1 October 2013) | *2/2 |
| 4. | Dato' Yeow Chin Kiong | 9/10 |
| 5. | Dato' Mat Noor bin Nawī | 4/10 |
| 6. | Dato' Siow Kim Lun | 8/10 |
| 7. | Dato' Muhammad bin Ibrahim | 6/10 |
| 8. | Dato' Haji Omar bin Haji Osman (*Retired effective 19 December 2013) | 8/10 |
| 9. | Dato' Azmi bin Abdullah | 8/10 |
| 10. | Encik Cheah Teik Seng (*Term expired effective 28 February 2013) | *2/2 |
| 11. | Encik Wan Kamaruzaman bin Wan Ahmad (*Appointed effective 2 May 2013) | 8/8 |
| 12. | Dato' Azian binti Mohd Noh (*Retired effective 19 March 2013) | *1/1 |

Among the Board's key activities for 2013 are as follows, which is within its powers as specified by section 12 (1) of Act 662:

| NO. | SCOPE OF BOARD'S RESPONSIBILITIES AND ACCOUNTABILITIES AS PROVIDED BY THE ACT | BOARD'S DUTIES / ACTIVITIES FOR YEAR 2013 |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 Malaysian Financial Reporting Standards (MFRS) Implementation Plan for KWAP. • Approved the Revision of Accounting Policies on Depreciation Rates and Cash Flow Statement Method of KWAP. • Approved the Revised Financial Procedures. • Approved KWAP's Expenditure Budget for Financial Year 2014. |
| 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 Proposal on the Expansion of Job Grade and Salary Range for Top Jobs and Introduction of a Premium Salary Band for 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 2013. • KWAP is currently adopting the Statutory Bodies (Discipline and Surcharge) Act 2000 to handle issues relating to employees' conduct and disciplines. |
| 4. | To establish committees and procedure of such committees; | <ul style="list-style-type: none"> • Approved the Proposal on KWAP's Internal Audit Charter. |
| 5. | To regulate its internal procedures including procedures relating to operational matters; | <ul style="list-style-type: none"> • Approved the Proposal on Changes for Compliance Process in the Compliance Framework. • Approved KWAP's Strategic Asset Allocation. • Approved the Revised Investment Policy and Guidelines. • Approved the Proposal on Foreign Exchange Management Framework. • Approved the New Limits on Modified Duration for Domestic Internal Private Debt Securities (PDS) Portfolio. • Approved the New Limits on Modified Duration for Domestic Internal Malaysia Government Securities (MGS & Quasi) Portfolio. • Approved the Revision of Financial Policies and Guidelines. |
| 6. | To prescribe the manner in which documents, cheques and instruments of any description shall be signed or executed on behalf of KWAP; and | <ul style="list-style-type: none"> • No new procedure was approved in 2013. |
| 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). | <ul style="list-style-type: none"> • Appointment of Due Diligence and Property Consultants, Panel Advocates and Solicitors, Merger Consulting Firm and External Fund Managers. |

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 shall consist of the following members who shall be appointed by the Minister of Finance:-

- (i) a Chairman who shall be 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 shall be the Secretary; and
- (v) three (3) other persons from the private sector with experience and expertise in business or finance.

In 2013, the term of the Investment Panel expired on 28 February 2013 and they are eligible for re-appointment. All of the Investment Panel were re-appointed except for Datuk Nozirah bin Bahari who has been replaced by Puan Siti Zauyah binti Mohd Desa, as representative from Ministry of Finance, effective 1 March 2013. Another Investment Panel member, Dato' Sri Abdul Wahid bin Omar resigned on 4 May 2013 following his appointment as the Minister in the Prime Minister's Department. He was replaced by Datuk Abdul Farid bin Alias who was appointed as KWAP's Investment Panel member on 1 October 2013.

A brief profile of each Investment Panel member is presented on page 128 to 132 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 2013, eleven (11) Investment Panel Meetings and one (1) special Investment Panel Meetings were held. The summary of attendance of the Investment Panel Members is set out below:

Investment Panel Meeting Attendances:

| NO. | NAME | ATTENDANCE |
|-----|--------------------------------------------------------------------------|------------|
| 1. | Tan Sri Dr. Mohd Irwan Serigar bin Abdullah Chairman | 12/12 |
| 2. | Dato' Mohammed Azlan bin Hashim | 10/12 |
| 3. | Dato' Sri Abdul Wahid bin Omar (*Resigned effective 4 May 2013) | *3/5 |
| 4. | Datuk Nozirah binti Bahari (*Term expired effective 28 February 2013) | *1/2 |
| 5. | Encik Cheah Tek Kuang | 11/12 |
| 6. | Cik Che Zakiah binti Che Din | 10/12 |
| 7. | Puan Siti Zauyah binti Mohd Desa (*Appointed effective 1 March 2013) | *10/10 |
| 8. | Datuk Abdul Farid bin Alias (Appointed effective 1 October 2013) | *1/2 |
| 9. | Dato' Siow Kim Lun (*Interim Board Committee Member) | *1/1 |
| 10. | Encik Wan Kamaruzaman Wan Ahmad (Appointed effective 2 May 2013) | 8/8 |

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 the year 2013, the Investment Panel deliberated and discussed seventy three (73) proposals whereby seventy (70) proposals were subsequently approved including approval via circulation.

BOARD COMMITTEES

To assist the Board in discharging its duties, the Board has established various committees to oversee specific matters related to the operations of KWAP, 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 details 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) Dato' Azmi bin Abdullah - Chairman
- (ii) Dato' Sri Idrus bin Harun - Member
- (iii) Dato' Siow Kim Lun - Member
- (iv) Dato' Dr. Gan Wee Beng - Member

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

Five (5) Audit Committee meetings were held throughout year 2013.

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 the Retirement Fund (Incorporated) 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 the Retirement Fund (Incorporated);
- (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 Attendances:

| NO. | NAME | ATTENDANCE |
|-----|---------------------------------------------------------------------|------------|
| 1. | Dato' Azmi bin Abdullah (Appointed effective 1 March 2013) | 4/5 |
| 2. | Encik Cheah Teik Seng (*Term expired effective 28 February 2013) | *2/2 |
| 3. | Dato' Sri Idrus bin Harun | 5/5 |
| 4. | Dato' Siow Kim Lun | 5/5 |
| 5. | Dato' Dr. Gan Wee Beng (*Appointed effective 1 March 2013) | *2/3 |

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 2012
- (ii) Proposal of Financial Year 2013 Internal Audit Plan by Messrs. KPMG for KWAP
- (iii) Proposal to Revise the Accounting Policies of KWAP Audit
- (iv) Proposal to Revise KWAP's Financial Policies and Guidelines
- (v) 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 - Member
- (iii) Dato' Mohammed Azlan bin Hashim - Member
- (iv) Dato' Dr. Gan Wee Beng - Member
- (v) Encik Wan Kamaruzaman bin Wan Ahmad

Four (4) Risk Management Committee meetings were held throughout year 2013.

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 Attendances:

| NO. | NAME | ATTENDANCE |
|-----|--------------------------------------------------------------------------|--------------------------------------------------------------|
| 1. | Dato' Muhammad bin Ibrahim - Chairman | 4/4 |
| 2. | Dato' Siow Kim Lun | 4/4 |
| 3. | Dato' Mohammed Azlan bin Hashim | 3/4 |
| 4. | Dato' Dr. Gan Wee Beng (*Appointed effective 1 March 2013) | *4/4 |
| 5. | Encik Cheah Teik Seng (*Term expired effective 28 February 2013) | Nil (no meeting was held between January - March 2013) |
| 6. | Encik Wan Kamaruzaman bin Wan Ahmad (*Appointed effective 2 May 2013) | *3/3 |
| 7. | Dato' Azian binti Mohd Noh (*Retired effective 19 March 2013) | Nil (no meeting was held between January - February 2013) |
| 8. | Dato' Azmi bin Abdullah (*Interim Board Committee Member) | *1/1 |

Summary of Risk Management Committee Activities:

Among major issues deliberated and approved by the Risk Management Committee during year 2013 were:

- (i) Proposal on Investment Framework for KWAP
- (ii) Proposal on the Credit Risk Quantification
- (iii) Notification on Foreign Exchange Framework for KWAP
- (iv) Notification on the Use of Effective Duration as a Measure to Complement Modified Duration
- (v) Report on Group Investment Exposure
- (vi) Compliance Report
- (vii) Operational Risk Event Reporting
- (viii) 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 staff of KWAP and recommend to the Board the performance related remuneration of the respective staff.

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) Dato' Sri Idrus Harun - Chairman
- (ii) Dato' Siow Kim Lun - Member
- (iii) Dato' Mohammed Azlan bin Hashim - Member
- (iv) Encik Cheah Tek Kuang - Member
- (v) Encik Wan Kamaruzaman bin Wan Ahmad - Member

Two (2) Remuneration Committee meetings and one (1) Special Remuneration Committee meeting were held throughout year 2013.

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 officers 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.

Remuneration Committee Meeting Attendances:

| NO. | NAME | ATTENDANCE |
|-----|--------------------------------------------------------------------------|------------|
| 1. | Dato' Sri Idrus bin Harun - Chairman | 3/3 |
| 2. | Dato' Siow Kim Lun | 3/3 |
| 3. | Dato' Mohammed Azlan bin Hashim | 2/3 |
| 4. | Dato' Haji Omar bin Haji Osman (*Retired effective 19 December 2013) | *2/3 |
| 5. | Encik Cheah Tek Kuang | 2/3 |
| 6. | Encik Wan Kamaruzaman bin Wan Ahmad (*Appointed effective 2 May 2013) | *1/1 |
| 7. | Dato' Azian binti Mohd Noh (*Retired effective 19 March 2013) | *1/1 |

Summary of Remuneration Committee Activities:

Among the proposals deliberated and endorsed by the Remuneration Committee during year 2013 were:

- (i) Payment of Bonus 2012 and Annual Increment 2013
- (ii) Proposal on the Expansion of Job Grade and Salary range for Top Jobs and Introduction of a Premium Salary Band for 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' Mat Noor bin Nawi - Chairman
- (ii) Dato' Sri Idrus bin Harun - Member
- (iii) Dato' Yeow Chin Kiong - Member
- (iv) Encik Wan Kamaruzaman bin Wan Ahmad - Member

There was one (1) Tender Board meeting held during year 2013.

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/ 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.

Summary of Tender Board Activities:

There was only one (1) Tender Board meeting held during year 2013, to discuss on Proposal to Appoint Merger Consulting Firm to Perform Scope of work Pertaining to KWAP Assuming The Functions of Post Service Division of Public Services Department.

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 are eligible for reappointment. The current term for all the Board and Investment Panel will expire on 28 February 2016. The remuneration of the Board and Investment Panel is determined from time to time, subject to the approval of the Minister of Finance.

In 2013, the Board and Investment Panel received a remuneration of RM326,712.90 and RM256,350 respectively.

Tender Board Committee Meeting Attendances:

| NO. | NAME | ATTENDANCE |
|-----|--------------------------------------------------------------------------|----------------------------------------------------------------|
| 1. | Dato' Mat Noor bin Nawawi - Chairman | 1/1 |
| 2. | Dato' Sri Idrus bin Harun | 1/1 |
| 3. | Dato' Siow Kim Lun | 1/1 |
| 4. | Dato' Yeow Chin Kiong | 1/1 |
| 5. | Encik Wan Kamaruzaman bin Wan Ahmad (*Appointed effective 2 May 2013) | *1/1 |
| 6. | Dato' Azian binti Mohd Noh (*Retired effective 19 March 2013) | Nil (There is no meeting held between January to July 2013) |

STATEMENT ON INTERNAL CONTROL

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.

The role of Management includes:-

- Identify and evaluate the relevant risks in achieving KWAP's objectives and strategies;
- Formulate relevant policies and procedures to manage these risks;
- Design, implement and monitor a sound system of internal control; and
- Report in a timely manner to the Board any changes to the risks and corrective actions taken.

Key Internal Control Processes

The key processes that the Board has established in reviewing the adequacy and effectiveness of the risk management and internal control system include the following:-

- **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 assurance providers 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 the Board 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**

The 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.

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 2013, six (6) ITSC Meetings were held;
2. KWAP's IT Security Risk Management Framework entails implementing the Information Security Management System (ISMS) based on the ISO 27001:2005 standard. It specifies the requirements for establishing, implementing, operating, monitoring, reviewing, maintaining and improving a documented ISMS within the context of the organisation's overall business risks.
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 and 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 Management to the Board.

- **Internal Audit Function**

Messrs. KPMG was appointed by the Board to undertake the internal audit function of KWAP for the financial year 2013 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 2013, Messrs. KPMG has fulfilled its Internal Audit Plan by completing all four audit projects namely the Human Resources 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.

Complementing Messrs. KPMG, KWAP's Internal Audit Department had executed its audit engagements in accordance with the approved audit plan for year 2013. Amongst the other tasks undertaken by the Internal Audit Department were as follows:-

- a) Participated in KWAP's Disaster Recovery exercises as independent observers and assess the outcome of the exercises to ensure that it meets its stated objectives;
- b) Reviewed Policies, Manual and Standard Operating Procedures (SOP), provided audit opinions from the internal control and process improvement perspective; and
- c) Performed periodic audit follow-up on the outstanding audit issues raised by the internal and external auditors until all issues have been resolved.



SECTION

06



OUR LEADERSHIP

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BOARD: MEMBERS AND PROFILES



TAN SRI DR MOHD IRWAN SERIGAR BIN ABDULLAH

*Secretary General of Treasury, Ministry of Finance
Chairman*

Tan Sri Dr Mohd Irwan Serigar bin Abdullah was re-appointed as Chairman of the Board and Investment Panel on 1 March 2013.

He is currently the Secretary General of Treasury, Ministry of Finance and serves as a Board Director of various agencies and government bodies such as Malaysian Airline System (MAS), Petroliaam National Berhad (PETRONAS), Felda Global Ventures Holding Berhad (FGVH), Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP), Malaysia Deposit Insurance Corporation (PIDM) and Lembaga Kemajuan Tanah (FELDA). He is also the Chairman of Lembaga Hasil Dalam Negeri (LHDN) and Cyberview Sdn. Bhd.

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.

DATO' MUHAMMAD BIN IBRAHIM

Bank Negara Malaysia Representative

Dato' Muhammad bin Ibrahim was re-appointed as a member of the Board on 1 March 2013. He is currently Deputy Governor, Bank Negara Malaysia.

He is also a council member of the Malaysian Bankers Institute, a Fellow at Institute of Bankers Malaysia and a member of Bank Negara Malaysia's Monetary Policy Committee. He is a trustee of Tun Ismail Ali Chair Council and a non-executive of Petroliaam Nasional Berhad.

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 in 2010.





DATO' MAT NOOR NAWI

Ministry of Finance Representative

Dato' Mat Noor Nawi was re-appointed as a member of the Board on 1 March 2013. He is currently the Deputy Secretary General of the Treasury (Policy) at the Ministry of Finance (MOF).

He is the Chairman of Danainfra Nasional Berhad and sits on the Board of Pengurusan Aset 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 University Putra Malaysia and a Master of Science in Policy Economics from University of Illinois, Urbana-Champaign, USA.

DATO' SRI IDRUS BIN HARUN

Federal Government Representative

Dato' Sri Idrus bin Harun was re-appointed as a member of the Board on 1 March 2013.

He is the Solicitor General of Malaysia. He currently serves as a member of the Companies Commission of Malaysia, the Malaysia-Thailand Joint Authority and Perbadanan Tabung Pendidikan Tinggi Nasional.

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





DATUK WAN SELAMAH BINTI WAN SULAIMAN

*Federal Government Representative
(Appointed effective 1 October 2013)*

Datuk Wan Selamah binti Wan Sulaiman was appointed as a member of the Board on 1 March 2013.

She is currently the Accountant General in the Accountant General's Department of Malaysia effective 29 November 2010. Her career with the Government started in 1979 as Treasury Accountant in the Examination Syndicate Department of the Ministry of Education. In 1982, she served the Ministry of Defense before joining the Accountant General's Department, where she has been since 1984. She has held various positions in the Accountant General's Department, including Deputy Director, Government Pensions Trust Fund; Director, Information Technology Services Division; and Director, Central Operations and Agency Service Division.

She obtained her Masters in Business Administration (Finance) from Universiti Kebangsaan Malaysia (UKM) in 1992. She is a member of MIA and also a Fellow of the Association of Chartered Certified Accountants (FCCA).

DATO' YEOW CHIN KIONG

Federal Government Representative

Dato' Yeow Chin Kiong was re-appointed as a member of the Board on 1 March 2013.

He is Director, Post Service Division (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 Universiti of Malaya in 1978.





DATO' SIOW KIM LUN

Private Sector Representative

Dato' Siow Kim Lun was re-appointed as a member of the Board on 1 March 2013.

He is currently a member of the Board of Citibank Berhad, UMW Holdings Berhad, WZ Satu 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 University Kebangsaan Malaysia, Masters in Business Administration from the Catholic University of Leuven, Belgium and attended the Advanced Management Program at Harvard Business School, USA.

DATO' AZMI BIN ABDULLAH*Private Sector Representative*

Dato' Azmi bin Abdullah, was re-appointed as a member of the Board on 1 March 2013.

He is currently an Independent Non-Executive Director of Bank Muamalat Malaysia Berhad (the Bank). He is the Chairman of Remuneration and Board Risk Management Committees and member of Nomination, Board Audit, Veto and Board Muamalat Banking Solutions Committees. He is presently a Director of Universiti Kebangsaan Malaysia and a Council Member of Hospital UKM, Malaysia. He also sits on the board of 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).





DATO' DR. GAN WEE BENG

Private Sector Representative

Dato' Dr Gan Wee Beng was appointed to the Board on 1 March 2013.

He is currently the Advisor, CIMB Group, a position he has held since 2012. He has been a consultant to various local and international agencies, which included Bank Negara Malaysia (BNM), the Economic Planning Unit of the Prime Minister's Department, Ministry of Finance, World Bank, International Labour Organisation, Asian Development Bank, and the United Nations Conference on Trade and Development. He was a member of BNM's Working Group on Market Risk Capital Adequacy Framework and was also a member of National Economic Advisory Committee on Price Control and Subsidies.

He is currently a member of the Oliver Wyman CEO Forum. Dato' Dr Gan is also a member of the Institute of International Finance's Asia Pacific Chief Risk Officer Forum which discusses regional risk-management challenges and priorities. Prior to joining CIMB Bank, Dato' Dr Gan was the Senior Adviser (Economics) for the Monetary Authority of Singapore besides having held the position of Associate Professor at the University of Malaya. He is also a recipient of the Tun Abdul Razak Foundation Award for Best Published Article in an academic journal.

He holds a Bachelor's and Masters' degree in Economics from the University of Malaya and obtained his Ph.D from the University of Pennsylvania, USA.

ENCIK AZIH BIN MUDA

Contributor Representative

Encik Azih bin Muda was appointed as Board on 20 December 2013.

He currently works full-time in Kuala Terengganu City Council, Terengganu. Current position held in the council is as an Assistant Administrative Officer (T).

In addition to being the President of Cuepacs, he is also a Council Member of Cuepacs Congress, Vice Chairman, General MBK / Support Representative in NLAC Cuepacs, the Ministry of Human Resources. Other than Cuepacs, he is currently holding the position of President ANULAE since 2007.





ENCIK WAN KAMARUZAMAN BIN WAN AHMAD

Chief Executive Officer

Ex-Officio (Appointed effective 2 May 2013)

Encik Wan Kamaruzaman was appointed as KWAP's Chief Executive Officer on 2 May 2013.

He is currently the Chairman of the Board for i-VCAP Management Sdn Bhd and holds directorship in Valuecap Sdn Bhd, Malakoff Corporation Berhad and KWAP's subsidiary in London, Prima Ekuiti (UK) Limited. He previously served as the General Manager, Treasury Department of Employees Provident Fund (EPF) since October 2007. He started his working career with Malayan Banking Berhad since 1981, mostly in Treasury Department with two overseas postings at Hamburg, Germany as Chief Dealer and London, UK as Treasury Manager. After leaving Maybank, Encik Wan Kamaruzaman served as CEO and Director with several companies within the Affin Group.

Encik Wan Kamaruzaman holds a Bachelor of Economics majoring in Analytical Economic (Hons) from the University of Malaya.

ENCIK CHEAH TEIK SENG

*Private Sector Representative
(Term Expired effective 1 March 2013)*

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.

Encik Cheah Teik Seng 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

(Retired effective 19 December 2013)

Dato' Haji Omar bin Haji Osman was re-appointed as a member of the Board on 1 March 2013.

He was previously the President of CUEPACS until his retirement on 19 December 2013.

DATO' AZIAN MOHD NOH

Chief Executive Officer

Ex-Officio

(Retired effective 19 March 2013)

Dato' Azian binti Mohd Noh was appointed as the Chief Executive Officer of KWAP since its incorporation in 2007 and has retired on 19 March 2013.

She obtained her Bachelor's Degree in Economics (Hons) majoring in Accounting from Universiti 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 the Harvard Business School, Harvard University, USA.



INVESTMENT PANEL: MEMBERS AND PROFILES



TAN SRI DR MOHD IRWAN SERIGAR BIN ABDULLAH

*Secretary General of Treasury, Ministry of Finance
Chairman*

Tan Sri Dr Mohd Irwan Serigar bin Abdullah was re-appointed as Chairman of the Board and Investment Panel on 1 March 2013.



CIK CHE ZAKIAH BINTI CHE DIN

Bank Negara Malaysia Representative

Cik Che Zakiah binti Che Din was re-appointed as a member of KWAP's Investment Panel on 1 March 2013.

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.



PUAN SITI ZAUYAH BINTI MOHD DESA

*Ministry of Finance Representative
(Appointed on 1 March 2013)*

Puan Siti Zauyah binti Mohd Desa was appointed as Investment Panel of KWAP on 1 March 2013.

She is currently the Under Secretary of Loan Management, Capital Market and Actuary Division, Ministry of Finance. She had served the Ministry for 23 years in various capacities since 1989 such as Deputy Secretary (Economy), Investment, MOF (Inc) & Privatisation Division; Deputy Secretary (Infrastructure), Investment, MOF (Inc) & Privatisation Division; Head of Section (External Funding), Loan Management, Financial Markets & Actuary Division and Principal Assistant Secretary (Multilateral Unit), Loan Management, Financial Markets & Actuary Division. She was also the Advisor and Secretariat to the Malaysian delegation to international assignments from 1998 to 2007; the Director's Advisor at the Asian Development Bank, Manila from 2003 to 2006 and the Special Advisor for IDB Islamic Trade Financing Corporation matters from 2007 to 2008. She currently sits on the boards of Bank Simpanan Nasional, Malaysia Debt Ventures Berhad, Johor Corporation, Amanah Raya Berhad and Syarikat Prasarana Negara Berhad.

She graduated with MBA International Banking (Board of Directors' List) from the University of Manchester, United Kingdom, BSc (Hons) in Quantity Surveying from University of Reading, UK and GCE 'A' Levels from Aston College, Wrexham, Wales, UK. She also holds a Diploma in Public Administrations from National Institute of Public Administration (INTAN).



DATO' MOHAMMED AZLAN BIN HASHIM

Private Sector Representative

Dato' Mohammed Azlan bin Hashim was re-appointed as a member of the Investment Panel on 1 March 2013.

Dato' Azlan is the Chairman of several public listed entities including D&O Green Technologies Berhad, SILK Holdings Berhad and a director of IHH Healthcare and Scomi Group Bhd. 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 re-appointed as a member of KWAP's Investment Panel on 1 March 2013.

Cheah Tek Kuang is currently Deputy Chairman and non-executive director of AmBank (M) Bhd, AmInvestment Bank Bhd and AmIslamic Bank Berhad. He is also a board member of Cagamas Holdings Berhad, IOI Corporation Bhd, UMW Oil & Gas Corporation Berhad, AmFraser International Pte Ltd Singapore, AmFraser Securities Pte Ltd Singapore, PT AmCapital Indonesia as well as Chairman of Berjaya Sports Toto Bhd. He is also a Fellow of the Institute of Bankers Malaysia.

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



DATO' ABDUL FARID BIN ALIAS

Private Sector Representative

(Appointed effective 1 October 2013)

Datuk Abdul Farid bin Alias was appointed as a member of KWAP's Investment Panel on 1 October 2013.

He is currently the President and Chief Executive Officer of Maybank Group, effective 2 August 2013. He started his career in the Maybank Group in Aseambankers in 1992 and broadened his career in investment banking and capital markets with multi-national institutions like Schrodgers and JP Morgan, as well as with Malaysian International Merchant Bankers and Khazanah Nasional Berhad, the latter as Investment Director from 2005 to 2008. Since re-joining Maybank on 1st January 2010, he has held the position of Head of International Business and subsequently Deputy President and Head, Global Banking (formerly known as Global Wholesale Banking).

He graduated from Pennsylvania State University, USA in 1990 with a B.Sc Degree in Accounting, and from University of Denver, USA in 1991 with an MBA in Finance. He also attended Harvard Business School's Advanced Management Program in 2013.



ENCIK WAN KAMARUZAMAN BIN WAN AHMAD

Chief Executive Officer

Secretary

(Appointed effective 2 May 2013)

Encik Wan Kamaruzaman was appointed as secretary to the Investment Panel on 2 May 2013.



DATUK NOZIRAH BINTI BAHARI

Ministry of Finance Representative

(Term expired effective 28 February 2013)

Datuk Nozirah binti Bahari was re-appointed 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 Program organised by International Centre for Leadership in Finance (ICLIF) and the Advanced Management Program in Harvard Business School, Harvard University, USA.



DATO' SRI ABDUL WAHID BIN OMAR

*Private Sector Representative
(Resigned effective 4 May 2013)*

Dato' Sri Abdul Wahid Omar was re-appointed as a member of KWAP's Investment Panel on 1 March 2013. He has resigned on 4 May 2013 following his appointment as Minister in Prime Minister's Department.



DATO' AZIAN MOHD NOH

*Chief Executive Officer
Secretary
(Retired effective 19 March 2013)*

YBhg. Dato' Azian binti Mohd Noh was appointed as secretary to the Investment Panel since its incorporation in 2007 and has retired on 19 March 2013.

BOARD COMMITTEES: MEMBERS AND PROFILES

AUDIT COMMITTEE



from left to right

Dato' Azmi bin Abdullah (Chairman), Dato' Sri Idrus bin Harun, Dato' Siow Kim Lun, Dato' Dr. Gan Wee Beng

RISK MANAGEMENT COMMITTEE



from left to right

Dato' Muhammad bin Ibrahim (Chairman), Dato' Siow Kim Lun, Dato' Mohammed Azlan bin Hashim, Dato' Dr. Gan Wee Beng, Encik Wan Kamaruzaman bin Wan Ahmad

REMUNERATION COMMITTEE



from left to right

Dato' Sri Idrus bin Harun (Chairman), Dato' Siow Kim Lun, Dato' Mohammed Azlan bin Hashim, Encik Cheah Tek Kuang, Dato' Haji Omar bin Haji Osman, Encik Wan Kamaruzaman bin Wan Ahmad

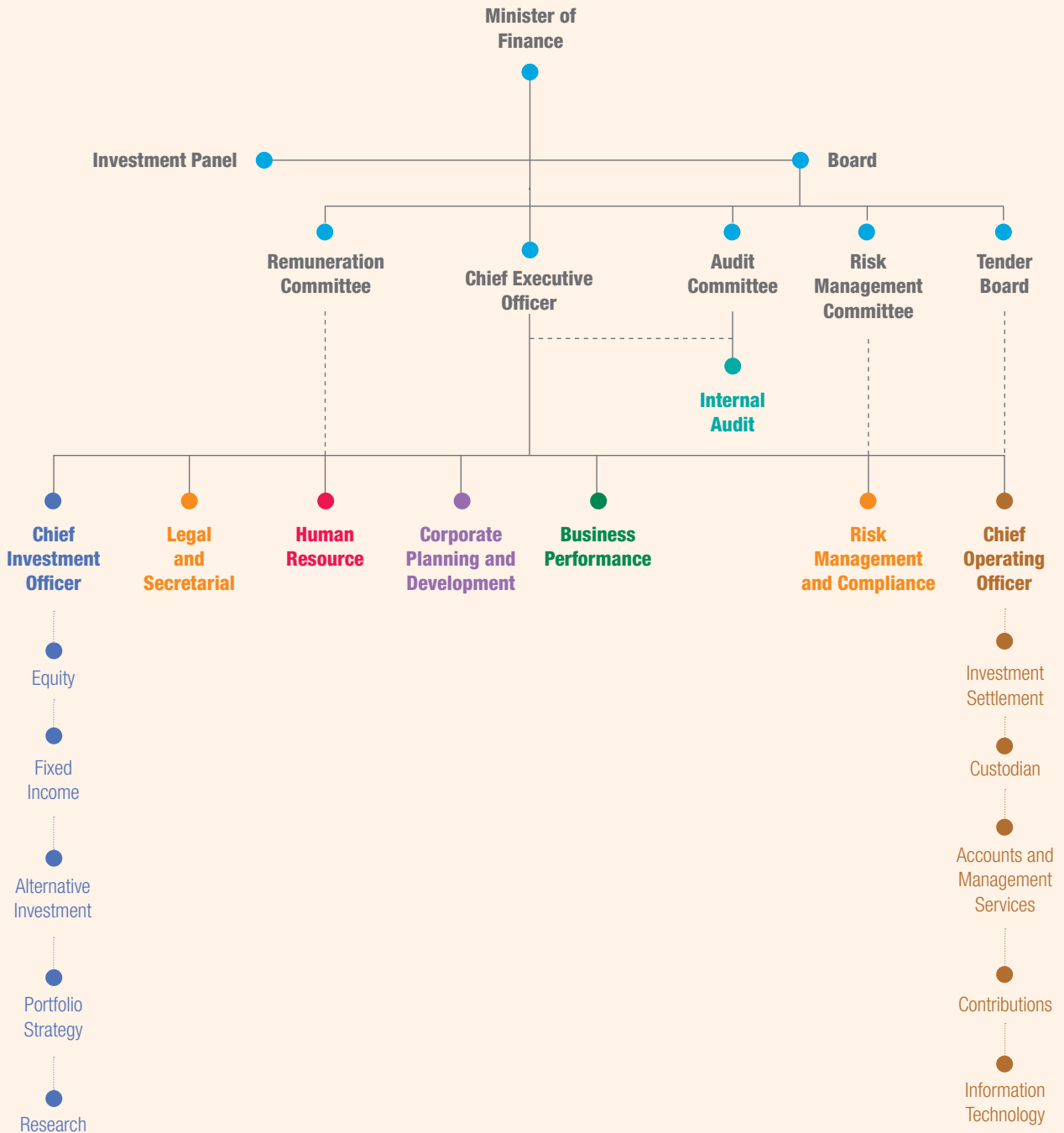
TENDER BOARD



from left to right

Dato' Mat Noor bin Nawī (Chairman), Dato' Sri Idrus bin Harun, Dato' Yeow Chin Kiong, Encik Wan Kamaruzaman bin Wan Ahmad

ORGANISATION CHART



EXECUTIVE COMMITTEE: MEMBERS AND PROFILES



from left to right

1. **Ahmad Norhisham bin Hassan**
Chief Investment Officer
2. **Nik Amlizan binti Mohamed**
Director of Equity Department
3. **Zalman bin Ismail**
Director of Alternative Investment Department
4. **Wan Kamaruzaman bin Wan Ahmad**
Chief Executive Officer
5. **Nazaiful Affendi bin Zainal Abidin**
Director of Portfolio Strategy Department
6. **Khairul Azwa bin Kamalul Bahrin**
Director of Risk Management and Compliance Department
7. **Tursina binti Yaacob**
Director of Research Department
8. **Ambalagam R. Marappan**
Director of Accounts and Management Services Department
9. **Md. Saffi bin Nadzir**
Acting Chief Operating Officer
Director of Contribution Department
10. **Tai Kim Fong**
Director of Information Technology Department

INVESTMENT COMMITTEE AND ENTERPRISE RISK MANAGEMENT COMMITTEE: MEMBERS AND PROFILES

INVESTMENT COMMITTEE

1. Wan Kamaruzaman bin Wan Ahmad
2. Ahmad Norhisham bin Hassan
3. Nik Amlizan binti Mohamed
4. Zalman bin Ismail
5. Khairul Azwa bin Kamalul Bahrin
6. Nazaiful Affendi bin Zainal Abidin

ENTERPRISE RISK MANAGEMENT COMMITTEE

1. Wan Kamaruzaman bin Wan Ahmad
2. Ahmad Norhisham bin Hassan
3. Md. Saffi bin Nadzir
4. Nik Amlizan binti Mohamed
5. Tursina binti Yaacob
6. Nazaiful Affendi bin Zainal Abidin
7. Khairul Azwa bin Kamalul Bahrin
8. Tai Kim Fong

KEY PERSONNEL

FULL NAME:

Ahmad Norhisham bin Hassan

JOB DESIGNATION:

Chief Investment Officer

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:

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

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 twenty 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

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 nineteen 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

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 sixteen 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 Program at INCEIF.

MBA (Strategic Management), Universiti Teknologi Malaysia.

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

COMMITTEE MEMBERSHIP / APPOINTMENT:

None

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 seventeen 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:

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:

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 over 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:

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 over 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:

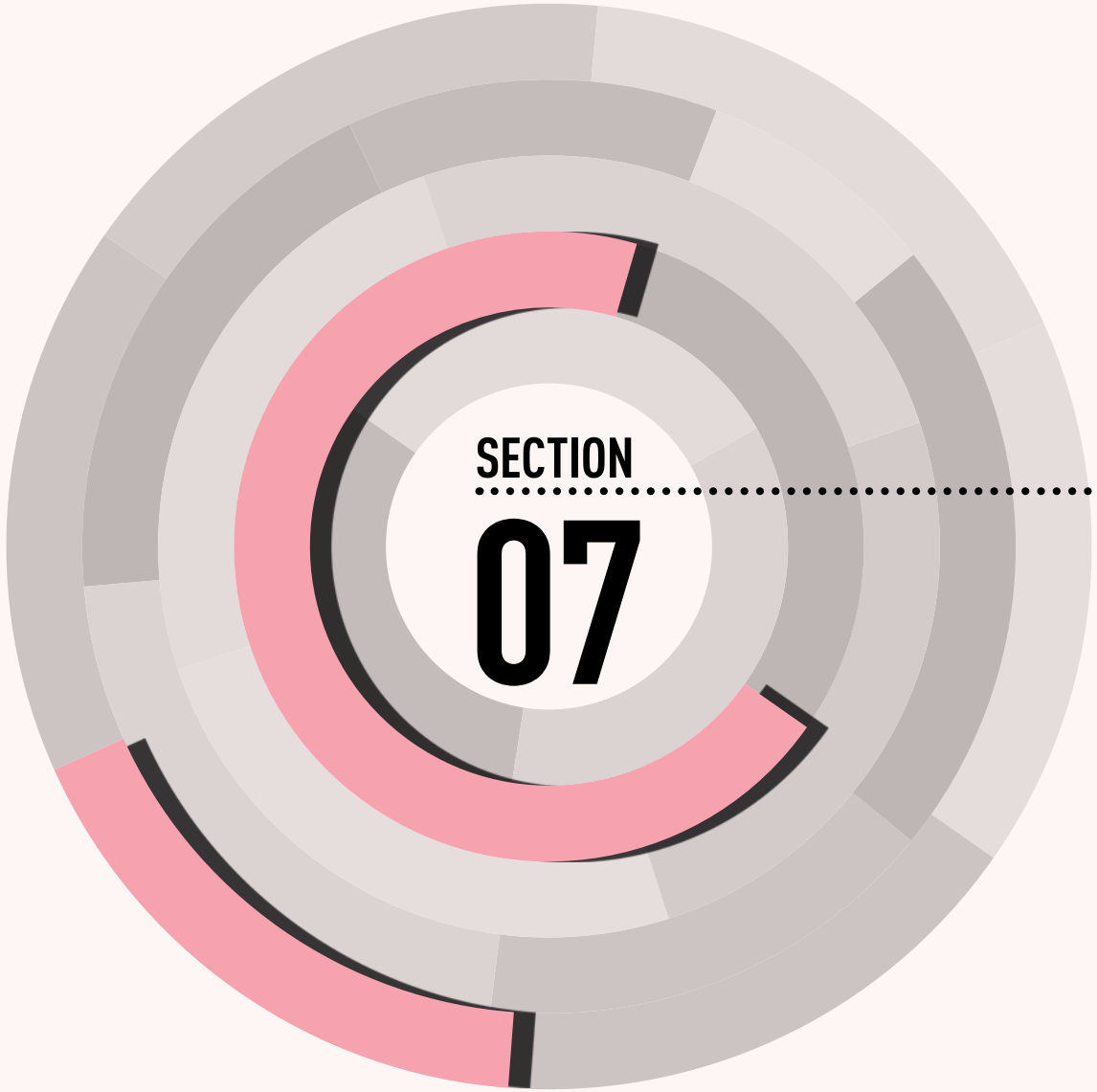
Chartered Accountant with the Malaysian Institute of Accountants

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

| No. | Name | Position | Academic Qualification |
|-----------------------------------------|------------------------------------|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| EQUITY | | | |
| 1 | Nozaimi Mohd Nasir | Vice President | Bachelor of Accountancy, University of Exeter, UK |
| 2 | Muzafar Ibrahim bin Abdul Muttalip | Vice President | Bachelor of Accountancy (Hons), MARA Institute of Technology Certificate of Company Secretarial Practice, IUB Chartered Accountant, Malaysian Institute of Accountants (MIA) |
| 3 | Mohamad Shafik bin Badaruddin | Vice President | MBA (Finance), Graduate School of Management, Universiti Putra Malaysia B.A. (Hons) Syariah & Economics, University of Malaya |
| 4 | Mohd Isa bin Ibrahim | Vice President | MBA Applied Finance & Investment, Universiti Kebangsaan Malaysia BBA Finance, Universiti Teknologi MARA |
| INVESTMENT SETTLEMENT | | | |
| 1 | Dr. Amirah Muhammad Nor | Vice President | PhD (Accountancy), Universiti Teknologi MARA MBA (Accountancy), University of Malaya Chartered Accountant, Malaysian Institute of Accountant (MIA) Advanced Diploma in Accountancy, MARA Institute of Technology |
| HUMAN RESOURCES | | | |
| 1 | Siti Ilmiah Ramli | Vice President | LL.B (Hons), University of London, CLP |
| BUSINESS PERFORMANCE | | | |
| 1 | Azizan Abdul Rahman | Vice President | Bachelor Science in Business Administration, University of Hartford |
| RISK MANAGEMENT & COMPLIANCE | | | |
| 1 | Muhamad Hafiz Abas | Vice President | Master in Business Administration (Finance), IIUM, Bachelor Science in Business Administration (Finance & Economics), New York University |
| INTERNAL AUDIT | | | |
| 1 | Shariz Puteh | Vice President | Bachelor of Arts (Accounting & Finance), Essex University, UK |

| No. | Name | Position | Academic Qualification |
|-------------------------------------------|-------------------------|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FIXED INCOME | | | |
| 1 | Ahmad Zahir Mohd Tabri | Vice President | Bachelor Science of Business Administration (Management Science), University of Illinois at Urbana-Champaign |
| 2 | Md Hayrani bin Mireso | Vice President | MBA (Finance), International Islamic University Malaysia B.A. (Hons) Accounting, Universiti Kebangsaan Malaysia Chartered Accountant, Malaysian Institute of Accountant (MIA) |
| 3 | A.Fadil bin Abdul Majid | Vice President | B.A. (Hons) Accounting, International Islamic University Malaysia Chartered Accountant, Malaysian Institute of Accountant (MIA) |
| 4 | Afizah binti Mustafa | Vice President | MBA, Universiti Utara Malaysia B.Acct (Hons), Universiti Utara Malaysia Chartered Accountant, Malaysian Institute of Accountant (MIA) |
| CONTRIBUTION | | | |
| 1 | Mazrina Mohd Mokhtar | Vice President | LLB Law, Polytechnic of East London |
| ACCOUNTS & MANAGEMENT SERVICES | | | |
| 1 | Najihah Mohamad Norwi | Vice President | CPA Australia, Bachelor of Business (Accounting and Finance), Monash University Caulfield Campus |
| 2 | Tan Mee Choo | Vice President | B.A. (Hons) Accountancy, Universiti of Malaya |
| ALTERNATIVE INVESTMENT | | | |
| 1 | Norani Mustapha | Vice President | Master of Real Estate, University Malaya Bachelor Science (Hons) in Estate Management, Northumbria University at Newcastle |
| 2 | Saifulbahri Hassan | Vice President | Master of Management, IIUM, Bachelor of Arts (Economics), University of Missouri-Kansas City, USA |
| PORTFOLIO STRATEGY | | | |
| 1 | Addy Zulkifly bin Suhut | Vice President | MBA (Finance), International Islamic University Malaysia B.Sc Economics, University of London |
| 2 | Sendi anak Tan | Vice President | CFA, Level 1 B.Sc Economics, London School of Economics, UK |

| No. | Name | Position | Academic Qualification |
|---------------------------------------------|---------------------------|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LEGAL & SECRETARIAL | | | |
| 1 | Azlida Mazni binti Arshad | Vice President | LLB (Hons) IIUM |
| INFORMATION TECHNOLOGY | | | |
| 1 | Abdul Razak bin Jabar | Vice President | Bachelor of Information Technology (Information Systems), Charles Sturt University |
| 2 | Ng Soh Khin | Vice President | Bachelor of Computer Science, Universiti Putra Malaysia. Certified member of PMP |
| CORPORATE PLANNING & DEVELOPMENT | | | |
| 1 | Ismail bin Zakaria | Vice President | Bachelor of Commerce (Accounts & Finance), University of New South Wales |
| 2 | Kamariah binti Ghazali | Vice President | Master in Accountancy, Oklahoma City, US; Bachelor Degree in Accountancy (Hons), UiTM |
| PRIMA EKUITI (UK) LIMITED | | | |
| 1 | Mushida Muhammad | Vice President | Bachelor of Science in Business Administration (Accounting), The California State University, American Associate Degree, Midwest University Consortium International Association |



SECTION

07



SHARING OUR VALUES

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CORPORATE SOCIAL RESPONSIBILITY

At KWAP, it is a fundamental commitment to behave ethically during the making of its contribution to the national economic development, yet not forgetting to improve the quality of life of its employees, their families and the local community at large.

In 2013, CSR incorporated many important elements within KWAP including the health and wellbeing of its people, the charitable efforts and support the organisation give and its stance on the environment.

As a socially responsible organisation, CSR initiatives ought to be active in four main areas - the workplace, the marketplace, the community and the environment. Most importantly, the corporate social responsibility initiatives that have been carried out replicate KWAP CSR tagline “Sharing Our Values”, as the organisation strongly believes that cultivating a better world start from individual as well as collective efforts.



KWAP views Corporate Social Responsibility (CSR) as organisation's responsibility for their impact on society and the surrounding environment.



RESPONSIBILITY TO THE MARKETPLACE

ARTICLE CONTRIBUTIONS

KWAP personnel continue to promote greater understanding of economic and investment related subjects. 2013 saw the contribution of stimulating articles in The Edge Financial Daily namely 'Long Live Equities' by Taufiq Iskandar Jamingan, and 'Vulnerability of Sovereign Immunity' written by A.Fadil Abdul Majid.

KWAP will continue to share their thoughts with the public by contributing more articles to a major business publication or other media channel.

GUEST SPEAKER AT MBPJ RETIREMENT PLANNING COURSE

In May 2013, KWAP was invited by Majlis Bandaraya Petaling Jaya or Petaling Jaya City Council (MBPJ) to be guest speaker for the employees of MBPJ who are nearing retirement at its two-day retirement planning course. Afizah Mustapha from Fixed Income Department flew to the venue in Langkawi and gave an insightful talk to the participants. The topics included financial retirement planning, health aspect and life after retirement.

KWAP will always give full cooperation to similar initiative as it is in line with its tagline, 'Assuring Your Pension' - to assist pensioners to enjoy a comfortable life throughout retirement.



RESPONSIBILITY TO THE WORKPLACE

HIJAB STYLE TUTORIAL

During fasting month, the lunch break time were spent with fun and informational activity - Hijab Style Tutorial. The class was conducted by a Hijab Stylist from the Neng Geulis boutique based in Kota Damansara. A total of forty (40) participants signed up for the one-hour class that was held at the multipurpose hall. Various tricks and latest styles in donning hijab were shared with the participants ranging from formal to casual and also some simple but ultra chic styles to suit individual style and image. Fees collected for this class was channeled to the CSR fund.

WORLD CELEBRATION

KWAP celebrated some of the world celebrations namely No Tobacco Day and Mother's Day. As part of its responsibility towards creating a healthier environment and in conjunction with No Tobacco Day by World Health Organisation, KWAP encourage its employees to quit smoking by creating an awareness circulating e-mail on the benefits of living smoke-free.

For Mother's Day, awareness posters were spurred to all staff through e-mail to remind and encourage them to show some appreciation to their loved ones during the very special day.

KWAP HEALTHY LIFESTYLE CAMPAIGN

KWAP has always been committed in providing its employees a workplace that fosters personal and professional development, while stressing on health and safety to strike a comfortable work-life balance. Therefore, KWAP Healthy Lifestyle Campaign was organised as part of CSR at workplace.

Supported by Ampang Puteri Specialist Hospital, the first session was held in April, where employees were given free basic health screening (BMI, blood pressure, glucose). Employees then were given free consultation on their health status after receiving the screening's result. To complete the program, a dietitian from KPJ Healthcare Berhad was invited to give a health talk, with the topic 'We are What We Eat, Obesity & Related Illnesses'. The session was very informative and drew a number of enquiries from the receptive audience.

The second session of KWAP Healthy Lifestyle Campaign was held in October, with support from Ramsay Sime Darby Health Care. Similar to the first session, employees were not only given free basic health screening, they also had the opportunity to check their cholesterol level. Free consultations on their health status were given to employees after receiving the screening's result. Health Talk session began in noon with

a very special topic, 'Diabetes and Your Eyes'. The guest speaker was an ophthalmology doctor from Ramsay Sime Darby Health Care. He crystallised the facts and facets of diabetes, its risk factors, complications, consequences and how over time, diabetes could lead to severe visual impairment and blindness. Due to its overwhelming response, the health screening was extended until 3 pm.

RESPONSIBILITY TO THE COMMUNITY

VISITS TO OLD FOLKS HOME

Started in 2012, visit to Old Folks Home is a community outreach program which is in line with KWAP commitment to support the local community through CSR.

In the spirit of Ramadhan which fell in July, KWAP paid a visit to Rumah Ehsan Kuala Kubu Bharu, an old folks home in Hulu Selangor. The group of thirty (30) volunteers, led by KWAP's Chief Executive Officer, Encik Wan Kamaruzaman Wan Ahmad spent over two hours with the residents. Some of the residents were clearly delighted to see the team again judging by their happy faces and the warm welcome given. To spend the festive joy, KWAP donated to the home basic necessities and healthcare supplies. Each resident also received gift pack and duit raya that was generously donated by the caring KWAP employees. Though the time spent at the home was short, it was filled with joy and ignited the spirit of compassion especially towards the elderly.

KWAP made another visit in December, to spend some quality time with the residents. The group, led by Head of Investment Settlement Department, Dr. Amirah Muhammad Nor was greeted by the Rumah Ehsan's principal, Hajah Mariani Mohamed Saad, where they spent over an hour with the residents. In her welcoming speech, Hajah Mariani expressed deep gratitude towards KWAP's continuous support to Rumah Ehsan. During the visit, KWAP donated laundry products, wheel chairs, toiletries and healthcare supplies. Each resident also received a gift pack which consists of small cushion, thermo mug and a pack of biscuits. To recognise the dedication and priceless contributions made by the staff of Rumah Ehsan in taking care of the elderly, KWAP hosted a catered lunch for them at the end of the program.

This charity visit continues to be a heartwarming experience for KWAP employees. The organisation hope the visit able to lift the spirit of the residents and through the generous contribution of daily needs items, it could help the home management to deliver better care services to the residents.



KWAP BOOK CHARITY DRIVE

KWAP enriched the communities through KWAP Book Charity Drive where the objectives are to help literacy effort among children in rural areas, to develop a reading habit at the early age and to provide learning materials and story books to selected school in supporting the students with their educational needs.

KWAP communicated to all its employees to show their support by making a book donation be it used books or brand new books, via poster and e mail blast. More than 200 books managed to be collected. The donated books will be channeled to the selected school in rural area.

In future, the Organisation plans to roll this program to bigger audience such as public library in a rural area.

KL RAT RACE 2013

As a caring corporate citizen, KWAP took part in The Edge-Bursa Malaysia Kuala Lumpur Rat Race 2013, a charity run held in September. The 4.5 km run covered the commercial heart of Kuala Lumpur, starting and ending at the Bursa Malaysia building on Bukit Kewangan, all in the name of charity.

KWAP CEO, Encik Wan Kamaruzaman Wan Ahmad participated in the CEO Race and ran for 1 km together with other 64 captains of the industry. KWAP also sent a team to participate in Open Category. A total of ten (10) potential runners have signed up to participate and they went through three (3) weeks of selection process before the top five (5) were selected; Muhammad Solehudden bin Mohd Mansor Kaman, Noor Zaidi bin Abdullah, Addy Zulkifly bin Suhut, Nazaiful Affendi bin Zainal Abidin and Haszalina binti Yacob.



This event also saw a team of forty five (45) KWAP volunteers who were strategically stationed at Bukit Kewangan, Menara Weld and Raja Chulan to cheer and give moral support to the runners along the race route.

The Rat Race 2013 raised a record RM1.83 million for 28 beneficiaries. A total of 126 teams (over 600 runners) from 67 local, foreign, private and public listed companies have signed up for this year's Rat Race.

FUN KIDS WITH KWAP: ENGLISH WORKSHOP

Understanding the importance of English in our daily lives, KWAP organised "Fun Kids with KWAP: English Workshop" at Sekolah Kebangsaan Salak in Sepang as part of their Corporate Social Responsibility (CSR) program.

The first session was conducted for the school's Year 5 students in the first month of quarter two in 2013. Each KWAP facilitator took 10 students under their wing and had great time with activities such as Human Body Word Search, Guess the Action and Story Telling. Interestingly, modules used in this workshop are created by KWAP employees and is tailored to complement the current school syllabus. From storytelling, descriptive exercises to analytical thinking, these modules encourage each student to use their imagination and creativity, a major educational element of today's visual-oriented children. The much awaited workshop had 108 students and it seems to be one of their calendar highlights. Cheerful faces were seen and laughter was heard throughout the program. Based on the school's wish list, KWAP donated English story books to the school's library and exercise books in preparation for their UPSR examination next year.



In October, the second session of "Fun Kids with KWAP: English Workshop" was held for the Year 6 students of the same school. This time around, the program was designed similar to The Amazing Race, with the objective of encouraging the participants to have fun with the English language. The race was carried out within the school compound. KWAP volunteers spent half a day as facilitators where they assisted the students in finding answers, solving fun riddles, and performing some tasks where all the clues and instructions were in English. Although the day was hot, it didn't have any effect on the students. They were all excited and full of energy - running from one check point to another to tackle various tasks on a list of challenges given to them. The program concluded with the results announcement and prize giving ceremony.

It was a thrilling experience for both KWAP and the students. This social commitment will always be the centre of KWAP community outreach program as the children today are the leaders of tomorrow.

FINANCIAL PLANNING RETIREMENT SEMINAR

A one-day seminar on Financial Planning for Retirement was organised to create awareness on the importance of financial planning among future pensionable retirees. Over 50 participants from 10 local councils and government agencies, namely, Dewan Bandaraya Kuala Lumpur, Majlis Bandaraya Petaling Jaya, Majlis Amanah Raya and Kraftangan Malaysia attended this annual CSR event.

KWAP Chief Executive Officer, Encik Wan Kamaruzaman, graced the event and took the opportunity to remind participants that one is never too late or too early to start planning for retirement; if followed strictly, will allow retirees to enjoy a comfortable life throughout retirement.

This year, KWAP featured three new speakers, Md Hayrani Mireso of Fixed Income Department, Nozaimi Mohd Nasir and Mohd Isa Ibrahim of Equity Department who touched on Investment for Retirement. Experienced guest speakers from AKPK, Bank Negara Malaysia and Amanah Raya Berhad were also invited to give an insight of Budget for Retirement, Estate Planning & Will Writing and Financial Fraud respectively.

After a long day discussing heavy topics, the event ended with a lighter yet important topic, presented by a dietician titled Well Being for Retirement: Obesity & Related Illness.

It was a relief to receive positive and encouraging feedback from participants, therefore, KWAP will continue to organise such events in the future to further improve the level of financial management and literacy among public.



DONATION TO TABUNG BENCANA NSTP-MEDIA PRIMA

KWAP contributed RM10,000 to the Tabung Bencana NSTP-MEDIA Prima to assist ongoing relief efforts for the victims of devastating floods in east coast states. The floods were the worst in over 20 years, and a lot of people were affected by it.

The donation was to help the flood victims to re-start their lives and to let them know that KWAP's thoughts are with the families of the people who have lost their lives, and those who are facing the challenges of these natural disasters.

KWAP Chief Investment Officer, Ahmad Norhisham Hassan presented the cheque to Media Prima Berhad's Corporate Communications Department Group General Manager, Azlan Abdul Aziz on the 27 December 2013 at Anjung Riong in Balai Berita, Bangsar.



RESPONSIBILITY TO THE ENVIRONMENT

THE GREEN PROJECT

KWAP initiated the Green Project to encourage positive changes towards a conducive and optimal environment in the workplace. To show support for Earth Day, all employees were given a specially designed take-away coffee mugs. Come with silicone lid, this initiative will considerably reduce the consumption of disposable cups and the volume of waste in the office.



Prior to Earth Day, tips on Go Green were circulated to all employees via email as an effort to encourage employees to live an earth-friendly lifestyle.

Other than that, KWAP has also implemented several energy conservation and efficiency initiatives, including reduce the paper use, use recycle content paper, switching off lights during lunch times and ensuring all mechanical and electrical systems run efficiently at all times.

VOICES OF KWAP



Full Name

Nik Amnani binti Nik Ahmad Fathil

Department

Equity

Education

BACC Accountancy, UiTM Shah Alam

1. What is your scope of work?

Portfolio management

2. What does your job entail?

Managing small cap domestic equity portfolio. This portfolio is a newly set up portfolio and focusing only on small cap stocks with market capitalisation of RM2 billion and below.

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

The excitement and challenge of achieving the expected return and beating the benchmark index in various market conditions.

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

KWAP is dynamic and offers so many opportunities to grow. As the fund size keeps on increasing, there are a lot of things to be done, so many initiatives for growth and opportunities to learn and venture something new.

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

Managing small cap portfolio requires a different set of skills due to the nature of the stocks. I learned to look at things from different angle, better management of time and built professional relationship with corporate and other related parties.

6. What is your favourite business book for 2013 and why?

The \$100 Startup by Chris Guillebeau. This book shows how to live a life of adventure, meaning and purpose, and earn a good living.

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

I love cycling and reading but I do jog sometimes. I meet up with friends once in a while, watch movies and catch up things over coffee. I am trying my best to keep a balanced life and live my life to the fullest.



Full Name

Anis Adilah binti Acryl Sani

Department

Business Performance

Education

Bachelor of Science (Hons), Actuarial Science, UiTM

1. What is your scope of work?

To ensure timely, accurate reporting of KWAP's investment performance report.

2. What does your job entail?

Collecting internal and external fixed income and equity data and information from Investment Settlement Department, processing data and information obtained into performance metrics, compare performance to benchmarks and other asset managers. Prepare, analyse and deliver monthly performance report to the Chief Executive Officer, Investment Committee, Investment Panel and Board.

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

Being given the opportunity to work with brilliant and inspiring people of KWAP.

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

The organisation's reputation and the stability it offers.

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

I feel like there is so much to learn and learning continues even after your tertiary education.

6. What is your favourite business book for 2013 and why?

Portfolio Performance Measurement and Attribution by Carl R. Bacon, as it is now being one of my reference books.

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

I enjoy trying out new recipes and discovering new places to eat.

**Full Name**

Saifulbahri Hassan

Department

Alternative Investments - Private Equity

Education

Master of Management, International Islamic University, Malaysia

Bachelor of Economics University of Missouri, Kansas City, USA

1. What is your scope of work?

I lead the Alternative Investment Department's Private Equity team. My key responsibility is to support my team in our quest to make investments directly into unlisted companies (Direct Deals) and also investments into private equity funds.

2. What does your job entail?

My primary job function is to lead and manage my team in making and executing strategic and tactical plans as we make investments in private equity. On top of that, I get to meet, build and manage relationships with people from all over the world.

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

The challenge of closing the deal, making the investment and seeing the investment positively unfold. Private equity is a very hands on business and I love being in the middle of the action.

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

I have been in Venture Capital and Developmental Finance for a decade prior to joining KWAP. Venture capital is a subset of private equity and being in KWAP provided me with the opportunity to be hands-on in private equity investments and moving up the value-chain into private equity.

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

I learned that there are always things to learn from people and experiences no matter the circumstances. It is true especially when dealing with difficult people and dealing with difficult situations that creates the experience. The more difficult the situation, the more valuable the experience.

6. What is your favourite business book for 2013 and why?

I must name two (2) books: Richard Branson's "Losing My Virginity" and "Like a Virgin: Secrets They Won't Teach You At Business School". The first book is a general overview of Richard's experiences and the circumstances that shaped the person he is today. The second book are the lessons learned, business-related insights on his business decision making and how it could be applicable to business-persons like me. One of the best reads that I have had.

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

Out of work, I love to catch up on reading (heavy stuff like books, plus light stuff like magazines and online publications - you name it), mountain biking, chill out sessions with my girls, catching up with friends and sometimes enjoy the view of my little garden at home - while just staying still.

**Full Name**

Sendi anak Tan

Department

Portfolio Strategy Department

EducationCompleted CFA Level 1
Bachelor of Science Economics,
London School of Economics, UK**1. What is your scope of work?**

To lead the Macro & Strategy Unit by providing views and recommendations based on macro-economic analysis and research on the global, regional and domestic economy.

2. What does your job entail?

Providing analysis and outlook to aid with the forming of KWAP's investment strategy and direction.

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

The opportunity to develop my specialisation in the beautiful subject of economics in all its real-world applications, and for the higher purpose of growing the pension fund.

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

Working with KWAP reflects very much a filial inner-drive as well as a career, as my parents worked with the government and as such receive a monthly pension.

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

I feel that I am seeing first-hand the international standards of vitality and dynamism that is a central part of the organisation, and that is very inspiring and visionary for me.

6. What is your favourite business book for 2013 and why?

"When Markets Collide" by Mohamed El-Erian, CEO/co-CIO of the US-based investment firm PIMCO as his book is an excellent read for understanding the world of investing.

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

Looking after my toddler and her four-year-old brother, both of whom keep me on my toes and are also a source of inspiration not to mention perspiration.



SECTION

08



CORPORATE EVENTS

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CORPORATE CALENDAR 2013

JAN

14 January 2013

Investment Panel Meeting

16 January 2013

Remuneration Committee Meeting

17 January 2013

Management Visit to Bintulu Port

22 January 2013

- Ceramah Maulidur Rasul
- 52nd Golden Hour Series

23 January 2013

Special Investment Panel Meeting

29 January 2013



Dana Yang Berkat Recitation Competition

30 January 2013



Leadership Series with
YBhg. Dato' Sri Hj Mohd Khamil Jamil

FEB

8 February 2013

Board Meeting

14 February 2013

53rd Golden Hour Series

15 February 2013



Chinese New Year Celebration

21 February 2013

ITD Helpdesk System Briefing

22 February 2013

54th Golden Hour Series

26 February 2013

Audit Committee Meeting

28 February 2013

HR Talk on Managing Stress for a Healthier
and Productive Life

MAR

5 March 2013

IT User Awareness & Troubleshooting 101 series

7 March 2013

Investment Panel Meeting

8 March 2013



Annual Dinner

12 March 2013

Management Visit to
Felda Global Venture Holdings

APR

MAY

15 March 2013



CEO's Farewell

20 March 2013

Special Remuneration Committee Meeting

22 March 2013

- 55th Golden Hour Series
- Special Board Meeting

27 March 2013

Interim Board Committee Meeting

12 April 2013

Risk Management Committee Meeting

15 April 2013

Investment Panel Meeting

22 April 2013



CSR - Earth Day

25 April 2013



CSR - Health Talk

26 April 2013

56th Golden Hour Series

27 - 29 May 2013



Financial Planning Seminar
with Majlis Bandaraya Petaling Jaya

JUN

6 June 2013



Official Visit by Deputy Minister of Finance,
Y.B Datuk Hj. Ahmad bin Hj. Maslan

12 June 2013

57th Golden Hour Series

15 June 2013



CSR - English Workshop,
Sekolah Kebangsaan Salak, Sepang

17 June 2013

Management Visit to UOA Berhad

24 June 2013

Investment Panel Meeting

27 June 2013

IT Security Awareness

28 June 2013

Board Meeting

JUL

3 July 2013

Ministry of Finance (MoF) Open Day

16 July 2013

Islamic Financial Talk

17 July 2013

Talk on Takaful ('ISRA')

19 July 2013



CEO Townhall Meeting

24 July 2013

Investment Panel Meeting

29 July 2013

SPARC-Ceramah Agama

30 July 2013



CSR - Hijab Tutorial

31 July 2013



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

AUG

1 August 2013

Board Meeting

22 August 2013

58th Golden Hour Series

23 August 2013



KWAP Hari Raya Celebration

24 August 2013

Investment Panel Meeting

27 August 2013

Tender Board Meeting

30 August 2013



KWAP Financial Result Announcement for 2012,
Launch of ICMS and Presentation of
ISO 9001: 2008 Certificate

SEP

3 September 2013

Board Meeting

17 September 2013



CSR - The Edge - Bursa Malaysia
KL Rat Race 2013

21 - 22 September 2013



KWAP Team Building

25 September 2013

- Management Visit to Temasek, Singapore
- Management Visit to CPF, Singapore

30 September 2013

Investment Panel Meeting

OCT

1 October 2013



Lauching of KWAP's Health and Fitness Centre

4 October 2013

59th Golden Hour Series

8 October 2013



Leadership Series with
YBhg. Tan Sri Gnanalingam

9 October 2013



CSR - Health Talk

22 October 2013

Investment Panel Meeting

24 October 2013



CSR - English Workshop,
Sekolah Kebangsaan Salak, Sepang

28 October 2013

Board Meeting

29 October 2013



PSKK-Soft Launch-Cycling

NOV

DEC

12 November 2013
Investment Panel Meeting

20 November 2013



Visit by Deputy Prime Minister (Finance)
of Slovak Republic

29 November 2013
60th Golden Hour Series

6 December 2013



KWAP Gift Exchange

11 December 2013
Investment Panel Meeting

12 December 2013



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

16 December 2013
Board Meeting

19 December 2013

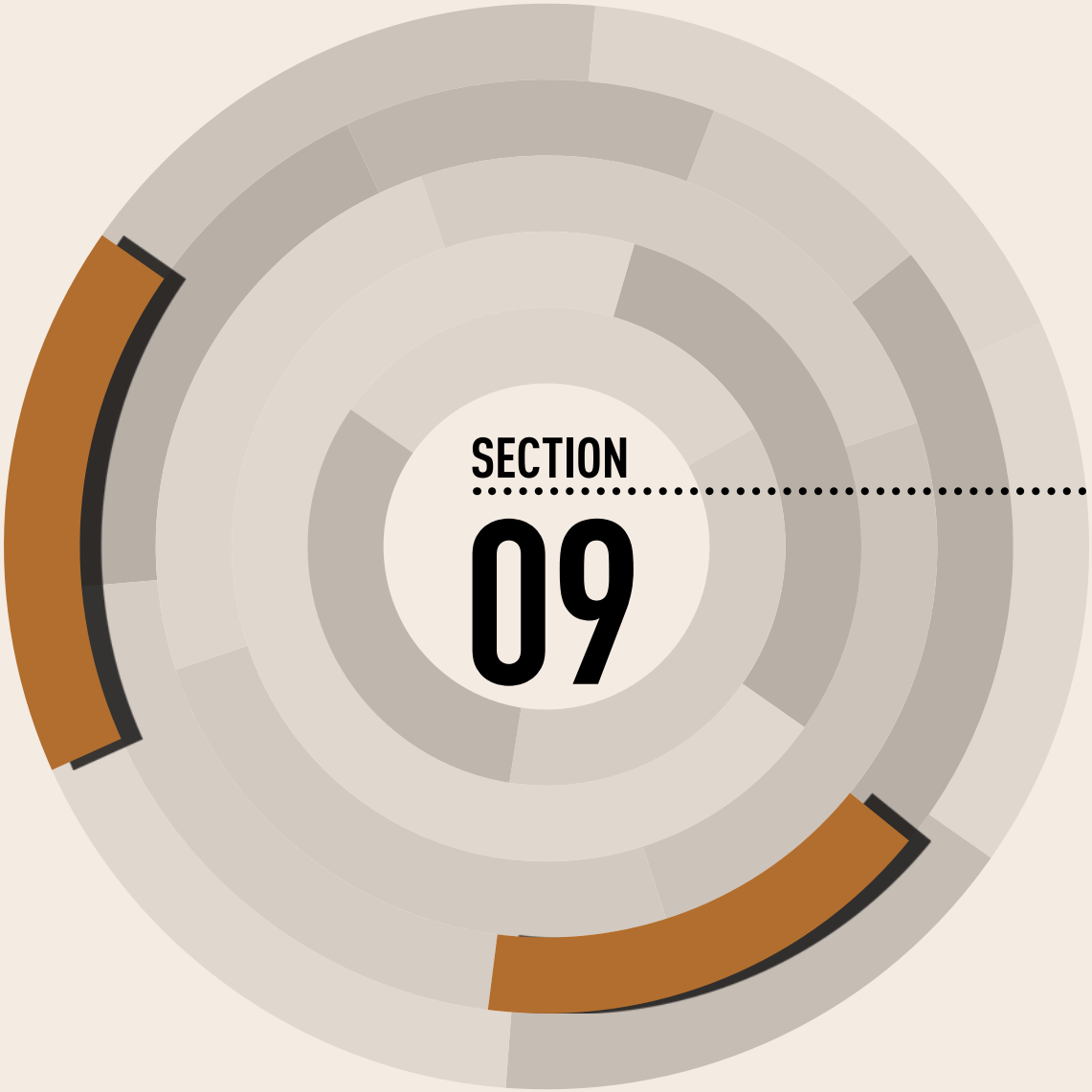


Financial Planning Seminar for Retirement

27 December 2013



Donation to Tabung NSTP



SECTION

09



FINANCIAL STATEMENTS

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Kumpulan Wang Persaraan (Diperbadankan)

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AUDITOR GENERAL'S CERTIFICATION



**REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
THE RETIREMENT FUND (INCORPORATED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

Report on the Financial Statements

I have audited the accompanying financial statements of the Retirement Fund (Incorporated) and the Group, which comprise the Balance Sheet as at 31 December 2013 and Income Statement, Statement of Changes In Reserves and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with the approved financial reporting standards in Malaysia and the Retirement Fund Act 2007 (Act 662). The Board is also responsible for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit. The audit has been carried out in accordance with the Audit Act 1957 and in conformity with the approved standards on auditing in Malaysia. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance, whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements that give a true and fair view in order to design audit procedures that are

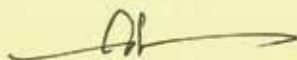
appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence that I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 2013 and of their financial performance and cash flows for the year then ended in accordance with the approved financial reporting standards in Malaysia.

I have considered the financial statements and the auditors' reports of the subsidiary companies of which I have not acted as auditor as indicated in the notes to the financial statements. I am satisfied that these financial statements have been consolidated with the Retirement Fund (Incorporated)'s financial statements in appropriate form and content, proper for the purposes of the preparation of the financial statements. I have received satisfactory information and explanations required by me for those purposes. The auditors' reports on the financial statements of the subsidiary companies were not subjected to any observations that could affect these financial statements.



(TAN SRI DATUK SETIA HAJI AMBRIN BIN BUANG)

AUDITOR GENERAL

MALAYSIA

PUTRAJAYA

13 MARCH 2014

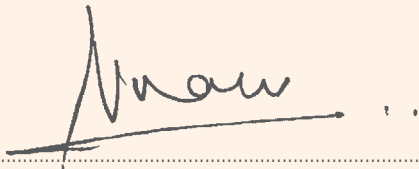


STATEMENT BY THE CHAIRMAN

and a Member of the Board of Kumpulan Wang Persaraan (Diperbadankan)

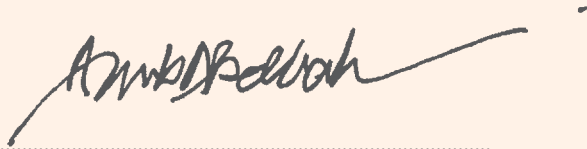
We, **Tan Sri Dr. Mohd Irwan Serigar bin Abdullah** and **Dato' Azmi bin Abdullah** being the Chairman and a member of the Board of Kumpulan Wang Persaraan (Diperbadankan) respectively, do hereby state that, in the opinion of the Board of Kumpulan Wang Persaraan (Diperbadankan), the Financial Statements, 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 2013 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 : **Tan Sri Dr. Mohd Irwan Serigar bin Abdullah**
Title : Chairman of the Board
Venue : Putrajaya
Date : 07 MARCH 2014

Signed on behalf of the Board,



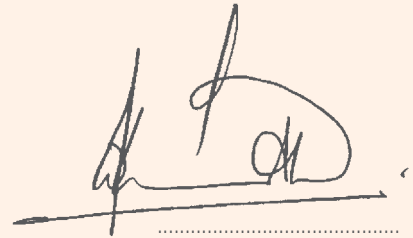
Name : **Dato' Azmi bin Abdullah**
Title : Member of the Board
Venue : Kuala Lumpur
Date : 07 MARCH 2014

STATUTORY DECLARATION

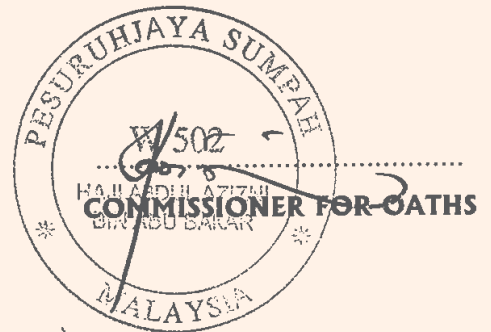
by the Officer Primarily Responsible for the Financial Management of Kumpulan Wang Persaraan (Diperbadankan) 2013

I, **Wan Kamaruzaman bin Wan Ahmad**, being the officer primarily responsible for the financial management of Kumpulan Wang Persaraan (Diperbadankan), do solemnly and sincerely declare that the accompanying Financial Statements which includes the Balance Sheet, Income Statement, Changes Of Reserves and the Cash Flow Statement, in the following financial position together with the Notes to the Financial Statements to the best of my knowledge and belief, 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)
On 07 MARCH 2014)



Before me,



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

BALANCE SHEET

as at 31 December 2013

| | Note | Group | | KWAP | |
|--------------------------------|------|--------------------|------------------|-------------------|------------------|
| | | 2013 (RM'000) | 2012 (RM'000) | 2013 (RM'000) | 2012 (RM'000) |
| Non-Current Assets | | | | | |
| Property And Equipment | 4 | 4,114,350 | 1,948,728 | 6,932 | 7,554 |
| Investments | 5 | 88,250,203 | 78,018,936 | 88,250,203 | 78,018,936 |
| Investment In Subsidiaries | 6 | - | - | 3,626,347 | 1,368,896 |
| Investment In Associate | 7 | 996,473 | 2,418,460 | 16,670 | 16,670 |
| | | 93,361,026 | 83,386,124 | 91,900,152 | 79,412,056 |
| Current Assets | | | | | |
| Loan to Subsidiary | 8 | - | - | 579,007 | 628,923 |
| Trade Debtors | 9 | 2,184,152 | 908,267 | 2,219,579 | 911,982 |
| Other Debtors | 10 | 153,358 | 146,618 | 147,021 | 147,245 |
| Deposits And Prepayments | 11 | 15,494 | 24,383 | 9,904 | 22,611 |
| Cash And Cash Equivalents | 12 | 5,359,885 | 7,987,914 | 5,230,709 | 7,916,539 |
| | | 7,712,889 | 9,067,182 | 8,186,220 | 9,627,300 |
| Current Liabilities | | | | | |
| Trade Creditors | 13 | 159,920 | 288,614 | 135,669 | 285,326 |
| Other Creditors | 14 | 94,077 | 22,314 | 2,539 | 1,787 |
| Accrued Expenditures | 15 | 47,838 | 30,134 | 32,703 | 24,007 |
| | | 301,835 | 341,062 | 170,911 | 311,120 |
| Net Current Assets | | | | | |
| | | 7,411,054 | 8,726,120 | 8,015,309 | 9,316,180 |
| | | 100,772,080 | 91,121,244 | 99,915,461 | 88,728,236 |
| Financed by: | | | | | |
| Allocation Of Statutory Funds | 16 | 22,601,944 | 21,101,944 | 22,601,944 | 21,101,944 |
| Pension Contributions | 17 | 37,801,065 | 35,110,224 | 37,801,065 | 35,110,224 |
| Deferred Income | 18 | 63 | 360 | 63 | 360 |
| Reserves | | 40,367,687 | 34,897,351 | 39,512,389 | 32,515,708 |
| | | 100,770,759 | 91,109,879 | 99,915,461 | 88,728,236 |
| Non-Current Liabilities | | | | | |
| Lease Incentive | | 1,321 | 2,365 | - | - |
| | | 100,772,080 | 91,112,244 | 99,915,461 | 88,728,236 |

The notes set out form an integral part of, and should be read in conjunction with, these Financial Statements.

INCOME STATEMENT

for the year ended 31 December 2013

| | Note | Group | | KWAP | |
|-----------------------------------------------------------|------|------------------|------------------|------------------|------------------|
| | | 2013 (RM'000) | 2012 (RM'000) | 2013 (RM'000) | 2012 (RM'000) |
| Gross Investment Income | 19 | 5,148,289 | 5,659,322 | 6,661,772 | 5,752,664 |
| Write Back Of Allowance For Diminution | | 348,545 | 2,209 | 348,545 | 2,209 |
| Impairment Of Investments | | (345,007) | - | (345,007) | - |
| Write-Off Of Investments | | (4,966) | - | (4,966) | - |
| Net Investment Income | | 5,146,861 | 5,661,531 | 6,660,344 | 5,754,873 |
| Non-Investment Income | | 3,198 | 3,101 | 25 | 1,427 |
| | | 5,150,059 | 5,664,632 | 6,660,369 | 5,756,300 |
| Operating Expenditures | 20 | (249,314) | (138,199) | (90,007) | (62,821) |
| Operating Profit | | 4,900,745 | 5,526,433 | 6,570,362 | 5,693,479 |
| Taxation | | (59) | - | - | - |
| Operating Profit After Tax | | 4,900,686 | 5,526,433 | 6,570,362 | 5,693,479 |
| Share Of Profit Of Equity Accounted Associate, Net Of Tax | | 250,404 | 381,920 | - | - |
| Net Income | | 5,151,090 | 5,908,353 | 6,570,362 | 5,693,479 |

The notes set out form an integral part of, and should be read in conjunction with, these Financial Statements.

STATEMENT OF CHANGES IN RESERVES

for the year ended 31 December 2013

| | Group | | | | |
|---------------------------------------------------------------------------|---------------------------------------------|----------------------------------------------------------------------|---------------------------------------------|-------------------------------------------------------|---------------------------|
| | Accumulated Surplus (RM'000) | Foreign Exchange Translation Reserve (RM'000) | Revaluation Reserve (RM'000) | Non- Controlling Interest (RM'000) | Total (RM'000) |
| Balance As At 1 January 2012 | 28,754,636 | 86,858 | 377,853 | 1,679 | 29,221,026 |
| Net Income For Current Year | 5,908,353 | - | - | - | 5,908,353 |
| 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 | - | (64,518) | - | - | (64,518) |
| | - | - | - | 4,928 | 4,928 |
| Balance As At 31 December 2012 | 34,661,599 | 22,340 | 206,805 | 6,607 | 34,897,351 |
| Balance As At 1 January 2013 | 34,661,599 | 22,340 | 206,805 | 6,607 | 34,897,351 |
| Net Income For Current Year | 5,151,090 | - | - | - | 5,151,090 |
| Current Year Distribution | (113,929) | - | - | - | (113,929) |
| Revaluation Charge For The Year | - | - | (113,915) | - | (113,915) |
| Unrealised Gain On Foreign Exchange Reserve On Consolidation Of Associate | - | 548,619 | - | - | 548,619 |
| | - | - | - | (1,529) | (1,529) |
| Balance As At 31 December 2013 | 39,698,760 | 570,959 | 92,890 | 5,078 | 40,367,687 |

| | KWAP | | | | |
|---------------------------------------|---------------------------------------------|----------------------------------------------------------------------|---------------------------------------------|-------------------------------------------------------|---------------------------|
| | Accumulated Surplus (RM'000) | Foreign Exchange Translation Reserve (RM'000) | Revaluation Reserve (RM'000) | Non- Controlling Interest (RM'000) | Total (RM'000) |
| 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 |
| Balance As At 1 January 2013 | 32,491,599 | 24,109 | - | - | 32,515,708 |
| Net Income For Current Year | 6,570,362 | - | - | - | 6,570,362 |
| Unrealised Gain On Foreign Exchange | - | 426,319 | - | - | 426,319 |
| Balance As At 31 December 2013 | 39,061,961 | 450,428 | - | - | 39,512,389 |

The notes set out form an integral part of, and should be read in conjunction with, these Financial Statements.

CASH FLOW STATEMENT

for the year ended 31 December 2013

| Note | Group | | KWAP | |
|-----------------------------------------------------------|------------------|------------------|------------------|------------------|
| | 2013 (RM'000) | 2012 (RM'000) | 2013 (RM'000) | 2012 (RM'000) |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Operating Profit Before Tax | 5,151,149 | 5,908,353 | 6,570,362 | 5,693,479 |
| Adjustment For: | | | | |
| Depreciation Of Property & Equipment | 84,074 | 35,511 | 2,018 | 2,345 |
| Impairment Loss On Property | 35,770 | 14,671 | - | - |
| Amortisation Of Deferred Income | (297) | (734) | (297) | (734) |
| Tax Claim On Dividends | (35,612) | (65,500) | (35,612) | (65,500) |
| Share Of Profit In Associate | (250,404) | (381,920) | - | - |
| Gain On Disposal Of Shares | (744,913) | (1,748,095) | (744,913) | (1,748,095) |
| Income From Private Equity Fund | (28,132) | (21,518) | (28,132) | (21,518) |
| Profit On Sale Of Private Debt Securities | (54,285) | (38,250) | (54,285) | (38,250) |
| Profit On Sale Of Government Debt Securities | (69,046) | (193,831) | (69,046) | (193,831) |
| Taxation expenses | (59) | - | - | - |
| Interest Income | (2,477,825) | (2,307,389) | (2,525,133) | (2,353,264) |
| Dividend Income | (1,115,119) | (845,442) | (1,673,557) | (995,470) |
| Accretion Of Discount On Investments | 391 | 85,292 | 391 | 85,292 |
| Allowance For Diminution In Value Of Investments | (342,658) | (5,307) | (342,658) | (5,307) |
| Unrealised Gains On Foreign Currency Exchange | 270,343 | 6,916 | 197,959 | 17,869 |
| Impairment Of Investment | 345,007 | - | 345,007 | - |
| (Gain)/Loss On Disposal Of Property & Equipment | (20) | 32 | (20) | 32 |
| Operating Profit Before Changes In Working Capital | 768,364 | 442,789 | 1,642,084 | 377,048 |
| Changes In Working Capital: | | | | |
| Increase In Loan In Subsidiary | - | - | - | (386,976) |
| Increase In Trade Debtors | (275,696) | (29,584) | (1,307,597) | (20,512) |
| (Increase)/Decrease In Other Debtors | (6,740) | (3,707) | 223 | (4,379) |
| Decrease In Deposits And Prepayments | 8,887 | 7,879 | 12,706 | 9,264 |
| Decrease In Trade Creditors | (128,695) | (103,220) | (149,657) | (98,726) |
| Increase In Other Payables | 71,763 | 20,505 | 752 | 1,332 |
| Increase In Accrued Expenditure | 17,704 | 3,975 | 8,696 | 4,217 |
| Net Cash Generated From Operating Activities | 455,587 | 338,637 | 207,207 | (118,732) |

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for the year ended 31 December 2013

| | Note | Group | | KWAP | |
|-----------------------------------------------------|-----------|--------------------|---------------------|--------------------|---------------------|
| | | 2013 (RM'000) | 2012 (RM'000) | 2013 (RM'000) | 2012 (RM'000) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | | |
| Proceeds From Sale Of Shares | | 23,672,161 | 44,009,425 | 23,672,161 | 44,009,425 |
| Repayment Of Loans | | 241,507 | 1,109,620 | 241,507 | 1,109,620 |
| Proceeds From Sale Of Private Debt Securities | | 3,567,353 | 2,005,388 | 3,567,353 | 2,005,388 |
| Proceeds From Sale Of Government Debt Securities | | 10,060,833 | 30,409,644 | 10,060,833 | 30,409,644 |
| Proceeds From Sale Of Private Equity Fund | | 104,470 | 117,435 | 104,470 | 117,435 |
| Proceeds From Disposal Of Property & Equipment | | 20 | 2,574 | 20 | 2,574 |
| Purchase Of Property & Equipment | | (2,266,214) | (1,008,874) | (1,396) | (3,355) |
| Purchase Of Shares | | (26,287,525) | (46,316,500) | (26,287,525) | (46,316,500) |
| Issuance Of Loans | | (3,114,518) | (3,822,520) | (3,114,518) | (3,822,520) |
| Purchase Of Private Debt Securities | | (3,547,782) | (8,487,879) | (3,547,782) | (8,487,879) |
| Purchase Of Government Debt Securities | | (13,532,276) | (34,845,331) | (13,532,276) | (34,845,331) |
| Purchase Of Private Equity Fund | | (223,576) | (102,493) | (223,576) | (102,493) |
| Interest Received | | 2,477,825 | 2,307,389 | 2,525,133 | 2,353,264 |
| Dividend Received | | 1,115,119 | 845,442 | 1,115,119 | 845,442 |
| Tax Claim On Dividends | | 35,612 | 65,500 | 35,612 | 65,500 |
| Increase In Investment In Subsidiaries | | - | - | (2,257,451) | (597,928) |
| Dividend Received From Associate | | 558,438 | 150,028 | 558,438 | 150,028 |
| Net Cash (Used) In Investing Activities | | (7,138,553) | (13,561,152) | (7,083,878) | (13,107,686) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | | |
| Allocation Of Statutory Funds | | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| Receipts Of Pension Contribution | | 2,702,436 | 2,681,448 | 2,702,436 | 2,681,448 |
| Repayment Of Pension Contribution | | (11,595) | (9,394) | (11,595) | (9,394) |
| Dividend Payment | | (113,929) | (1,390) | - | - |
| Lease Incentive | | (1,044) | 2,365 | - | - |
| Net Cash Generated From Financing Activities | | 4,075,868 | 4,173,029 | 4,190,841 | 4,172,054 |
| Net Decrease In Cash And Cash Equivalents | | (2,607,098) | (9,049,486) | (2,685,830) | (9,054,364) |
| Effect Of Changes In Foreign Currency | | (20,931) | 14,960 | - | - |
| Cash And Cash Equivalents As At 1 January | | 7,987,914 | 17,022,440 | 7,916,539 | 16,970,903 |
| Cash And Cash Equivalents As At 31 December | 12 | 5,359,885 | 7,987,914 | 5,230,709 | 7,916,539 |

The notes set out form an integral part of, and should be read in conjunction with, these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2013

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 contributions 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 recommendations 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 principal place of business of KWAP is located at Levels 4, 5, 6 & 8, Menara Yayasan Tun Razak, 200 Jalan Bukit Bintang, 55100 Kuala Lumpur.

2. OBJECTIVES AND POLICIES OF FINANCIAL RISK MANAGEMENT

KWAP is exposed to various financial risks including market risks, credit risk, liquidity risk, cash flow risk 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 risks 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 ten-day trading period.

2.2 CREDIT RISK

KWAP ensures credit risk is 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 risk is within KWAP's tolerance level.

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 KWAP Managed Investment Trust (Australia), KWAP Managed Investment Trust 2 (Australia), KWAP Managed Investment Trust 3 (Australia), Prima Ekuiti (UK) Limited and Prima Harta (Jersey) Unit Trust are categorised 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 subsidiaries 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 control ceases.

Investments 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 subsidiaries and associate. 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.

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 monthly 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) | Office Renovation | 16.67% per annum |
| (c) | Furniture | 15.00% per annum |
| (d) | Office Equipment | 15.00% per annum |
| (e) | Gymnasium 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.

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. Impairment evaluation process is executed at each individual asset level for assets with more than six (6) consecutive months of provision for allowance in diminution in value of investments or downward investment performance trend. The evaluation of each asset takes into consideration the asset's performance forecast and outlook, financial position, future activities of the company as well as the external and market factors affecting the future activities of the company prior to the realisation of impairment and impairment loss, if any.

3.5 INVESTMENTS

Investments comprise primarily of Quoted Shares, Government Debt 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% lower of cost value or 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 INVESTMENTS (continued)

3.5.1 Quoted Shares (continued)

(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.

3.5.2 Government Debt Securities

Investment in Government Debt 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. Provision of diminution in value of investments is determined and provided for at 100% of lower of cost and fair value of investments at the individual fund level. The book value of Private Equity Funds is written down through the provision for diminution in value of investments.

3.6 FOREIGN CURRENCY

3.6.1 Functional And Presentation Currency

The Financial Statements 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.6 FOREIGN CURRENCY (continued)**

3.6.2 Foreign Currency Translation (continued)

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.

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 expenditure 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 2007 (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 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 one (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 indirect method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 EMPLOYEE BENEFITS

3.12.1 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.

3.12.2 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.

3.13 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.

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for the financial year ended 31 December 2013

4. PROPERTY AND EQUIPMENT

| GROUP | Land & Buildings (RM'000) | Office Renovation (RM'000) | Furniture (RM'000) | Office Equipment (RM'000) | Gymnasium 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 2013 | 1,988,708 | 4,688 | 2,405 | 1,453 | - | 3,695 | 3,825 | 310 | 1,077 | 2,006,161 |
| Additions | 2,248,302 | 136 | 118 | 52 | 169 | 375 | 325 | 144 | 1,251 | 2,250,871 |
| Adjustments/Disposals | - | (70) | (4) | (3) | - | (48) | (96) | (87) | (1,000) | (1,308) |
| At 31 December 2013 | 4,237,010 | 4,754 | 2,519 | 1,502 | 169 | 4,022 | 4,054 | 367 | 1,327 | 4,255,724 |
| Accumulated Depreciation | | | | | | | | | | |
| At 1 January 2013 | 47,534 | 3,679 | 1,468 | 553 | - | 2,852 | 1,168 | 179 | - | 57,433 |
| Current Year Charge | 82,056 | 452 | 305 | 219 | 4 | 265 | 741 | 32 | - | 84,074 |
| Adjustments/Disposals | - | - | - | - | - | (47) | - | (86) | - | (133) |
| At 31 December 2013 | 129,590 | 4,131 | 1,773 | 772 | 4 | 3,070 | 1,909 | 125 | - | 141,374 |
| Carrying Amounts | | | | | | | | | | |
| At 31 December 2013 | 4,107,420 | 623 | 746 | 730 | 165 | 952 | 2,145 | 242 | 1,327 | 4,114,350 |
| 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 |

Land and buildings refer to the investment property by KWAP MIT, KWAP MIT 2, KWAP MIT 3 and Prima Harta.

The investment properties by KWAP MIT are the 737 Bourke Street in Melbourne and 20 Bridge Street in Sydney, Australia. The accumulated depreciation charged for investment properties under KWAP MIT is at 2.50% per annum on a straight line basis.

4. PROPERTY AND EQUIPMENT (CONTINUED)

The investment property by KWAP MIT 2 is the 179 Turbot Street in Brisbane, Australia. The accumulated depreciation charged for investment properties under KWAP MIT 2 is at 2.50% per annum on a straight line basis.

The investment property by KWAP MIT 3 is the 747 Collins Street in Melbourne, Australia. The accumulated depreciation charged for investment properties under KWAP MIT 3 is at 2.50% per annum on a reducing balance method.

The investment properties by Prima Harta is the 10 Gresham Street and 88 Wood Street in London, United Kingdom. The accumulated depreciation charged for the land and buildings under Prima Harta is at 2.50% per annum on a straight line basis.

| KWAP | Office Renovation (RM'000) | Furniture (RM'000) | Equipment (RM'000) | Office Gymnasium 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 2013 | 4,688 | 2,405 | 1,453 | - | 3,695 | 3,825 | 310 | 1,077 | 17,453 |
| Additions | 136 | 118 | 52 | 169 | 375 | 325 | 144 | 1,252 | 2,571 |
| Adjustments/ Disposals | (70) | (4) | (3) | - | (48) | (96) | (87) | (1,000) | (1,308) |
| At 31 December 2013 | 4,754 | 2,519 | 1,502 | 169 | 4,022 | 4,054 | 367 | 1,329 | 18,716 |
| Accumulated Depreciation | | | | | | | | | |
| At 1 January 2013 | 3,679 | 1,468 | 553 | - | 2,852 | 1,168 | 179 | - | 9,899 |
| Current Year Charge | 452 | 305 | 219 | 4 | 265 | 741 | 32 | - | 2,019 |
| Adjustments/ Disposals | - | - | - | - | (47) | - | (86) | - | (133) |
| At 31 December 2013 | 4,131 | 1,773 | 772 | 4 | 3,070 | 1,909 | 125 | - | 11,784 |
| Carrying Amounts | | | | | | | | | |
| At 31 December 2013 | 623 | 746 | 730 | 165 | 952 | 2,145 | 242 | 1,329 | 6,932 |
| 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 |

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5. INVESTMENTS

| GROUP AND KWAP | 2013 | | 2012 | |
|--------------------------------------|-----------------------------------|------------------------------|-----------------------------------|------------------------------|
| | Cost / Book Value (RM'000) | Market Value (RM'000) | Cost / Book Value (RM'000) | Market Value (RM'000) |
| Quoted Shares | 32,008,925 | 31,654,979 | 28,604,958 | 27,890,076 |
| Allowance For Diminution | (82,663) | (460,947) | | |
| Impairment Of Investments | (335,524) | - | | |
| | 31,590,738 | | 28,144,011 | |
| Unquoted Shares | 393,136 | | 393,136 | |
| Government Debt Securities | 26,725,635 | 25,013,198 | 22,999,345 | 20,661,174 |
| Amortisation Of Premium | (75,018) | (72,729) | | |
| | 26,650,617 | | 22,926,616 | |
| Private Debt Securities | 16,079,595 | 15,587,641 | 16,055,086 | 17,569,508 |
| Accretion Of Discount | (5,437) | (7,334) | | |
| Impairment Of Investments | - | - | | |
| | 16,074,158 | | 16,047,752 | |
| Participation In Private Equity Fund | 406,683 | - | 254,739 | - |
| Allowance For Diminution | (67,342) | (31,717) | | |
| Impairment Of Investment | (9,483) | - | | |
| | 329,858 | | 223,022 | |
| Loans | 13,211,696 | - | 10,284,399 | - |
| | 88,250,203 | | 78,018,936 | |

Gross maturity structure for Government Debt Securities, Private Debt Securities and International Bonds (excluding External Fixed Income Fund Managers) are as follows:

| GROUP AND KWAP | 2013 (RM'000) | 2012 (RM'000) |
|---------------------------|----------------------|----------------------|
| Maturity Within 12 months | 1,281,634 | 1,054,769 |
| Maturity After 12 months | 39,245,166 | 36,157,962 |
| | 40,526,800 | 37,212,731 |

6. INVESTMENT IN SUBSIDIARIES

Summary of investment in subsidiaries:

| | Note | KWAP | |
|-----------------------------------------------|------|------------------|------------------|
| | | 2013 (RM'000) | 2012 (RM'000) |
| KWAP Managed Investment Trust (KWAP MIT) | 6.1 | 349,196 | 379,301 |
| KWAP Managed Investment Trust 2 (KWAP MIT 2) | 6.2 | 538,320 | - |
| KWAP Managed Investment Trust 3 (KWAP MIT 3) | 6.3 | 518,290 | - |
| Prima Ekuiti (UK) Limited (Prima Ekuiti) | 6.4 | 271 | 247 |
| Prima Harta (Jersey) Unit Trust (Prima Harta) | 6.5 | 2,220,270 | 989,348 |
| | | 3,626,347 | 1,368,896 |

Subsidiaries of KWAP are not audited by Jabatan Audit Negara, Malaysia.

6.1 INVESTMENT IN KWAP MANAGED INVESTMENT TRUST (KWAP MIT)

| | Note | KWAP | |
|------------------------------|------|------------------|------------------|
| | | 2013 (RM'000) | 2012 (RM'000) |
| Unit Holding | | | |
| At Cost: | | | |
| At 1 January | | 379,301 | 770,967 |
| Less: Issuance Of Loan | 8 | - | (386,976) |
| | | 379,301 | 383,991 |
| Foreign Exchange Differences | | (30,105) | (4,690) |
| At 31 December | | 349,196 | 379,301 |

for the financial year ended 31 December 2013

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

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

| Name | Country Incorporated | Effective Ownership Interest | | Principal Activities | KWAP Unit Holding AUD 1.00 per unit | |
|-------------------------------------|----------------------|------------------------------|--------|--------------------------------|----------------------------------------|-------------|
| | | 2013 % | 2012 % | | 01/01/2013 | 31/12/2013 |
| KWAP Managed Investment Trust | Australia | 100 | 100 | Management Of Investment Trust | 119,416,000 | 119,416,000 |
| Investment Trust by KWAP MIT | | | | | | |
| 737 Bourke Street Trust | Australia | 100 | 100 | Property Rental | 120,538,000 | 120,538,000 |
| Bridge Street Trust | Australia | 100 | 100 | Property Rental | 196,878,000 | 196,878,000 |

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 in Melbourne and Sydney, Australia.

As at 31 December 2013, 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 20 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 KWAP MANAGED INVESTMENT TRUST 2 (KWAP MIT 2)

| | KWAP | |
|----------------------------------------|------------------|------------------|
| | 2013 (RM'000) | 2012 (RM'000) |
| Unit Holding | | |
| At Cost: | | |
| At 1 January | - | - |
| Add : Subscription Of Additional Units | 556,501 | - |
| | 556,501 | - |
| Foreign Exchange Differences | (18,181) | - |
| At 31 December | 538,320 | - |

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)**6.2 INVESTMENT IN KWAP MANAGED INVESTMENT TRUST 2 (KWAP MIT 2) (continued)**

Details of investment in KWAP Managed Investment Trust 2 (KWAP MIT 2) are as follow:

| Name | Country Incorporated | Effective Ownership Interest | | Principal Activities | KWAP Unit Holding AUD 1.00 per unit | |
|---------------------------------------|----------------------|------------------------------|--------|--------------------------------|----------------------------------------|-------------|
| | | 2013 % | 2012 % | | 01/01/2013 | 31/12/2013 |
| KWAP Managed Investment Trust 2 | Australia | 100 | - | Management Of Investment Trust | - | 184,091,606 |
| Investment Trust By KWAP MIT 2 | | | | | | |
| 179 Turbot Street Trust | Australia | 100 | - | Property Rental | - | 184,091,606 |

KWAP's initial investment in KWAP MIT 2 was on 24 October 2013 whereby the main activity of KWAP MIT 2 is the management of property investment trusts in Brisbane, Australia.

As at 31 December 2013, the total units held by KWAP in KWAP MIT 2 was 184,091,606 units of AUD1.00 per and total units held by KWAP MIT 2 in the subtrust being 179 Turbot Street Trust amounted to 184,091,606 units of AUD1.00 per unit.

6.3 INVESTMENT IN KWAP MANAGED INVESTMENT TRUST 3 (KWAP MIT 3)

| Unit Holding | KWAP | |
|---------------------------------------|---------------------|------------------|
| | 2013 (RM'000) | 2012 (RM'000) |
| At Cost: | | |
| 1 January | - | - |
| Add: Subscription Of Additional Units | 535,346 | - |
| Foreign Exchange Differences | 535,346 (17,056) | - |
| At 31 December | 518,290 | - |

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6. INVESTMENT IN SUBSIDIARIES (CONTINUED)**6.3 INVESTMENT IN KWAP MANAGED INVESTMENT TRUST 3 (KWAP MIT 3) (continued)**

Details of investment in KWAP Managed Investment Trust 3 (KWAP MIT 3) are as follow:

| Name | Country Incorporated | Effective Ownership Interest | | Principal Activities | KWAP Unit Holding AUD 1.00 per unit | |
|---------------------------------------|----------------------|------------------------------|-----------|--------------------------------|----------------------------------------|-------------|
| | | 2013 % | 2012 % | | 01/01/2013 | 31/12/2013 |
| KWAP Managed Investment Trust 3 | Australia | 100 | - | Management Of Investment Trust | - | 177,241,500 |
| Investment Trust by KWAP MIT 3 | | | | | | |
| 747 Collins Street Trust | Australia | 100 | - | Property Rental | - | 177,241,500 |

KWAP's initial investment in KWAP MIT 3 was on 12 September 2013 whereby the main activity of KWAP MIT 3 is the management of property investment trusts on 60:40 co-investment between KWAP and Lembaga Tabung Haji on the property in Melbourne, Australia.

As at 31 December 2013, the total units held by KWAP in KWAP MIT 3 was 177,241,500 units of AUD1.00 per unit and total units held by KWAP MIT 3 in the subtrust being 747 Collins Street Trust amounted to 177,241,500 ordinary units of AUD1.00 per unit.

6.4 INVESTMENT IN PRIMA EKUITI (UK) LIMITED (PRIMA EKUITI)

| Unit Holding | KWAP | |
|----------------------------------------|------------------|------------------|
| | 2013 (RM'000) | 2012 (RM'000) |
| At Cost: | | |
| 1 January | 247 | - |
| Add: Subscription Of Additional Shares | - | 242 |
| | 247 | 242 |
| Foreign Exchange Differences | 24 | 5 |
| At 31 December | 271 | 247 |

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)**6.4 INVESTMENT IN PRIMA EKUITI (UK) LIMITED (PRIMA EKUITI) (continued)**

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

| Name | Country Incorporated | Effective Ownership Interest | | Principal Activities | KWAP Unit Holding GBP 1.00 per unit | |
|---------------------------|-------------------------|---------------------------------|-----------|-----------------------------|----------------------------------------|------------|
| | | 2013 % | 2012 % | | 01/01/2013 | 31/12/2013 |
| Prima Ekuiti (UK) Limited | United Kingdom | 100 | 100 | Fund Management Services | 50,000 | 50,000 |

KWAP's initial investment in Prima Ekuiti 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 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 2013, the total ordinary shares held by KWAP in Prima Ekuiti was 50,000 of GBP1.00 per share.

6.5 INVESTMENT IN PRIMA HARTA (JERSEY) UNIT TRUST (PRIMA HARTA)

| Unit Holding | KWAP | |
|---------------------------------------|------------------|------------------|
| | 2013 (RM'000) | 2012 (RM'000) |
| At Cost: | | |
| As at 1 January | 989,348 | - |
| Add: Subscription Of Additional Units | 982,789 | 981,734 |
| | 1,972,137 | 981,734 |
| Foreign Exchange Differences | 248,133 | 7,614 |
| At 31 December | 2,220,270 | 989,348 |

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6. INVESTMENT IN SUBSIDIARIES (CONTINUED)**6.5 INVESTMENT IN PRIMA HARTA (JERSEY) UNIT TRUST (PRIMA HARTA) (continued)**

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

| Name | Country Incorporated | Effective Ownership Interest | | Principal Activities | KWAP Unit Holding GBP 1.00 per unit | |
|----------------------------------------|-------------------------|---------------------------------|-----------|-----------------------------------|----------------------------------------|-------------|
| | | 2013 % | 2012 % | | 01/01/2013 | 31/12/2013 |
| Prima Harta (Jersey) Unit Trust | Jersey | 100 | 100 | Management of Investment Trust | 200,100,010 | 409,550,010 |
| Investment Trust By Prima Harta | | | | | | |
| Prima Harta (Jersey) Limited | Jersey | 100 | 100 | Holding Entity | 10,000,010 | 10,000,010 |
| 10 Gresham Street Unit Trust | Jersey | 100 | 100 | Property Rental | 190,100,000 | 190,100,000 |
| 88 Wood Street Trust | Jersey | 100 | - | Property Rental | - | 209,450,000 |

KWAP's initial investment in Prima Harta was on 20 January 2012 whereby the main activity of Prima Harta is the management of property investment trusts in United Kingdom.

As at 1 January 2013, the total units held by KWAP in Prima Harta amounted to 200,100,010 units of GBP1.00 per unit and the total units held by Prima Harta in Prima Harta (Jersey) Limited and 10 Gresham Street Unit Trust amounted to 10,000,010 units of GBP1.00 per unit and 190,100,000 units of GBP1.00 per unit respectively.

On 5 April 2013, KWAP increased its investment in Prima Harta through Prima Harta's investment in 88 Wood Street Trust by 209,450,000 units of GBP 1.00 per unit. As at 31 December 2013, the total units held by KWAP in Prima Harta amounted to 409,550,010 units of GBP1.00 per unit and the total units held by Prima Harta in Prima Harta (Jersey) Limited, 10 Gresham Street Unit Trust and 88 Woods Street Trust amounted to 10,000,010 units of GBP1.00 per unit, 190,100,000 units of GBP1.00 per unit and 209,450,000 units of GBP1.00 per unit respectively.

7. INVESTMENT IN ASSOCIATE

| | GROUP | | KWAP | |
|-----------------------------------------------------|--------------------|------------------|------------------|------------------|
| | 2013 (RM'000) | 2012 (RM'000) | 2013 (RM'000) | 2012 (RM'000) |
| At Cost: | | | | |
| Unquoted Shares | 16,670 | 16,670 | 16,670 | 16,670 |
| Share Of Post-Acquisition Profit | 2,773,856 | 2,523,452 | - | - |
| Share Of Post-Acquisition Asset Revaluation Reserve | 92,890 | 206,806 | - | - |
| Share Of Post-Acquisition Non-Controlling Interest | 5,079 | 4,928 | - | - |
| | 2,888,495 | 2,751,856 | 16,670 | 16,670 |
| Less: Total Dividend Received | (1,892,022) | (333,396) | - | - |
| Share Of Net Asset | 996,473 | 2,418,460 | 16,670 | 16,670 |

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:

| 2013 | 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 | 1,098,848 | 751,521 | 6,141,531 | 3,152,966 |
| 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 | 1,145,989 | 7,543,959 | 290,233 |

8. LOAN TO SUBSIDIARY

| | GROUP | | KWAP | |
|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 2013 (RM'000) | 2012 (RM'000) | 2013 (RM'000) | 2012 (RM'000) |
| At Cost: | | | | |
| At 1 Jan | - | - | 628,923 | 251,176 |
| Add: Issuance Of Loan (KWAP MIT) | - | - | - | 386,976 |
| | - | - | 628,923 | 638,152 |
| Unrealised Loss On Foreign Exchange | - | - | (49,916) | (9,229) |
| At 31 December | - | - | 579,007 | 628,923 |

Loan to KWAP Managed Investment Trust (KWAP MIT) was denominated in Australian Dollars (AUD), unsecured, subject to interest at rates ranging from 7.75% to 8.00% (2012: 7.75% to 8.00%) per annum and annual review as well as repayable on demand.

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9. TRADE DEBTORS

| | GROUP | | KWAP | |
|-------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2013 (RM'000) | 2012 (RM'000) | 2013 (RM'000) | 2012 (RM'000) |
| Sales Of Shares | 58,661 | 56,259 | 58,661 | 56,259 |
| Dividend Income | 1,066,951 | 5,395 | 1,103,901 | 5,395 |
| Income From External Equity Fund Managers | 358,010 | 219,679 | 358,010 | 219,679 |
| Interest On Government Debt Securities | 256,359 | 231,287 | 256,359 | 231,287 |
| Income From External Fixed Income Fund Managers | 103,785 | 79,788 | 103,785 | 79,788 |
| Interest On Private Debt Securities | 165,428 | 162,487 | 165,428 | 162,487 |
| Interest On Loans | 144,279 | 129,334 | 144,279 | 129,334 |
| Interest On Short Term Money Market | 20,172 | 18,478 | 20,172 | 18,478 |
| Interest On Fixed Deposit | 8,984 | 9,275 | 8,984 | 9,275 |
| Accrued Rental Income | 1,523 | (3,715) | - | - |
| | 2,184,152 | 908,267 | 2,219,579 | 911,982 |

10. OTHER DEBTORS

| | GROUP | | KWAP | |
|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2013 (RM'000) | 2012 (RM'000) | 2013 (RM'000) | 2012 (RM'000) |
| Income Tax Receivable | 139,761 | 138,738 | 139,761 | 138,738 |
| Investment Receivable* | 13,591 | 7,254 | 7,254 | 7,254 |
| Amounts Due From Subsidiaries | - | - | - | 1,240 |
| Miscellaneous | 6 | 626 | 6 | 13 |
| | 153,358 | 146,618 | 147,021 | 147,245 |

* Investment receivable includes a settlement on an investment claim awarded by the court to KWAP amounting to RM7,254,050 from an asset management company pertaining to a legal suit brought by KWAP against the company. However, the case is still pending the hearing of the appeal by the asset management company.

11. DEPOSITS AND PREPAYMENTS

| | GROUP | | KWAP | |
|----------------------------------------|------------------|------------------|------------------|------------------|
| | 2013 (RM'000) | 2012 (RM'000) | 2013 (RM'000) | 2012 (RM'000) |
| Interest On Government Debt Securities | 8,666 | 14,425 | 8,666 | 14,425 |
| Interest On Private Debt Securities | 248 | 6,346 | 248 | 6,346 |
| Other Advances | 80 | 26 | 80 | 26 |
| Other Prepayments | 777 | 335 | 777 | 335 |
| Other Deposits | 3,423 | 1,697 | 133 | 1,479 |
| Property Related Prepayments: | | | | |
| Property Expenses | 2,300 | 1,554 | - | - |
| | 15,494 | 24,383 | 9,904 | 22,611 |

12. CASH AND CASH EQUIVALENTS

| | GROUP | | KWAP | |
|---------------------------------------|------------------|------------------|------------------|------------------|
| | 2013 (RM'000) | 2012 (RM'000) | 2013 (RM'000) | 2012 (RM'000) |
| Cash And Bank Balance | 250,628 | 572,612 | 250,628 | 572,612 |
| Deposits With Financial Institutions | | | | |
| Commercial Bank | 2,837,311 | 2,996,499 | 2,837,311 | 2,996,499 |
| Islamic Bank | 970,822 | 1,587,868 | 970,822 | 1,587,868 |
| Development Bank | 700,000 | 1,750,000 | 700,000 | 1,750,000 |
| Investment Bank | 471,948 | 960,000 | 471,948 | 960,000 |
| Commercial Papers | - | 49,560 | - | 49,560 |
| Cash And Bank Balance Of Subsidiaries | 129,176 | 71,375 | - | - |
| | 5,359,885 | 7,987,914 | 5,230,709 | 7,916,539 |

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13. TRADE CREDITORS

| | GROUP | | KWAP | |
|----------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2013 (RM'000) | 2012 (RM'000) | 2013 (RM'000) | 2012 (RM'000) |
| Stock Brokers | 101,826 | 285,326 | 135,669 | 285,326 |
| International Equity Related Payables: | | | | |
| Trade Creditors | - | 13 | - | - |
| Property Related Payables: | | | | |
| Trade Creditors | 57,237 | 1,099 | - | - |
| Rental Incentive | 857 | 2,071 | - | - |
| Property Fittings | - | 105 | - | - |
| | 159,920 | 288,614 | 135,669 | 285,326 |

14. OTHER CREDITORS

| | GROUP | | KWAP | |
|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2013 (RM'000) | 2012 (RM'000) | 2013 (RM'000) | 2012 (RM'000) |
| Advance Rental | 83,975 | 12,400 | - | - |
| Goods And Services Tax Payable | 6,043 | 1,370 | - | - |
| Value Added Tax Payable | - | 5,097 | - | - |
| Amount Due To Subsidiary | - | - | 1,756 | 1,163 |
| Others | 4,059 | 3,477 | 783 | 624 |
| | 94,077 | 22,314 | 2,539 | 1,787 |

15. ACCRUED EXPENDITURES

| | GROUP | | KWAP | |
|------------------------------------------|------------------|------------------|------------------|------------------|
| | 2013 (RM'000) | 2012 (RM'000) | 2013 (RM'000) | 2012 (RM'000) |
| Provision For Bonus | 16,087 | 12,400 | 16,087 | 12,400 |
| Provision For Services | 18,527 | 1,766 | 3,392 | 1,048 |
| Provision For External Fund Manager Fees | 11,572 | 9,889 | 11,572 | 9,889 |
| Provision For Custodian Fee | 1,652 | 670 | 1,652 | 670 |
| Provision For Tax | - | 46 | - | - |
| Property Related Expenditures: | | | | |
| Property Acquisition Cost | - | 3,071 | - | - |
| Due Diligence Cost | - | 2,018 | - | - |
| Other Expenditures | - | 274 | - | - |
| | 47,838 | 30,134 | 32,703 | 24,007 |

16. ALLOCATION OF STATUTORY FUNDS

| | GROUP | | KWAP | |
|----------------------------------|-------------------|------------------|-------------------|------------------|
| | 2013 (RM'000) | 2012 (RM'000) | 2013 (RM'000) | 2012 (RM'000) |
| At 1 January | 21,101,944 | 19,601,944 | 21,101,944 | 19,601,944 |
| Add: Allocation For Current Year | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| At 31 December | 22,601,944 | 21,101,944 | 22,601,944 | 21,101,944 |

17. PENSION CONTRIBUTIONS

| | GROUP | | KWAP | |
|---------------------------------------------------------------------------|-------------------|------------------|-------------------|------------------|
| | 2013 (RM'000) | 2012 (RM'000) | 2013 (RM'000) | 2012 (RM'000) |
| Contributions From Statutory Bodies, Local Authorities And Other Agencies | 8,990,017 | 8,060,550 | 8,990,017 | 8,060,550 |
| Contributions From Government's Share, Gratuities And Other Deductions | 28,811,048 | 27,049,674 | 28,811,048 | 27,049,674 |
| | 37,801,065 | 35,110,224 | 37,801,065 | 35,110,224 |

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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 Other Agencies. Contributions made are based on 17.5% of the basic monthly salary of the employees.

| GROUP AND KWAP | Accumulated | Receipts | Balance | Accumulated | Receipts | Balance |
|---------------------|-----------------------------------------|------------------|------------------------|-----------------------------------------|------------------|------------------------|
| | Contributions 01/01/2013 (RM'000) | 2013 (RM'000) | 31/12/2013 (RM'000) | Contributions 01/01/2012 (RM'000) | 2012 (RM'000) | 31/12/2012 (RM'000) |
| Statutory Bodies | 6,352,506 | 750,729 | 7,103,235 | 5,686,679 | 665,827 | 6,352,506 |
| Local Authorities | 1,625,059 | 174,299 | 1,799,358 | 1,471,939 | 153,120 | 1,625,059 |
| Other Agencies | 85,494 | 4,511 | 90,005 | 78,031 | 7,463 | 85,494 |
| | 8,063,059 | 929,539 | 8,992,598 | 7,236,649 | 826,410 | 8,063,059 |
| Less: | | | | | | |
| Repayment Of Claims | (2,509) | (72) | (2,581) | (2,389) | (120) | (2,509) |
| | 8,060,550 | 929,467 | 8,990,017 | 7,234,260 | 826,290 | 8,060,550 |

17.2 Receipts Of Government's Portion

Contributions 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 | Receipts | Balance | Accumulated | Receipts | Balance |
|---------------------|-----------------------------------------|------------------|------------------------|-----------------------------------------|------------------|------------------------|
| | Contributions 01/01/2013 (RM'000) | 2013 (RM'000) | 31/12/2013 (RM'000) | Contributions 01/01/2012 (RM'000) | 2012 (RM'000) | 31/12/2012 (RM'000) |
| KWSP | 21,412,488 | 1,313,160 | 22,725,648 | 19,969,481 | 1,443,007 | 21,412,488 |
| KWSG | 146,648 | - | 146,648 | 146,643 | 5 | 146,648 |
| KWSG - Sabah | 12,479 | - | 12,479 | 12,479 | - | 12,479 |
| LTAT | 4,665,719 | 423,095 | 5,088,814 | 4,299,120 | 366,599 | 4,665,719 |
| SESCO | 45,309 | - | 45,309 | 45,309 | - | 45,309 |
| JPA | 831,179 | 36,181 | 867,360 | 792,207 | 38,972 | 831,179 |
| Others | 37,030 | 461 | 37,491 | 30,575 | 6,455 | 37,030 |
| | 27,150,852 | 1,772,897 | 28,923,749 | 25,295,814 | 1,855,038 | 27,150,852 |
| Less: | | | | | | |
| Repayment Of Claims | (101,178) | (11,523) | (112,701) | (91,904) | (9,274) | (101,178) |
| | 27,049,674 | 1,761,374 | 28,811,048 | 25,203,910 | 1,845,764 | 27,049,674 |

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.

18. DEFERRED INCOME

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

| | GROUP | | KWAP | |
|-------------------------------------------|------------------|------------------|------------------|------------------|
| | 2013 (RM'000) | 2012 (RM'000) | 2013 (RM'000) | 2012 (RM'000) |
| Deferred Income | 360 | 1,094 | 360 | 1,094 |
| Less: Amortisation Of Deferred Income | (297) | (734) | (297) | (734) |
| Deferred Income After Amortisation | 63 | 360 | 63 | 360 |

19. GROSS INVESTMENT INCOME

| | GROUP | | KWAP | |
|----------------------------------------------|------------------|------------------|------------------|------------------|
| | 2013 (RM'000) | 2012 (RM'000) | 2013 (RM'000) | 2012 (RM'000) |
| Gain On Disposal Of Shares | 744,913 | 1,748,095 | 744,913 | 1,748,095 |
| Share Dividends | 1,001,189 | 845,442 | 2,673,745 | 995,470 |
| Tax Claim On Dividends | 35,612 | 65,500 | 35,612 | 65,500 |
| Income From External Fund Managers | 480,115 | 396,243 | 480,115 | 396,243 |
| Interest On Government Debt Securities | 966,091 | 874,394 | 966,091 | 874,394 |
| Profit On Sale Of Government Debt Securities | 69,046 | 193,831 | 69,046 | 193,831 |
| Profit On Sale Of Private Debt Securities | 54,285 | 38,250 | 54,285 | 38,250 |
| Interest On Private Debt Securities | 757,171 | 642,793 | 757,171 | 642,793 |
| Amortisation Of Investment Premium | (56,456) | (59,507) | (56,456) | (59,507) |
| Income From Private Equity Fund Investments | 28,132 | 21,518 | 28,132 | 21,518 |
| Interest On Loans | 524,748 | 457,688 | 524,748 | 457,688 |
| Interest On Loan To Subsidiary | - | - | 47,308 | 45,875 |
| Interest On Deposits | 229,471 | 331,912 | 229,471 | 331,912 |
| Interest On Bank Balances | 344 | 602 | 344 | 602 |
| Other Investment Income | 102,955 | - | 107,247 | - |
| Property Rental Income | 210,673 | 102,561 | - | - |
| | 5,148,289 | 5,659,322 | 6,661,772 | 5,752,664 |

198 **NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2013

20. OPERATING EXPENDITURES

| | GROUP | | KWAP | |
|-------------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2013 (RM'000) | 2012 (RM'000) | 2013 (RM'000) | 2012 (RM'000) |
| Salaries And Allowances | 36,269 | 27,753 | 34,273 | 26,881 |
| Contributions To EPF | 5,575 | 4,722 | 5,575 | 4,722 |
| Contributions To SOCSO | 107 | 87 | 107 | 87 |
| Supplies And Services | 68,638 | 45,738 | 52,782 | 38,147 |
| Management Aid | 246 | 93 | 246 | 1,811 |
| Depreciation On Property And Equipment | 84,074 | 35,511 | 2,018 | 2,345 |
| (Gain) / Loss On Disposal Of Fixed Assets | (20) | 32 | (20) | 32 |
| Gain On Foreign Currency Exchange | (4,974) | (11,220) | (4,974) | (11,204) |
| Property Related - Operating Expenditures | 23,629 | 20,812 | - | - |
| Property Impairment | 35,770 | 14,671 | - | - |
| | 249,314 | 138,199 | 90,007 | 62,821 |

Total number of KWAP's employees stood at 207 employees as at 31 December 2013 (2012 : 175).

21. CAPITAL COMMITMENT

| GROUP AND KWAP | 2013 (RM'000) | 2012 (RM'000) |
|--------------------------------------------------------------|--------------------------------|--------------------------------|
| Contracted | 1,328 | 1,077 |
| Work In Progress | (1,328) | (1,077) |
| Contracted But Not Accounted For In The Financial Statements | - | - |

22. COMPARATIVE FIGURES

Certain comparative figures were restated to reflect the changes in the audited Financial Statements of associate as follows:

| GROUP 2012 | As Previously Reported (RM'000) | As Restated (RM'000) |
|--------------------------------------------------------------|----------------------------------------------------|---------------------------------|
| Income Statement | | |
| Share Of Profit Of Equity Accounted Associate, Net Of Tax | 385,311 | 381,920 |
| Balance Sheet | | |
| Investment In Associate | 2,421,852 | 2,418,460 |
| Note 7 - Percentage Holding And Financials Of Associate | | |
| Net Profit (100%) | 1,156,162 | 1,145,989 |
| Total Liabilities (100%) | 280,061 | 290,233 |



SECTION

10

APPENDIX

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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.

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.

GDS

Government Debt Securities

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.

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.

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.

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.

MOF

Ministry of Finance

MPC

Monetary Policy Committee

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.

SOCSSO**Social Security Organisation**

SOCSSO's function includes registration of employer and employee, collecting contribution, processing benefit claims and makes payment to the injured worker and their dependents. SOCSSO 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.

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.



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



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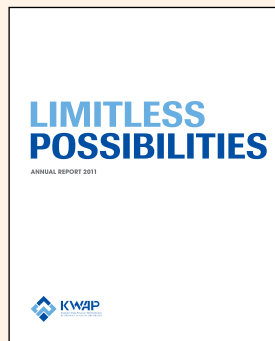
2008 Annual Report



2009 Annual Report



2010 Annual Report



2011 Annual Report



2012 Annual Report

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RETIREMENT FUND (INCORPORATED)

Level 4, 5, 6 & 8
Menara Yayasan Tun Razak
200 Jalan Bukit Bintang
55100 Kuala Lumpur
Malaysia.

Tel +603 2174 8000

Fax +603 2174 8181