

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.

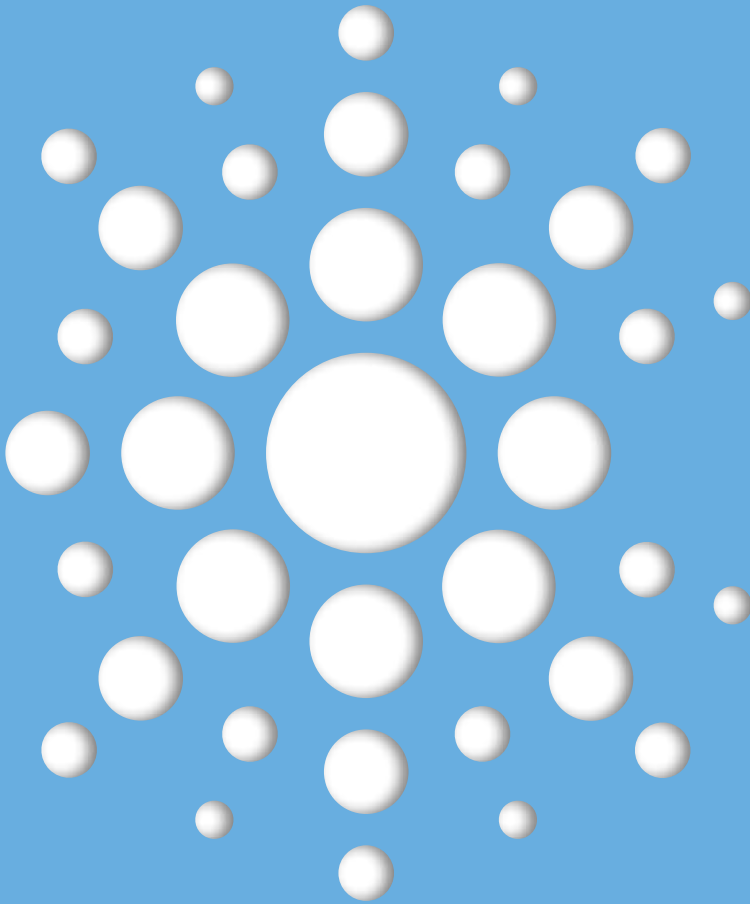
Sopan di tangan, jernih di mata dan santun di kalbu,
peranum labor jimat tercermat yang mengembang gebu.
Diurus tangan canggih amanah yang tulus berhemah
sehingga pepohon rezeki sempat merimbun buah.

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.

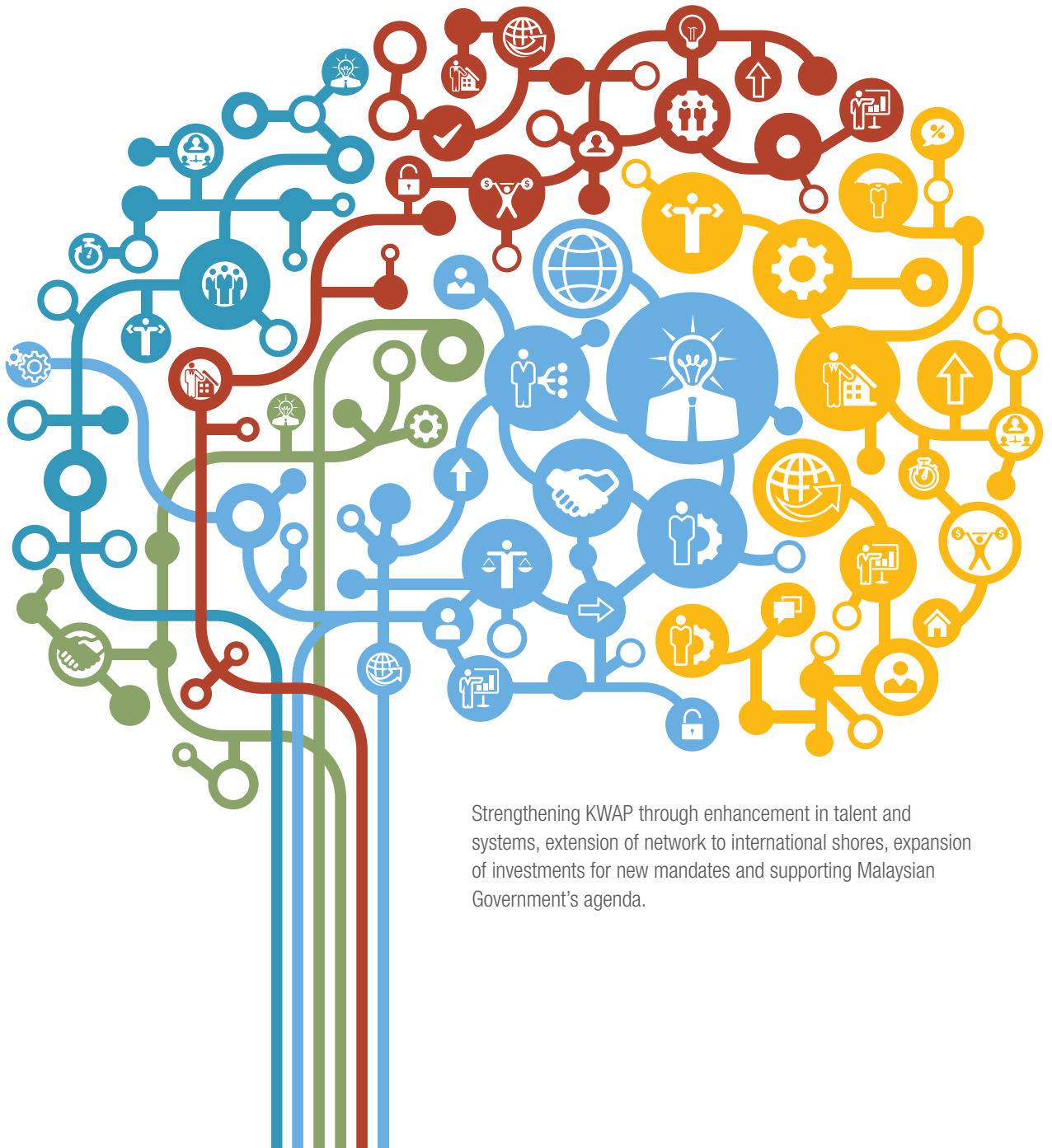
Dengan tekun berilmu, tindakan yang bersanubari,
yakin dipasti taman labor terindah harum ini.

5 – 15, Februari, 2007

A. SAMAD SAID



STRENGTHENING OUR FOUNDATION



Strengthening KWAP through enhancement in talent and systems, extension of network to international shores, expansion of investments for new mandates and supporting Malaysian Government's agenda.

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YEAR 2014 AT A GLANCE

**TOTAL FUND
SIZE GREW BY
9.52%**

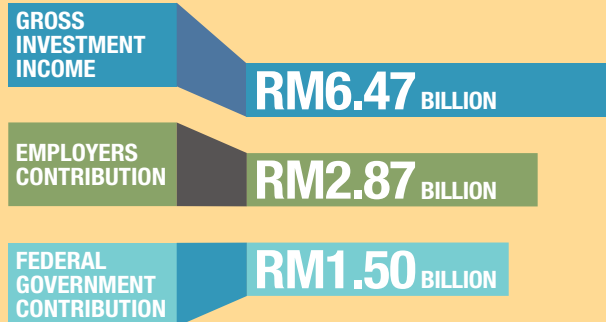
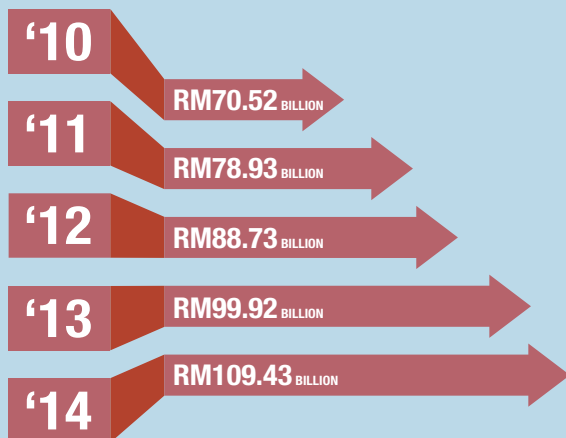
**NET RETURN ON
INVESTMENT
4.58%**

**GROSS RETURN
ON INVESTMENT
6.15%**

**TIME WEIGHTED RATE
OF RETURN (TWRR)
4.03%**

**TOTAL FUND SIZE
RM109.43
BILLION**

**SOURCE
OF FUND**



**INTERNATIONAL
INVESTMENT EXPOSURE**
10.87%

**DOMESTIC INVESTMENT
EXPOSURE**
89.13%

**EXTERNALLY
MANAGED**
10.44%

**INTERNALLY
MANAGED**
89.56%

TOP EARNERS BASED ON TWRR

DOMESTIC PRIVATE EQUITY **219.24%**

INTERNATIONAL FIXED INCOME **11.51%**

INTERNATIONAL INFRASTRUCTURE **11.29%**

INTERNATIONAL EQUITY **10.07%**

MGS & QUASI BONDS **6.87%**

DOMESTIC PDS **5.45%**

LOANS **5.05%**

INTERNATIONAL PROPERTY **3.91%**

MONEY MARKET **3.54%**

INTERNATIONAL PRIVATE EQUITY **0.16%**

DOMESTIC EQUITY **-3.04%**

5-YEAR FINANCIAL RESULTS SUMMARY

	2010 (1 Jan-31Dec)	2011 (1 Jan-31Dec)	2012 (1 Jan-31Dec)	2013 (1 Jan-31Dec)	2014 (1 Jan-31Dec)	Average 2010-2014
Fund Size at Cost (RM Billion)	70.52	78.93	88.73	99.92	109.43	89.51
Growth Per Annum (%)	15	12	12	13	10	12
Income and Expenses (RM)						
Gross Investment Income (Billion)	4.62	4.66	5.75	6.66	6.47	5.63
Operating Expenses (Million)	40.07	43.77	62.82	94.98	120.91	72.51
Net Investment Income (Billion)	4.85	4.30	5.69	6.57	4.03	5.09
Income and Expenses (%)						
Gross Return on Investment (Gross ROI)	7.07	6.30	6.84	7.05	6.15	6.68
Accounting Rate of Return (Net ROI)	7.34	5.75	6.79	6.97	4.58	6.29
Operating Expenditure to Gross Income	0.87	0.94	1.09	1.42	1.87	1.24
Operating Expenditure to Average Fund	0.06	0.06	0.08	0.10	0.12	0.08
Return and Risk (%)						
Time Weighted Rate of Return	8.88	5.30	8.63	10.03	4.03	
Volatility	1.97	3.80	2.86	3.15	2.38	
Contribution (RM Billion)						
Pension Contribution	3.18	2.52	2.67	2.70	2.87	2.79
Federal Contribution	1.00	1.50	1.50	1.50	1.50	1.40
Investment Portfolio Composition at cost (RM Billion)						
<i>Domestic</i>						
Equity	16.08	23.73	27.37	29.00	35.85	26.34
Private Debt Securities and Loan	17.74	16.42	25.72	28.63	28.78	23.46
Malaysian Government Securities and Quasi Bonds	15.64	18.04	22.01	25.55	29.49	22.15
Money Market Deposits	18.31	16.97	7.80	7.16	5.01	11.05
Private Equity	0.43	0.43	0.43	0.82	1.19	0.78
<i>International</i>						
Equity	0.63	0.81	1.89	2.96	4.17	2.31
Fixed Income	NA	1.02	1.54	1.66	2.47	1.34
Property	0.38	1.00	1.99	4.07	3.71	2.23
Management of Fund						
Internally Managed (%)	94.69	92.60	91.06	88.13	89.56	
Externally Managed (%)	5.31	7.40	8.94	11.87	10.44	
Number of Contributing Employers	568	601	613	505	503	
Number of Members	128,384	134,055	145,855	160,560	171,528	
Number of KWAP's Employees	126	152	175	207	255	
Income Per Employee (RM Million)	36.25	30.68	32.87	32.29	25.18	

Note: Figures are based on KWAP level performance.

MILESTONES FROM 2007 TO 2014

2007

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

2008

- 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

2009

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

MILESTONES FROM 2007 TO 2014

2010

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

2011

- Conducted discussions 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 participating 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 six domestic external custodians to a single custodian reporting directly to KWAP
- Established Whistle Blowing Policy
- Established 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

CORPORATE OVERVIEW

2012

- Invested RM1.50 billion in Perpetual Sukuk (which is the first Islamic Perpetual Sukuk issued in the world)
- Utilised 6.58% of total fund size for international investments exceeding 6% minimum target set for 2012
- Acquired first property in UK, namely the 10 Gresham Street, London for RM1.0 billion
- Operationalised the office of Prima Ekuiti (UK) Limited with GBP100 million invested in UK equity market
- Set up an equity internal team for Asia Pacific ex Japan equity mandate
- 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:
 - International Data Corporation's ASEAN Security Conference in April 2012; and
 - 4th Annual Southeast Asia Institutional Investment Forum in December 2012
- KWAP participated as a member for the Corporate Governance Working Committee [whose members also include Employees Provident Fund (EPF), Khazanah Nasional Berhad, Permodalan Nasional Berhad (PNB), and Lembaga Tabung Angkatan Tentera (LTAT)]

2013

- 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 market capitalisation 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

MILESTONES FROM 2007 TO 2014

2014

- Received 4 star rating for “Anugerah Kecemerlangan Pengurusan Kewangan Berdasarkan Indeks Akauntabiliti Tahun 2013”
- Increased international asset allocation from 9.8% to 10.9%
- Invested in properties in new sectors such as retail property in United Kingdom (Intu Uxbridge) and logistics assets in Australia (Erskine, Brendale and Preston)
- Invested in six (6) new private equity funds and one (1) direct investment
- Appointed external fund managers (EFM) for domestic small cap portfolio with total initial capital of RM100 million
- Increased allocation for small capital portfolio from 1% to 1.5% and domestic Shariah portfolio from 10% to 15%
- Appointed 3 EFMs to manage domestic Sukuk portfolio with initial capital of RM150 million each
- Commenced Financial Reporting Standards (FRS) Implementation (Phase 1) by establishing policies and procedures to implement FRS 139 and FRS 7
- Set up a centralised tax advisory function to support new investment initiatives
- Established QMS and ISMS audit team to provide Internal ISO audit
- Enhanced Credit Risk Management by purchasing new Credit Risk System
- Enhanced RENTAS to support foreign currency transactions via SWIFT
- Implemented OMGEO for acceleration of clearing and settlement of trades
- Revised KWAP’s Corporate Governance Principles and Voting Guidelines
- Participated in Minority Shareholder Watchdog Group (MSWG) and Securities Commission (SC) led initiative to introduce Malaysian Code for Institutional Investors 2014
- Undertook re-certification for ISO 9001:2008 – with the addition of three (3) certified new areas including MGS Quasi, Private Equity Fund and International Equity
- Established and developed KWAP’s Leadership Competency Model
- Participated in the UKEC Graduan Career Fair with eleven (11) candidates reported for duty
- Enhanced employees benefits: Introduction of Cost of Living Allowance (COLA) and housing allowance for employees at associate level and below
- Three (3) Employees under Education Assistance Scheme (EAS) graduated from INCEIF’s Chartered Islamic Finance Professional (CIFP) program

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 VALUE

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 Persekitan (Dipentadbarkan) 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.



MESSAGE FROM THE CHAIRMAN

On behalf of the Board, it is my privilege and pleasure to present our Annual Report for the financial year which ended on 31 December 2014.

The Malaysian economy remained robust in 2014, supported by resilient domestic demand and improved export performance. Despite the sharp and unexpected fall in oil prices towards the end of the year, the economy managed to record strong momentum supported mainly by vibrant domestic private investment and steady consumption spending. In addition, resilient global demand has continued to support Malaysian external sector.



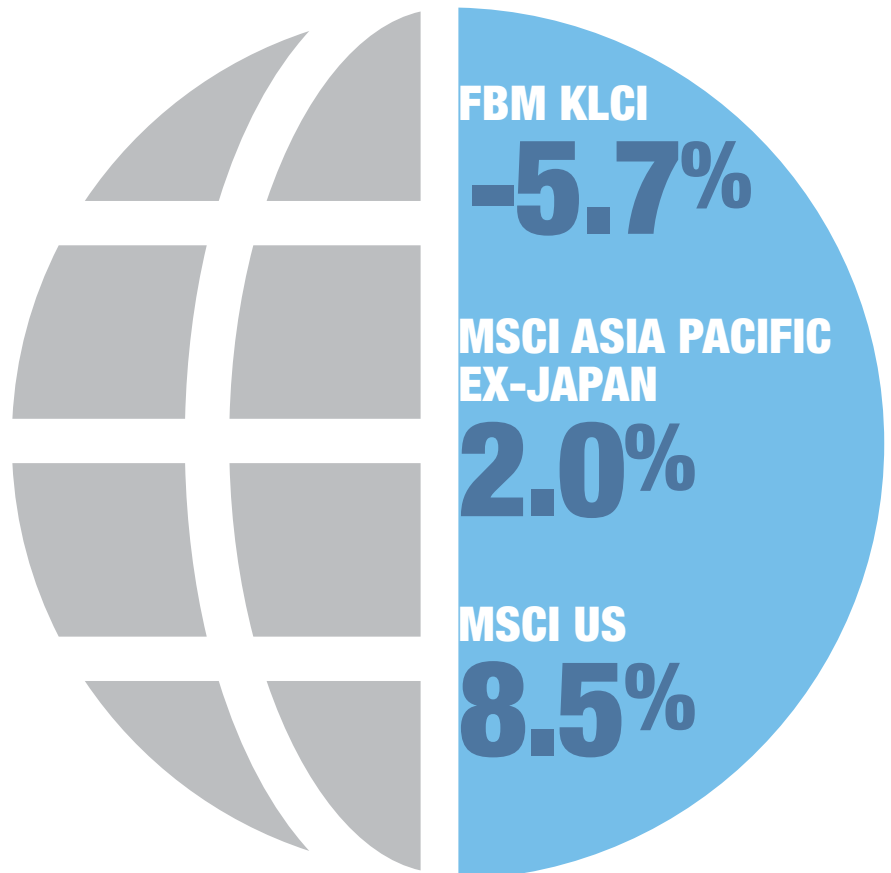
TAN SRI DR MOHD IRWAN SERIGAR ABDULLAH
CHAIRMAN

MESSAGE FROM THE CHAIRMAN

On the global economy, the divergence in growth momentum became more pronounced with the strong US recovery contrasting against a more lacklustre euro area and nascent recovery in Japan. The financial markets anticipated the beginning of the interest rate hike cycle by the US Federal Reserve and this has led to the strong appreciation of the US dollar. In the euro area and Japan, concerns leaned towards the increasing risk of deflation, while China was dealing with an expected moderation in economic activity and slower growth. Against this varied global background, Malaysia managed to weather the less-than-conducive external factors to record an impressive 6.0% GDP growth in 2014.

The Malaysian equity market, on the other hand, faced a challenging year, pressured by weakening oil prices in the latter part of the year. It was a year of two-halves with the first recording a positive performance only to give up its gains during the second. Overall, the FBM KLCI contracted by -5.7% to close at 1,761.25 for the year. In comparison, the MSCI Asia Pacific Ex-Japan Index rose by 2.0% while MSCI US was up by 8.5%.

MALAYSIA MANAGED TO WEATHER THE LESS-THAN-CONDUCTIVE EXTERNAL FACTORS TO RECORD AN IMPRESSIVE 6.0% GDP GROWTH IN 2014

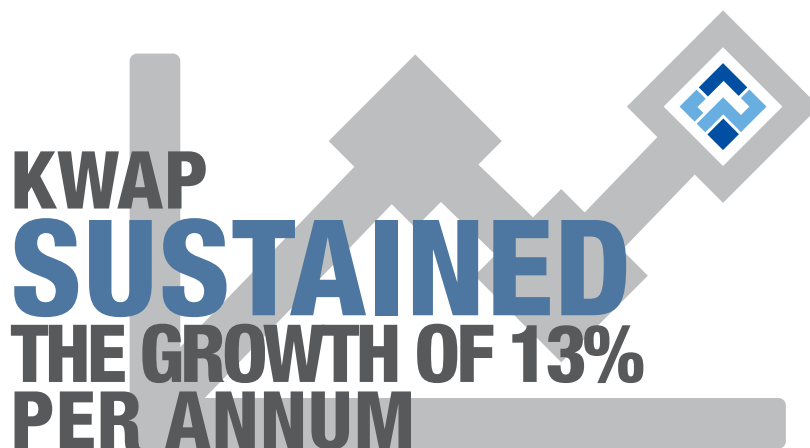


CORPORATE OVERVIEW

The uncertain market environment nevertheless, did not undermine the strength and performance of KWAP last year. The organisation managed to deliver strong results consistent with the past few years amid its ongoing efforts to diversify its investment portfolio.

GOING FORWARD 2015

Looking ahead to 2015, global growth is likely to be supported by continued accommodative monetary policies in the euro area, Japan and to some extent China. Meanwhile, in Malaysia, a series of structural policy changes such as the implementation of the Goods and Services Tax (GST), lower government spending, and moderation in oil-related investment activities may present some challenges to growth prospects in the short term but will produce a more robust and sustainable economic growth for the future. Private consumption is still expected to remain an anchor of growth as it would be supported by an increase in disposable income amid lower fuel prices. On the external sector, a fairly positive outlook on the global economy coupled with a weaker ringgit is expected to support manufacturing exports. Overall, Malaysia's strong fundamentals and potentially improving global outlook may see the country posting GDP growth of 4.5% to 5.5% in 2015.

**FINANCIAL PERFORMANCE**

Despite the market uncertainty, I am pleased to announce that KWAP has delivered an excellent performance in 2014. KWAP managed to register a Gross Return on Investment (ROI) of 6.15% or RM6.47 billion, while the total fund size at cost stood at RM109.43 billion, 9.52% higher as compared to the year before. KWAP's total fund size at market value is RM110.50 billion, 7.51% higher than what was registered in 2013.

More importantly over a span of five years, KWAP has managed to sustain the growth of 12% per annum.

CORPORATE GOVERNANCE

KWAP's involvement in promoting good corporate governance achieved another milestone when we first released the first edition of KWAP's Corporate Governance: Principles and Voting Guidelines (the Guidelines) in 2011. In addition to be used as a guidance on matters pertaining to voting at AGMs and EGMs of investee companies, the Guidelines incorporate KWAP's principles on corporate governance. It is used as a means to put forward KWAP's stand and belief in inculcating good corporate governance in the marketplace. Since then, KWAP has been committed in applying the Guidelines when dealing with corporate actions and governance practices of our investee companies.

Since 2011, the industry has seen the development of new and revised corporate governance guidelines including by Bursa Malaysia and Securities Commission. This illustrates the dynamism of corporate governance, a subject that is continuously evolving.

MESSAGE FROM THE CHAIRMAN

In 2014, KWAP released a revised version of the Guidelines which embraced the prevailing industry's best practices and our experience in dealing with our investee companies, particularly during Annual General Meetings (AGMs) and Extraordinary General Meetings (EGMs).

The updates were mainly focused on enhanced expectations and responsibilities of our investee companies' Board of Directors, emphasising higher level of commitment that is expected from Directors and changes towards the criteria for re-election as well as recommendations to enhance the overall governance of our investee companies via the setting up of board committees (including recommendations on the committees' roles and composition) for several functional areas.

The Guidelines set out recommended corporate governance practices for entities that KWAP has interest in. For instance, the revised Guidelines feature recommendations for the investee companies to disclose their policies and implementation of the Environmental, Social and Governance (ESG) aspects of their operations in their annual report and website. By virtue of being an institutional

investor, KWAP embraces responsible investing and look beyond financial aspects in our investment selection process. We expect our investee companies to implement policies which will ensure the creation of sustainable shareholder value in the long term.

With regular updates on our prevailing stance on corporate governance practices and policies, it is to our hope that it will benefit our investee companies in their decision making process, particularly pertaining to matters that require approval from shareholders.

CLOSING

On behalf of the Board, I wish to express my utmost appreciation to our stakeholders for their unwavering support and continued confidence in our organisation. The year's robust performance comes on the back of the hard work and sacrifices made by our dedicated CEO, his management team as well as employees of KWAP.

I am also deeply grateful to our Board Members and the Members of the Investment Panel for their worthy insights and wise counsel that helped guide us through yet another challenging year. With everyone's endless dedication and high commitment, KWAP will carve many more milestones in the years ahead. I would like to place on record our appreciation to our Board and Investment Panel members who resigned and retired in 2014 for their valuable contribution. They are Tan Sri Idrus bin Harun, Datuk Wan Selamah binti Wan Sulaiman, Datuk Omar bin Osman, Senator Dato' Seri Abdul Wahid bin Omar and Dato' Siti Zauyah binti Desa. Let's also not forget the contribution made by the late Chief Investment Officer, Encik Ahmad Norhisham Hassan. It is my hope that his energy and dedication towards making KWAP a high-performance organisation will spur all of us in fulfilling this mission.

While 2015 will have its fair share of challenges and opportunities, I trust that all our stakeholders will continue to lend us their firm support and cooperation as we continue to steer KWAP forward on its journey to growth and success.

Thank you.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

The year 2014 marks my second year in KWAP. Throughout the two years here, I have received endless support from our Chairman, Board and Investment Panel members. Together, we have steered KWAP to perform commendably despite the turbulent surrounding environment.

WAN KAMARUZAMAN WAN AHMAD
CHIEF EXECUTIVE OFFICER



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

The year 2014 was characterised by a fast-changing economic landscape. The US, previously uncertain of its own economic growth path, embarked on a more positive direction forward. The euro area, resisting the double pressures of weak growth and deflation, introduced negative interest rates and later on embarked on bond purchases as part of its quantitative easing efforts. Meanwhile, Japan's Abenomics reached a stumbling block as the recovery regressed towards recession. In China, the official growth target proved to be more challenging than expected, prompting the government to ease policies to enable a soft landing. In other emerging Asian economies, although affected by the global environment, domestic political and policy changes have led to general improvements in consumers' sentiment.

Reflecting this varied environment, the financial market was marked by uneven developments worldwide. The US market remained particularly vibrant with record gains although markets in other advanced economies particularly in Europe underperformed. Meanwhile, Asian emerging markets generally recorded positive gains led by China as easing measures implemented by the authorities propped up investors' optimism. However, on the domestic front, the FBM KLCI recorded its first annual decline in six years after rising 120% since October 2008, breaking its record as the longest-running bull market in the MSCI World Index.

Despite the changing environment, KWAP continues to provide consistent returns. This is due to our ongoing efforts to broaden the investment base as well as diligent and careful assessment of our investment decisions.

TOTAL FUND SIZE IN FIVE YEARS

RM109.43
billion in 2014

RM99.92
billion in 2013

RM88.73
billion in 2012

RM78.93
billion in 2011

RM70.52
billion in 2010

CORPORATE OVERVIEW

GOING FORWARD

Going forward, the global economy will gather pace in 2015. The strong US economic momentum will likely support the fragile and uneven acceleration in the rest of the advanced world. At the same time, accommodative monetary policies in euro area and Japan are expected to continue for most of the year, supporting its move to exit deflation and boost growth.

The improvement in the advanced economies is expected to benefit Asia's external sector. In addition, while China's domestic economy is expected to moderate further, the magnitude of its growth rate is still relatively high. Overall, emerging Asia is expected to post a broadly stable growth this year.

In Malaysia, the downward revision of oil prices is expected to take its toll on the country's terms of trade and investments although the savings from lower fuel prices would translate to higher consumer disposable income. On the whole, Malaysia's economy is likely to see more balanced growth through improvement in external trade as well as resilient domestic consumption.



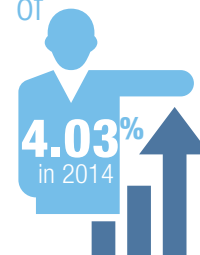
EMERGING ASIA
is expected to post
a broadly stable
growth this year

FINANCIAL PERFORMANCE

On that note, I am pleased to report that KWAP achieved a Return on Investment (ROI) of 6.15% in 2014, which outperforms Malaysia's 2014 Gross Domestic Product (GDP) growth of 6.0%. From a total return perspective, KWAP generated a much higher return of 4.03% in 2014 compared to its stipulated benchmark return of 1.08%. Despite registering a lower total return in 2014 compared to the preceding year, KWAP's performance is commendable given the turbulent global and domestic landscapes.

Over the period of 7 years, the Fund recorded an average growth of 13% per year, with investment income continuing to be the largest contributor to the fund growth. The breakdown of the source of income shows that we gained RM5.99 billion or 92.58% from the domestic market, and a further RM0.48 billion or 7.42% from the international market. Combined with the ongoing improvements adopted by the Contribution Department, the contribution received amounted to RM4.37 billion last year. With this, KWAP's fund size at cost grew by another 9.52% to RM109.43 billion as at 31 December 2014 compared to RM99.92 billion the year before.

Total
Return
of



PROPERTIES
in Australia



in United
Kingdom



INTERNATIONAL EXPANSION

2014 also saw the purchase of KWAP's 7th property, Intu Uxbridge. The retail property was acquired at the cost of GBP174.8 million on 20 June 2014. The anchor tenants for this property are Debenhams, H&M, Boots and British Home Store with an occupancy rate at 96.4% as at 31 December 2014.

This acquisition has further enhanced KWAP's stronghold in the international arena, whereby we now own four (4) properties in Australia and another three (3) in the United Kingdom.

On 30 November 2014, KWAP also purchased two (2) logistic properties in Australia: a 44,633 sqm property in Sydney acquired at a cost of AUD73.84 million, as well as a 50,406 sqm property in Queensland acquired at AUD75.13 million. Both properties' occupancy rate is at 100% by Super Retail Group.

On the direct investment side, 2014 also saw the successful completion of our investment in Munchy's for a 30% stake via a 50:50 joint venture with Dragonrider Opportunity Fund II.

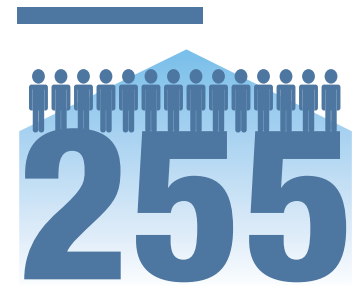
MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

RISK MANAGEMENT

The importance of risk management measure has always remained high on KWAP's agenda. One of the key activities is the Disaster Recovery Exercise (DRE) where KWAP was tested on its ability to recover critical functions within a set timeline and thus ensure operational continuity despite the disruption. In 2014, KWAP successfully conducted two (2) Planned Disaster Recovery Exercises (Non-Live and Live), one (1) Surprise IT Disaster Recovery Exercise (Non-Live), Six (6) RENTAS Industry Wide Testing and two (2) Call Tree and SMS Gateway Tests.

OPERATIONAL ACHIEVEMENT

Other than risks, several systems were also put in place to ensure that our business operations function at the most optimised rate. For a start, the internet and intranet portal system was upgraded and underwent a revamp in design. Mid year, the email system was also upgraded to cloud-based to ensure that all employees are able to access emails around the clock. The contribution system was also enhanced to better suit employer's needs.



total staff

STRENGTH
has growncompared to 207
as at 31 December 2013

HUMAN CAPITAL

I am also pleased to inform that in 2014 our total staff strength has grown to 255 compared to 207 as at 31 December 2013, with 56 new recruits recorded for the year. As the number of our staff strength grows, so does our organisation. We now have multi generation of employees working under the same roof and have managed to reduce the average age to 32 years, which represents multi ethnicity in KWAP.

ORGANISATION RESTRUCTURING

2014 also saw an organisation restructuring exercise taking place, whereby Corporate Planning and Development Department was rebranded as Corporate Strategy and Performance Department, absorbing the Business Performance Department as one of its divisions and the establishment of Corporate Affairs Department from the previous Corporate Communication team. The exercise also saw the merger of Custodian Department and Investment Settlement Department, now known as Investment Support Services Department.

As part of the strengthening of the organisation structure exercise, we also saw the filling up of the Director's post for Human Resource Department, Corporate Strategy and Performance Department and Fixed Income Department. The sudden demise of our then Chief Investment Officer, the late Encik Ahmad Norhisham bin Hassan, in February, saw Puan Nik Amlizan binti Mohamed, previously Senior Director of Equity, assumed the position of Chief Investment Officer on the same year.

WE ARE A MULTI GENERATION ORGANISATION


PARTICIPATION IN GRADUAN'S UKEC

This year also marked KWAP's maiden participation in the United Kingdom and Eire Council of Malaysian Students (UKEC) Graduan Career Fair in March 2014, with the mission to create brand awareness and position KWAP as a potential Employer of Choice. We also took the opportunity to promote the KWAP Young Talent Program to Malaysian graduates overseas. Under this initiative, recruits will be nurtured and groomed to become one of the best in the industry.

KWAP YOUNG TALENT CAREER ACCELERATION PROGRAM (KYT-CAP)

KWAP took on eleven (11) graduates in 2014 and identified two (2) existing internal employees to be part of this program. Some objectives of the program are to nurture the bright young potential associate level employees in KWAP through a structured development and culture program.



11 graduates were recruited in 2014 under the KWAP Young Talent Program

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

This is to prepare them toward becoming KWAP's future experts and leaders, provide career enhancement opportunities through a diversified exposure and internal movement inter departments and business areas; as well as a motivation factor in enhancing their capability and capacity for greater work performance and to be part of the candidates for the fast track career development program.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

As a progressive and caring organisation that is committed to finding ways to improve the quality of its employees and society at large, KWAP as a good corporate citizen embarked upon numerous Corporate Social Responsibility (CSR) initiatives in 2014. Two (2) new initiatives were introduced, namely, KWAP Youth Empowerment and *Seminar Perancangan Kewangan untuk Masa Hadapan*. The KWAP Youth Empowerment took place at UiTM Shah Alam in September, an effort to prepare students entering the working world to emphasise on the importance of pursuing the right career based on their qualification and passion. We also introduced the *Seminar Perancangan Kewangan untuk Masa Hadapan* for young professionals, which focused on the importance to start financial planning early to ensure a sustainable retirement. The event was held at Ministry of Finance's Auditorium with 147 participants from several Ministries and Government Agencies.

SPARC

KWAP's Sports and Recreational Club (SPARC) saw a new committee being appointed this year. With fresh faces leading the club, many new initiatives were carried out throughout the year to encourage participation. The biggest achievement for SPARC in 2014 was the success of the KWAP Hikers Team conquering Mount Kinabalu, which I took the pleasure in leading. The club also organised two (2) outdoor activities; water rafting at Slim River and family outing to the Farm in the City, Seri Kembangan. The club also introduced guitar classes for its employees to learn a new skill and encourage creativity and work life balance. To end the year, KWAP employees participated in the *Pertandingan Sukan Kementerian Kewangan (PSKK)* which was held in December 2014. The team took part in futsal, dart and golf, as well as participated in the marching event during the opening ceremony.

CLOSING

I would like to take this opportunity to express my sincere gratitude and appreciation to KWAP's Chairman, members of the Board and Investment Panel for their expert guidance and continuous support in our journey to greater success despite all the challenges that was braved. I would also like to thank all KWAP employees for their dedication and selfless commitment towards the success of the organisation. Thank you for your unwavering support and let's embark on another wonderful journey with KWAP.

Our Strategies

SECTION 02

- 026** Review of Corporate Scorecard 2014
- 040** Business Objectives 2015
- 041** Corporate Scorecard 2015
- 044** Global Exposure
- 046** Global Networking Exposure
- 048** Study on Pension System



REVIEW OF CORPORATE SCORECARD 2014

Overall, KWAP strongly delivered targets set under its Corporate Scorecard 2014 encompassing strategic, investment, operational, learning and development initiatives.

Ismail bin Zakaria, Director of Corporate Strategy and Performance Department

STAKEHOLDER'S OBJECTIVES

KWAP's fund size grew by 9.52% from RM99.92 billion to RM109.43 billion as at December 2014 exceeding its target of 9.13%.

Substantial progress were made with regards to the takeover of Post-Service Division, Public Service Department (JPA. BP) with Attorney General's Chambers providing resolutions for several legal issues in November 2014. This would pave the way for completion of the takeover in 2015.

FINANCIAL OBJECTIVES

Steady progress was made to increase the utilisation of international asset allocation whereby the utilisation level has increased from 9.8% to 10.9% underlined by implementation of various investment initiatives among which include further expansion into the private equity, retail property and logistic assets sector.

OPERATIONAL OBJECTIVES

Operationally, KWAP implemented eight (8) new investment strategies including acquisition of land, streamlined domestic core portfolios into different investment styles and appointed external fund managers to manage domestic sukuk portfolio.

In addition, KWAP implemented seven (7) new investment practices including establishing trading portfolio that complies with FRS 139 methodology for Malaysia Government Securities (MGS) and Private Debt Securities (PDS); and intensified market intelligence and strategy by conducting five (5) regional visits to Thailand, Indonesia, Philippines, Singapore and China.

For smoothness of investment operations, KWAP implemented eight (8) new operational practices including commencement of FRS Implementation (Phase 1) by establishing policies and procedures to implement FRS 139 and FRS 7 and successfully passed the re-certification exercise for ISO 9001:2008 and ISMS 27001-2005. Other key operational and risk management initiatives undertook during the year include implementation of

OMGEO System (trade clearing system) and Credit Risk Scoring System.

Another key achievement for KWAP in 2014 was being awarded with *Anugerah Kecemerlangan Pengurusan Kewangan Berdasarkan Indeks Akauntabiliti Tahun 2013*.

LEARNING AND GROWTH OBJECTIVES

To enhance KWAP's profiling and market visibility, KWAP participated in UKEC-GRADUAN Career and Education Fair, actively participated in Minority Shareholder Watchdog Group (MSWG) led initiative to introduce Malaysian Code for Institutional Investors, gave inspirational talks to accounting students of a local university and several KWAP employees participated as speaker in domestic investment conference.



OUR STRATEGIES

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 9.13% from RM99.93 billion to RM109.05 billion	a) Exceed target Fund size grew by 9.52% from RM99.92 billion in 2013 to RM109.43 billion in 2014
2. Conclude merger with Post-Service Division, Public Service Department (JPA.BP)	a) Completion timeline	a) Completed by December 2014	a) Pending policy decision by MOF b) Cabinet Committee on JPA Transformation chaired by the Prime Minister has approved the takeover and Cabinet has also given its approval in principal <ul style="list-style-type: none"> • Conducted operational study and developed transformation plan • Conducted engagement with pension associations • Established Transition Office • Implemented change management activities with JPA.BP employees
3. Conduct a study on setting up of Shariah-compliant fund and its operating model	a) Completion timeline	a) June 2014	a) Reprioritised to second half of 2014 and conducted re-tendering exercise, as bids received during initial tender exercise exceeded budget Consultant appointed in November 2014 with study to commence in first quarter of 2015 Study targeted to be completed for tabling to the Board in first quarter of 2015
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	a) MOF has approved proposed amendments in relation to investment matters. Currently pending policies approval in relation to takeover of JPA.BP which will then be translated into corresponding amendments

REVIEW OF CORPORATE SCORECARD 2014

Financial Objectives	KPI Measurement	Annual Target	Full Year Performance
1. Achieve target ROI	<p>a) Benchmark: Estimated GDP of 2014 at 5.2%</p> <p>b) Customised benchmark (weighted average of all asset classes benchmarks)</p>	<p>a) ROI in 2014 of: 5.0% (low target) 5.3% (base target) 5.6% (best target)</p> <p>b) Outperform customised benchmark</p>	<p>a) Exceed target ROI as at 31 December 2014: 6.15 % Equivalent to RM6.47 billion</p> <p>b) Exceed target As at 31 December 2014: TWRR: 4.03% Benchmark: 1.08% Outperformance: 2.95%</p> <p>Widen the level of outperformance recorded in 2013 at 2.81% to 2.95%</p>
2. Increase allocation and utilisation for international investment	a) % of international asset allocation utilised from total fund size	a) International asset allocation to be increased from 2013 target of 9.8% to 2014 target of 11.5%	<p>a) 10.9% of total fund size has been utilised for international investment</p> <p>Details of KWAP's international investment initiatives undertaken in 2014 are detailed below:</p> <ul style="list-style-type: none"> • Equity Launched Asia Pacific ex-Japan portfolio with initial capital of USD100 million and invested EUR100 million in Europe portfolio • Fixed Income Launched Asian fixed income portfolio with initial capital of USD200 million and appointed external fund managers to manage global Sukuk portfolio with initial capital of USD50 million each • Property Invested in retail property in the United Kingdom and logistic assets in Australia • Private Equity Invested in six (6) new private equity funds and one (1) direct investment

OUR STRATEGIES

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 strategies	a) At least six (6) out of eleven (11) new investment strategies introduced in 2014	<p>Exceed target Implemented eight (8) new investment strategies</p> <p>i) Portfolio Strategy</p> <p>1) Conducted feasibility study on Multi Asset Class Strategy as a distinct asset class and for alpha generator</p> <ul style="list-style-type: none"> • Concept paper tabled to the Board and Investment Panel in February 2014 • Detailed plan tabled to Investment Committee Meeting in November 2014 <p>ii) Alternative Investment</p> <p>2) Private Equity Invested in six (6) new Private Equity Funds and one (1) Direct Investment</p> <p>iii) Property</p> <p>3) Acquisition of government land in Kuala Lumpur</p> <ul style="list-style-type: none"> • Obtained Investment Panel and Board's approval and commenced due diligence process <p>Forward purchase of first office building in Kuala Lumpur</p> <ul style="list-style-type: none"> • Head of Agreement executed • Commenced process of appointing architect and consultant pertaining to the forward purchase of the property with guaranteed yield by the developer <p>Purchase of second office building in Kuala Lumpur</p> <ul style="list-style-type: none"> • Obtained Investment Panel's approval • Head of Agreement executed • Commenced valuation and due diligence process

REVIEW OF CORPORATE SCORECARD 2014

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 strategies	a) At least six (6) out of eleven (11) new investment strategies introduced in 2014	<p>iii) Property (continued)</p> <p>4) Invested in properties in new sector (retail/logistics)</p> <ul style="list-style-type: none"> • Retail property in UK: Intu Uxbridge • Logistics assets in Australia: Erskine, Brendale and Preston <p>iv) Equity</p> <p>5) Enhanced long term income generating capability and sustainability:</p> <ul style="list-style-type: none"> • Commenced streamlining of domestic core portfolios into different investment styles <p>6) Appointed external fund managers for domestic small capital portfolio with total initial capital of RM100 million</p> <p>Appointed VCap Asset Managers (VCAM) to manage domestic conventional portfolio with initial capital of RM500 million comprising both shares and cash</p> <p>Obtained Investment Panel's approval to establish Strategic Portfolio to house KWAP's long term equity holdings</p> <p>7) Increased allocation for:</p> <ul style="list-style-type: none"> • Small capital portfolio from 1% to 1.5%* • Domestic Shariah portfolio from 10% to 15%* <p>New initiatives:</p> <ul style="list-style-type: none"> • Commenced preparatory work for awarding of Socially Responsible Investing (SRI) mandate • Established guidelines on treatment of stocks upon designation of being non-Shariah compliant <p>* as a percentage of overall domestic equity market value</p>

OUR STRATEGIES

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 strategies	a) At least six (6) out of eleven (11) new investment strategies introduced in 2014	v) Fixed Income 8) Appointed three (3) external fund managers to manage domestic Sukuk portfolio with initial capital of RM150 million each Enhanced private debt securities portfolio management by actively participating in the secondary market As at 31 December 2014 the turnover rate was 22.84% of portfolio holdings New initiative: Expanded forex hedging for foreign currency denominated investment with status as at end December 2014: <ul style="list-style-type: none"> • Equity: 50% hedged • Property: 33% hedged • Bonds: 85% hedged
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	Exceed target Overall Practice (Domestic & International) Implemented seven (7) new investment practices i) Fixed Income 1) Government & Quasi-Sovereign Bonds and Private Debt Securities (PDS) <ul style="list-style-type: none"> • Established a trading portfolio that complies with FRS 139 methodology. Portfolio commenced in July 2014 • Usage of repurchase facility to enhance liquidity of Malaysian Government Securities. Approved by the Board in November 2014 and Ministry of Finance in December 2014 2) Enhanced loans and compliance administration process <ul style="list-style-type: none"> • Guarantor Policy and Non Performance Loans Guidelines approved in June 2014

REVIEW OF CORPORATE SCORECARD 2014

Operational Objectives	KPI Measurement	Annual Target	Full Year Performance
2. Enhance investment practices (Continued)	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	<p>Overall Practice (Domestic & International)</p> <p>i) Fixed Income (continued)</p> <p>3) Improved credit analytics capabilities:</p> <ul style="list-style-type: none"> Established a one-stop reference source for sharing thematic fixed income research reports Established bond universe for domestic and international bond portfolio Enhanced the internal scoring system for domestic and international private debt securities <p>ii) Research</p> <p>New initiatives:</p> <p>4) Provided advisory and value added inputs to identify potential stocks to be included under equity's strategic holding portfolio</p> <p>Inclusion of twenty five (25) new stocks into domestic stock universe and one hundred thirteen (113) new stocks into international stock universe</p> <p>Attended 1,290 investee companies' meetings, visits and Annual General Meetings/Extraordinary General Meetings</p> <p>This Includes:</p> <ul style="list-style-type: none"> 269 meetings with international/regional companies 572 meetings with domestic companies 330 meetings with brokers/sell side analysts 119 AGMs/EGMs

OUR STRATEGIES

Operational Objectives	KPI Measurement	Annual Target	Full Year Performance
2. Enhance investment practices (Continued)	<p>a) No. of operational initiatives completed as identified under new investment practices</p> <p>b) % of investment proposals approved by the Investment Panel</p>	<p>a) At least four (4) out of eight (8) new investment practices introduced in 2014</p> <p>b) At least 90% of investment proposals approved by the Investment Panel</p>	<p>iii) Portfolio Strategy</p> <p>5) Developed in-house capabilities and ability in a wide ranging area of quantitative and macro/strategic research to ensure effective management of KWAP's fund with the following initiatives:</p> <ul style="list-style-type: none"> Completed Phase II of Asset Allocation Model Development Project Operationalised the revised version of Strategic Asset Allocation (SAA) Monitoring Modeling for purposes of effective SAA transition and investment planning Initiated fixed income quant related initiatives <p>6) Intensified market intelligence and strategy (on economy and portfolio strategy) by conducting five (5) regional visits to Thailand, Indonesia, Philippines, Singapore and China</p> <p>iv) Corporate Strategy & Performance</p> <p>7) Initiated Phase I of business process review on Custodian and Investment Settlement processes</p> <p>Exceed target 64 out of 66 proposals presented were approved by the Investment Panel (96.9% approval rate)</p>

REVIEW OF CORPORATE SCORECARD 2014

Operational Objectives	KPI Measurement	Annual Target	Full Year Performance
3. Enhance operational practices	a) No. of operational initiatives completed as identified under new investment practices	a) At least six (6) out of nine (9) new operational practices introduced in 2014	<p>Exceed target</p> <p>Implemented eight (8) new operational practices</p> <p>i) Accounts & Management Services</p> <p>1) Commenced FRS Implementation (Phase 1) by establishing policies and procedures to implement FRS 139 and FRS 7</p> <p>New initiatives:</p> <ul style="list-style-type: none"> Completed Government Services Tax (GST) planning for implementation in 2015 Foreign Account Tax Compliance Act (FATCA) Submitted justification paper to Ministry of Finance for KWAP to be an exempt entity (pension fund of an exempt beneficial owner) under FATCA Centralised post investment tax activities for all international investments by appointing a Global Tax Compliance Agent <p>ii) Information Technology</p> <p>New initiatives:</p> <ul style="list-style-type: none"> Rolled out Phase 1 of Microsoft Sharepoint 2013 intranet system upgrade with the new intranet launched in June 2014 in addition to 3 enhancements namely Fixed Income Knowledge Centre, Candidate Database for Human Resource Department and Internal Paperless Investment Committee Meeting for Legal and Secretarial Department Completed the installation and configuration of Nessus Vulnerability Scanner for Security and Compliance Auditing Introduced Cloud Computing which consists of virtual desktop infrastructure and Microsoft Office 365 applications

OUR STRATEGIES

Operational Objectives	KPI Measurement	Annual Target	Full Year Performance
3. Enhance operational practices (Continued)	a) No. of operational initiatives completed as identified under new investment practices	a) At least six (6) out of nine (9) new operational practices introduced in 2014	<p>iii) Corporate Strategy & Performance</p> <p>2) Set up a centralised tax advisory function to coordinate provisions of tax advice in relation to new investment initiatives</p> <p>In addition:</p> <ul style="list-style-type: none"> Commissioned a study on availability of tax exemption for 35 countries Findings: 22 out of 35 countries offer certain form of exemptions to be applied by KWAP <p>3) Commenced IFIMS Replacement Project with prequalified stage completed and tender document ready</p> <p>New initiatives:</p> <ul style="list-style-type: none"> Successfully undertook re-certification for ISO 9001:2008 with 3 new areas namely Malaysian Government Securities Quasi, Private Equity Fund and International Equity Updated KWAP's Corporate Governance Principles and Voting Guidelines which was distributed to investee companies in Aug 2014 <p>4) Actively participated in Minority Shareholder Watchdog Group (MSWG) led initiative to introduce Malaysian Code for Institutional Investors</p> <p>Established QMS and ISMS audit team to provide Internal ISO audit</p> <p>iv) Portfolio Strategy</p> <p>5) Operationalised 80% of Phase 1 of country risk model and held discussions with relevant departments every 2 months</p>

REVIEW OF CORPORATE SCORECARD 2014

Operational Objectives	KPI Measurement	Annual Target	Full Year Performance
3. Enhance operational practices (Continued)	a) No. of operational initiatives completed as identified under new investment practices	a) At least six (6) out of nine (9) new operational practices introduced in 2014	<p>v) Risk Management & Compliance</p> <p>6) Enhance Credit Risk Management with achievements:</p> <ul style="list-style-type: none"> • Purchased new Credit Risk System with implementation in 2015 • Completed credit life cycle process review and improved credit risk controls and credit approval process <p>New initiatives:</p> <ul style="list-style-type: none"> • Conducted a full review to enhance Business Continuity Process including Live Disaster Recovery exercise with a commendable result of 95% • Strengthened KWAP's compliance function via semi annual attestation of documents and identification of new compliance requirements and issues (e.g.: FATCA, PDPA and OSHA) <p>vi) Investment Settlement Completed the following:</p> <p>7) Enhanced RENTAS to support foreign currency transactions via SWIFT</p> <p>Provide STP capabilities for IFTS and SSDS transactions, 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)</p> <p>8) OMGEO</p> <p>An automated system solutions for acceleration of clearing and settlement of trades</p>

OUR STRATEGIES

Operational Objectives	KPI Measurement	Annual Target	Full Year Performance
3. Enhance operational practices (Continued)	b) % of compliance to legislations/regulations	b) 100% compliance	<p>b) 100% compliance to legislations</p> <p>However, in September and December 2014 respectively, Board members Tan Sri Idrus bin Harun and Datuk Wan Salamah binti Wan Sulaiman retired from government service and consequently, KWAP's Board</p> <p>Pending appointment of replacements by the Minister of Finance</p>
	c) % of audit observations closed over stipulated time	c) 100% closure	<p>c) 92.6% closure (38 out of 41)</p> <p>A total of forty one (41) audit observations have been issued:</p> <ul style="list-style-type: none"> • Twenty four (24) audit observations were from Jabatan Audit Negara while the rest were issued by Internal Audit Department under the performance audit category • Thirty five (35) audit observations have been resolved • Three (3) outstanding observations will be rectified in 2015 • Three (3) outstanding minor observations under Investment Performance Report have passed the rectification date
	d) Opinion by statutory auditor	d) Unqualified Audit Certificate for the Financial Statements	<p>d) Meet target</p> <p>Received Unqualified Audit Certificate for 2014 financial statements</p> <p>Other achievement:</p> <ul style="list-style-type: none"> • KWAP was given four (4) star rating for Financial Management Accountability Index under the Statutory Bodies category and awarded with <i>Anugerah Kecemerlangan Pengurusan Kewangan Berdasarkan Indeks Akauntabiliti Tahun 2013</i>
	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	<p>e) Meet target</p> <p>No material findings raised by Auditor General</p>

REVIEW OF CORPORATE SCORECARD 2014

Learning & Growth Objectives	KPI Measurement	Annual Target	Full Year Performance
1. Succession planning	a) Completion timeline (leadership competency development)	a) Identified future leaders meet the KWAP leadership competency levels by December 2014	<ul style="list-style-type: none"> Conducted Coaching and Mentoring Sessions <ul style="list-style-type: none"> Succession Planning Identified ten (10) talent in the pool as successors Established and developed KWAP's Leadership Competency Model as a guide to enhance the capability and potential of KWAP's future leaders
2. Talent attraction & retention	a) Retention rate	a) 80% retention of talent* under Individual Development Program (IDP)	<p>Exceed target 100% retention of talent</p> <p>New initiatives:</p> <ul style="list-style-type: none"> Participated in UKEC The Graduan Career Fair with eleven (11) candidates reported to date Highest annual recruitment to date with fifty-six (56) new recruits bringing the total number of employees to 255 in 2014 Enhanced benefits vis-à-vis introduction of Cost of Living Allowance (COLA) and housing allowance for associates and below

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

OUR STRATEGIES

Learning & Growth Objectives	KPI Measurement	Annual Target	Full Year Performance
3. Learning and development	a) Learning days	Average 7 days per employee	<p>Exceed</p> <ul style="list-style-type: none"> • Average 9.1 days per employee • Organised KWAP Youth Empowerment Program at UiTM Shah Alam <ul style="list-style-type: none"> • Inspirational talks given by eight (8) speakers from KWAP • Three (3) employees participated as speakers for external programs: <ul style="list-style-type: none"> • Puan Nik Amlizan binti Mohamed <ul style="list-style-type: none"> • Malaysian Private Equity Forum 2014 – “Private Equity as a Growth Catalyst in Malaysia” in September 2014 • Encik Nazaiful Affendi bin Zainal Abidin <ul style="list-style-type: none"> • RHB Fixed Income Outlook in September 2014 • RAM Fixed Income Conference in November 2014 • Puan Norani binti Mustapha <ul style="list-style-type: none"> • Talk on real estate in November 2014 at Universiti Malaya • KWAP’s Education Assistance Scheme (EAS) <ul style="list-style-type: none"> • Pioneer batch comprising three (3) employees under KWAP’s EAS graduated with INCEIF’s Chartered Islamic Finance Professional Program (CIFP) in October 2014 • Key Corporate Social Responsibility activities for 2014 as detailed below: <ul style="list-style-type: none"> • Organised Leadership and Aspiration Series by inviting prominent figures from various backgrounds • Conducted visits to old folks home at Rumah Al-Ikhlas Puchong and Rumah Ehsan Kuala Kubu Bharu • Organised Financial Planning Retirement Seminar • Organised KWAP’s Expedition to Mount Kinabalu

BUSINESS OBJECTIVES 2015

VISION, MISSION AND CORE VALUES

FOUR OBJECTIVES FOR 2015



STAKEHOLDER'S OBJECTIVES

Grow Fund Size

Expand Roles in Pension Management

Set Up Shariah Compliant Fund

Adopt Responsible Investing

Active Role in Malaysia's Pension Landscape



FINANCIAL OBJECTIVES

Achieve Target Return

Transition to Malaysian Financial Reporting Standards

Expand the Reach of KWAP's International Investment



OPERATIONAL OBJECTIVES

Implement New Investment Strategies

Enhance Investment Practices

Improve Operational Capabilities

Strengthen Professional Conduct



LEARNING & GROWTH OBJECTIVES

Contribute Towards the Nation's Talent Development

Strengthen Succession Plan

Instil Employee Engagement Culture

Become a Knowledge Focused Organisation

CORPORATE SCORECARD 2015

Stakeholders Objectives	KPI Measurement	Annual Target
1. Grow fund size	a) Percentage of growth in fund size	a) Increase fund size at cost by 8.48% from RM110.8 billion to RM120.2 billion
2. Expand Roles in Pension Management	a) Completion timeline	a) Takeover of Post-Service Division, Public Service Department by second quarter 2015 Amend the Retirement Fund Act by first quarter 2015
3. Set Up Shariah Compliant Fund	a) Completion timeline	a) Obtain Board's mandate to set up the Shariah Compliant Fund by first quarter 2015
4. Adopt Responsible Investing	a) Completion timeline b) Number of initiatives completed	a) Formulate ESG Principles by first quarter 2015 Outsource ESG mandate to External Fund Managers and set up one (1) internally managed ESG mandate by second quarter 2015 b) Conduct at least twenty (20) company visits and one (1) regional visit Attend at least 90% of domestic investee companies' AGMs/ EGMs Initiate attendance at a few overseas investee companies' AGMs/ EGMs
5. Active Role in Malaysia's Pension Landscape	a) Implementation of initiative	a) Implement the prescribed initiative

CORPORATE SCORECARD 2015

OUR STRATEGIES

Financial Objectives	KPI Measurement	Annual Target
1. Achieve Target Return		
a) Realised income	a) Rate of Gross Domestic Product 2015 as minimum level of ROI	a) ROI of 5.40%
b) Total return	b) Customised benchmark (weighted average of all asset classes benchmarks)	b) Outperform customised benchmark
c) Add value to fund growth by delivering total return above inflation rate	c) 5-year rolling CPI + 200 bps	c) Outperform 5-year rolling CPI + 200bps
2. Transition to Malaysian Financial Reporting Standards	a) Number of initiatives completed	a) Implement two (2) prescribed initiatives
3. Expand the Reach of KWAP's International Investment	a) Number of initiatives completed b) Percentage of International Asset Allocation achieved	a) Implement at least eight (8) out of eleven (11) initiatives at 75% completion b) Reach 14% International Asset Allocation by fourth quarter 2015

Operational Objectives	KPI Measurement	Annual Target
1. Implement New Investment Strategies	a) Number of operational initiatives completed as identified under new investment strategies	a) Implement at least eight (8) out of eleven (11) initiatives at 75% completion
2. Enhance Investment Practices	a) Number of operational initiatives completed as identified under new investment practices b) % of investment proposals approved by the Investment Panel	a) Implement at least fourteen (14) out of nineteen (19) initiatives at 75% completion b) At least 90% of investment proposals approved by the Investment Panel
3. Enhance Operational Capabilities	a) No. of operational initiatives completed as identified under enhance operational practices b) % of compliance to legislations/regulations c) % of audit observations closed over stipulated time d) Opinion by statutory auditor e) Opinion by Auditor General in relation to performance audit	a) Implement at least five (5) out of seven (7) operational initiatives at 75% completion b) 100% compliance c) 100% closure d) Unqualified Audit Certificate for the Financial Statements e) No material findings raised by Auditor General and all non-material findings raised to be resolved within six (6) months

OUR STRATEGIES

Operational Objectives	KPI Measurement	Annual Target
4. Strengthen Professional Conduct	a) Completion Timeline	a) Obtain the relevant authorities' consent for KWAP to be exempted from the Statutory Bodies (Discipline and Surcharge) Act 2000 to enable KWAP to adopt its Code of Ethics by fourth quarter of 2015 Introduce KWAP's No Gifts Policy by first quarter of 2015

Learning & Growth Objectives	KPI Measurement	Annual Target
1. Contribute Towards the Nation's Talent Development	a) Number of initiatives completed	a) At least three (3) out of four (4) initiatives conducted at 75% completion
2. Strengthen Succession Plan	a) Completion Timeline	a) Phase 2 of Succession Planning completed in second quarter 2015
3. Instill Employee Engagement Culture	a) Number of initiatives completed	a) At least four (4) out of five (5) initiatives conducted at 80% completion
4. Become a Knowledge - Focused Organisation	a) Number of initiatives completed	a) At least four (4) out of five (5) initiatives conducted at 80% completion

GLOBAL EXPOSURE



GLOBAL INVESTMENT EXPOSURE

32

countries

OUR STRATEGIES



 EQUITY  PRIVATE EQUITY  FIXED INCOME  PROPERTY

GLOBAL

NETWORKING EXPOSURE

KEY POINTS FOR 2014 ASSET ALLOCATION MODEL DEVELOPMENT (AAMD) ATTACHMENTS

Date	Visits	Key Highlights
14 October 2014	BlackRock, Hong Kong	The ultimate goal of visiting BlackRock in Hong Kong was to have our research partner to assist KWAP with Portfolio Strategy Department's (PSD) Asset Allocation Model Development Project (AAMD) for KWAP's long-term investment plans and strategies. The key-takeaways include a detailed discussion with the respective managers on KWAP's Strategic Asset Allocation (SAA) modelling (+Dynamic) and Tactical Asset Allocation (TAA) modelling. In addition, KWAP also benefited knowledge sharing sessions on capital market assumptions, portfolio constructions, risk analytics, modelling applications and implementations, and ETFs.
10 September 2014	Government Pension Fund, Thailand	PSD had visited the Government Pension Fund of Thailand (GPF) in early September 2014. The purpose of the visit is to deepen the working relationships with GPF, in view of the commonality between both institutions, since Malaysia is the Chair of ASEAN in 2015. In addition, KWAP also discussed specifically on Multi-Asset Class (MAC) mandate and more broadly on GPF's consideration when constructing portfolio.
15 - 16 October 2014	Macquarie, Hong Kong	The ultimate goal of visiting Macquarie in Hong Kong was to assist KWAP with developing KWAP's equity quant modelling and equity securities selections. To this attachment, KWAP managed to cover the model back-testing, screening and filtering, alpha modelling, valuations and neutralisation and quantitative macro. These takeaways certainly benefited KWAP in having its own internal quant report for potential equity investments.

OUR STRATEGIES

KEY POINTS FOR 2014 ASSET ALLOCATION MODEL DEVELOPMENT (AAMD) ATTACHMENTS

Date	Visits	Key Highlights
24 - 25 September 2014	State Street Global Advisors, Singapore	PSD had conducted a short attachment with State Street to have our research partner to assist KWAP with Global Advisors AAMD. The key takeaways include a detailed discussion on Tactical Asset Allocation regime shift, factor based allocation, liability driven investment and volatility target trigger for downside risk protection.
26 September 2014	JP Morgan, Hong Kong	PSD had conducted a short attachment with JPMorgan to have our research partner to assist KWAP with AAMD. The key takeaways include a detailed discussion to explore the merits of investing in unconstrained strategies, modelling applications and fixed income portfolio construction.

STUDY ON PENSION SYSTEM

KWAP IN HARI 1 PESARA

Date

23 - 24 September 2014

Venue

MAEPS, Serdang

KWAP HARI 1 PESARA

As part of KWAP's study on the pension system, KWAP had participated in the Hari 1Pesara co-organised by Public Services Department and Ministry of Finance. The event was attended by over 2,000 pensioners and would-be-pensioners across Malaysia.

The objective of participating in the program was to give awareness on KWAP and our functions in the country's pension system.

KWAP took the opportunity to open a booth and conducted two surveys titled "When I Retire..." and "If I could turn back time, I would have...". These surveys were conducted to gauge what they expected out of their retirement and how KWAP can assist through its CSR programs.

KWAP employees who were stationed at the booth shared investment tips with pensioners as part of our knowledge sharing program.



Our Performance

SECTION 03

- 050** Economic Review of 2014
- 052** Fund Performance
- 055** CIO Review on Investment
- 058** Research
- 061** Investment Performance
- 088** Contribution Management



ECONOMIC REVIEW OF 2014

At a glance, 2014 saw an uneasy balance between a rising US, a stalling Europe, a struggling Japan, and a moderating China.

Nazaiful Affendi bin Zainal Abidin, Director of Portfolio Strategy Department

The year also witnessed the end of the US Federal Reserve's quantitative easing program and continued anticipation of higher US interest rates.

In contrast, the euro area was faced with stalling growth as major member economies such as France stagnated and Italy continued to be mired in recession. Adding to the problem were rising deflationary pressures exacerbated by falling commodity prices. In response, the European Central Bank embarked on drastic action to weaken the euro and promote lending by announcing quantitative easing through negative deposit rates which were accompanied by bond purchases towards the beginning of this year.

In Asia, Japan's Abenomics came up against a major hurdle as the planned increase of the sales tax rate had a more profound negative impact on household spending than initially estimated. With growth reverting towards recession, the Bank of Japan surprised the financial markets by expanding its quantitative easing program to ¥80 trillion annually, up from ¥60 to 70 trillion previously.

Meanwhile, China's modest growth and lower inflation prompted the authorities to embark on targeted measures to mitigate some of the decline in the rate of economic activity. However, as pressures continued to mount, the People's Bank of China employed a broad based cut in interest rates for the first time in 2 years in its efforts to bolster moderating economic growth.

Interestingly, while geopolitical issues such as the Russian military excursion into Ukraine, disease outbreaks in Africa, and increased terrorist activities in the Middle East have remained in the headlines throughout the year, it appeared to have a limited effect on commodity prices and overall financial market stability.

Commodity prices however, did react to changing fundamentals as surging shale oil production and the reluctance of OPEC to adjust production to rising supply led to a significant decline in oil prices. Brent price fell by more than half in 2014, intensified by demand concerns amid expectations of lower growth from China and the euro area, as well as a strong US dollar.

OUR PERFORMANCE

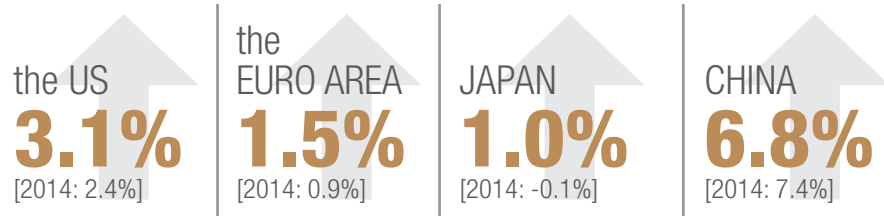
On the domestic front, Malaysian growth for the first half surpassed expectations with 6.2% year on year and 6.5% in first and second quarter respectively on sustained expansion in domestic consumption and exports recovery. On a pre-emptive move, Bank Negara normalised interest rates higher. However, growth moderated in the third quarter at 5.6% partly due to the high base effect of its corresponding quarter last year.

On the global economic outlook, 2015 is expected to see some improvement. The IMF in its April 2015 report projected the world to grow by 3.5% in 2015 as compared to 3.4% in 2014 with the US expected to sustain its recovery momentum and to grow by 3.1% as compared to 2.4% in 2014. In the same vein, the euro area is expected to improve at 1.5% projected GDP of 0.9% in 2014 while the Japanese economy forecasted to grow by 1.0% as compared to -0.1% in 2014 as markets mull over the prospect of Abenomics' third arrow. Meanwhile, China is expected to register 6.8% growth expansion in 2015 as compared to 7.4% in 2014 with a hard-landing scenario becoming less likely.

Malaysia's growth should benefit from the more optimistic global environment and stronger domestic economic conditions in 2015. Domestic consumption is expected to remain resilient given the country's favourable demographics. While lower oil prices could lead to lower spending by the government, the increasing significance of the private sector in driving growth would provide the stimulus to overall growth.

GLOBAL ECONOMIC OUTLOOK

in 2015 expected to see some improvement



Key challenges to the outlook in 2015 include the risk of a slowdown in US growth which may prompt the Federal Reserve to reassess the timing of the start of its policy normalisation. In addition, a prolonged period of low oil prices may cause a negative medium-term effect on investment which could offset the benefits of higher disposable income. Meanwhile, continued political uncertainty in Europe may escalate amid Greece debt negotiations and the upcoming election in other euro area member states. On the Malaysian front, despite the medium to long-term benefits of the introduction of the Goods and Services Tax (GST) in April, it remains to be seen how domestic demand would respond.

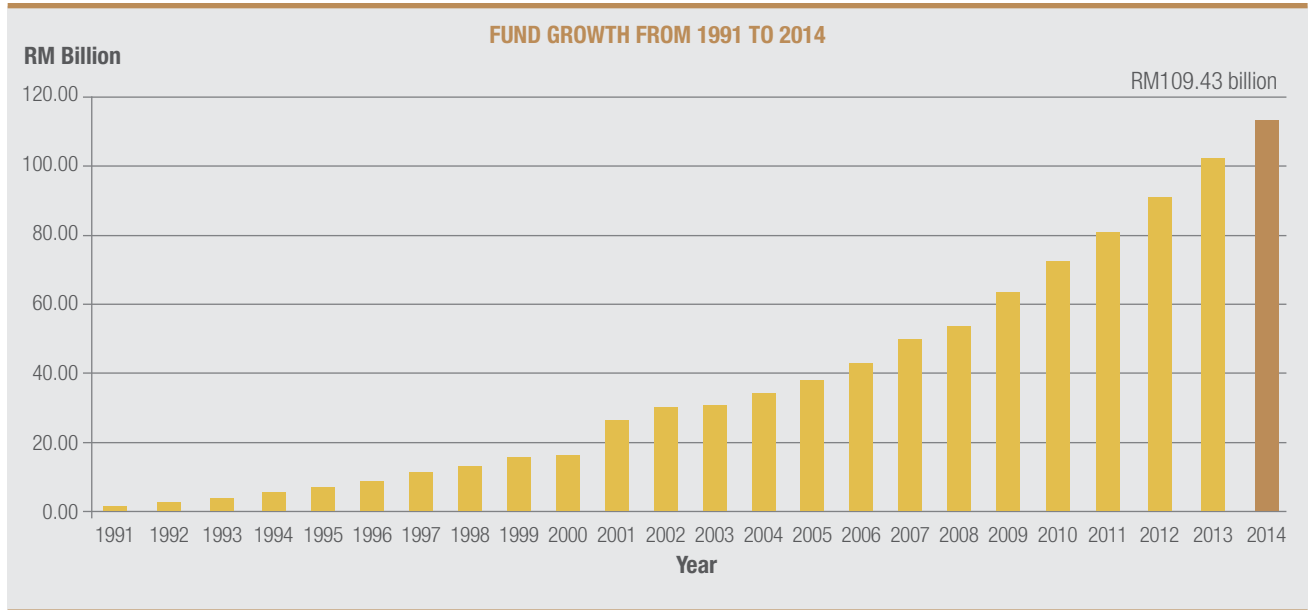
Nevertheless, there could be upside potential to growth. The introduction of quantitative easing in the euro area and Japan could lead to a recovery in confidence and mitigate the deflationary sentiment which could lay the path to global economic recovery.

KEY CHALLENGES
to the outlook in 2015 include the risk of a slowdown in US growth which may prompt the Federal Reserve to reassess the timing of the start of its policy normalisation

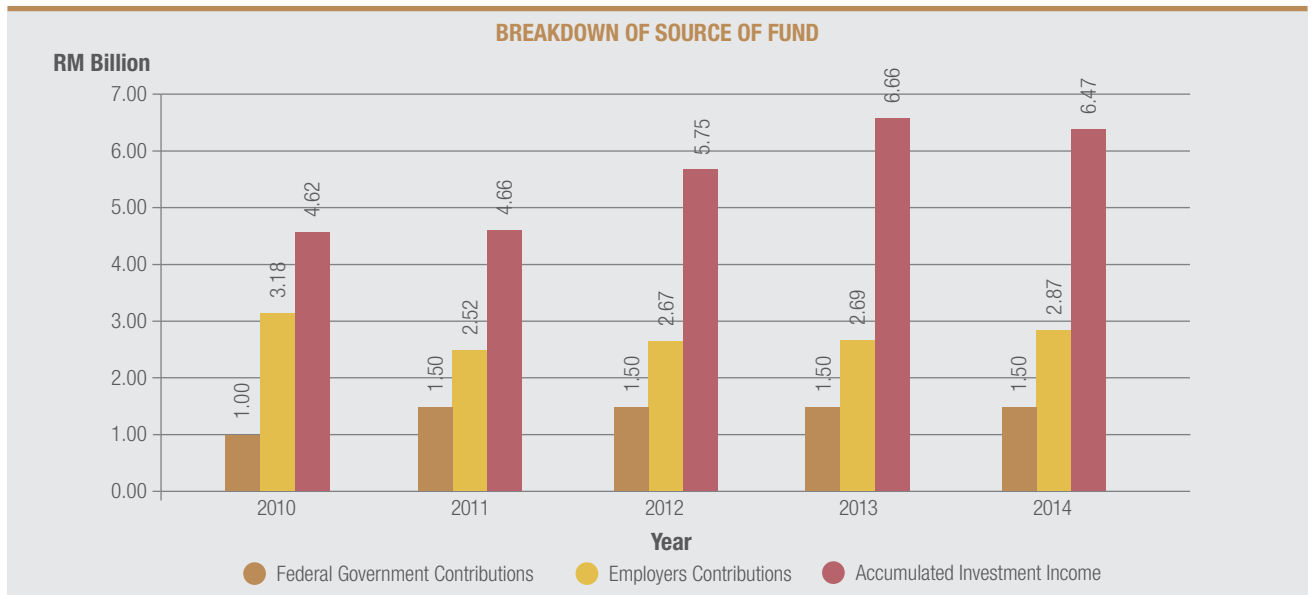
FUND PERFORMANCE

OUR PERFORMANCE

As at 31 December 2014, the fund's total fund size rose to RM109.43 billion, registering an increase of RM9.51 billion against the preceding year of RM99.92 billion. Over the span of five years, the fund achieved an average growth of 12% per annum.

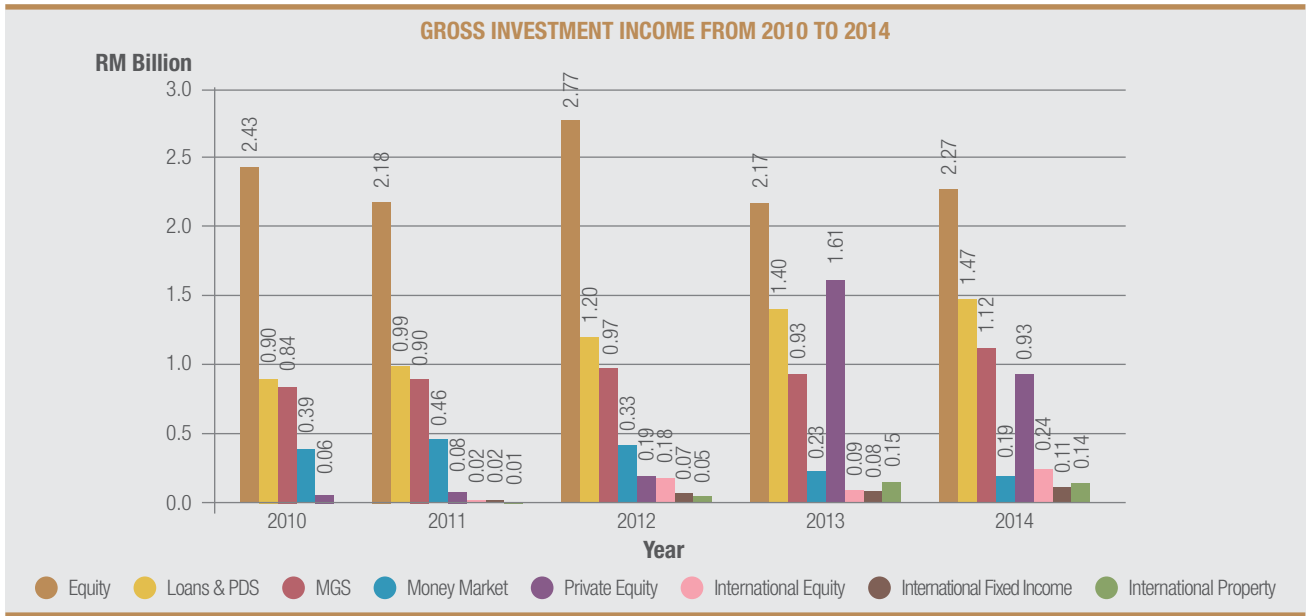


Accumulated growth of the fund resulted from income generated through investments totalling to RM6.47 billion, employers' contributions at RM2.87 billion and Federal Government contributions at RM1.50 billion.

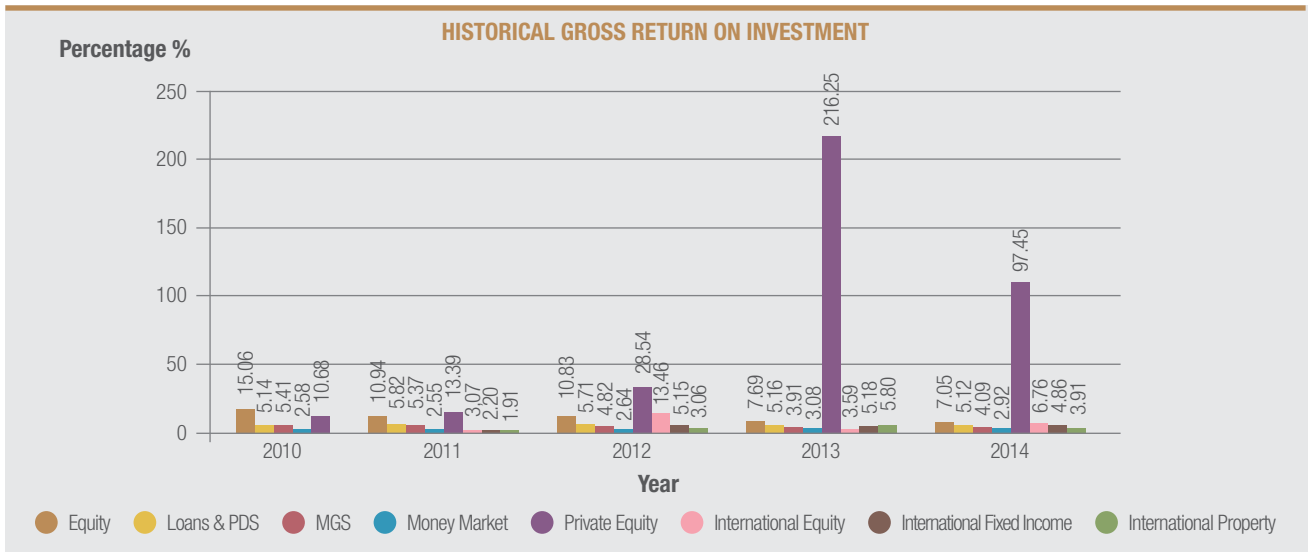


OUR PERFORMANCE

Amidst a challenging and volatile investment environment, the Fund registered gross realised investment income of RM6.47 billion. Investment in equities delivered highest at 39% followed by fixed income securities comprising of Malaysian Government Securities (MGS), Private Debt Securities (PDS), Loans and Money Market contributed 45% whilst alternative investments provided the remaining 16%.



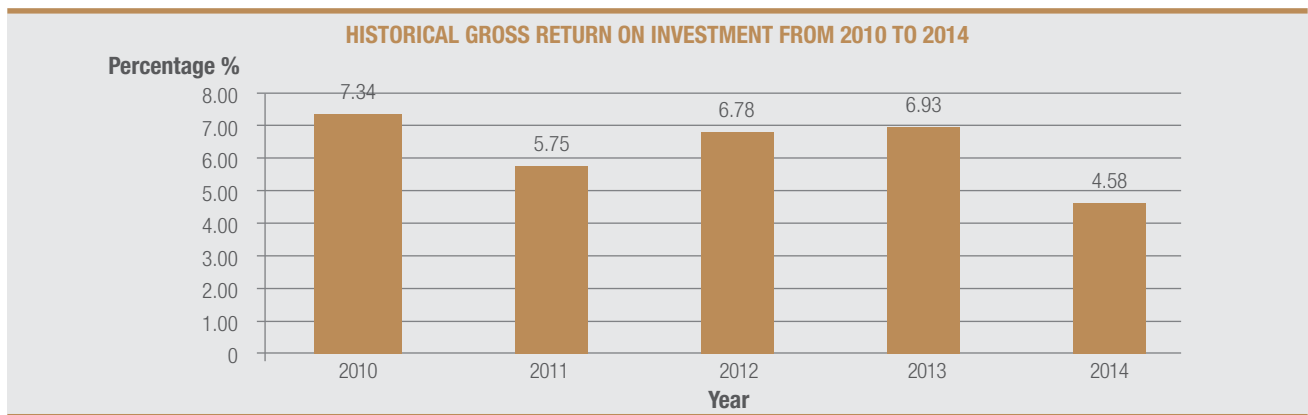
The year ended with a registered Return on Investment (ROI) of 6.15%. Alternative investments returned 97.45%, the highest among all asset classes. Other asset classes returned between the range of 3.0% to 7.0% which added to the overall fund's ROI.



FUND PERFORMANCE

OUR PERFORMANCE

The year 2014 was a volatile year especially for the equity market. Hence, KWAP allowance for diminution in value of investments and impairment of investments amounted to RM1.55 billion were made. After taking the above consideration as well as the operating expenditure of RM4.83 billion, the net income was translated to net ROI of 4.58%.



TOTAL RETURN

The total return was measured against a blended benchmark consisting the weighted average of different benchmarks assigned to every investment categories. For the year 2014, the total return was 4.03%, exceeding the blended benchmark by 295 basis points.

		TWRR (%)	Benchmark (%)	Excess Return (%)	Gross ROI (%)	Benchmark
DOMESTIC	Domestic equity	-3.04	-6.17	3.13	7.05	FBM100
	MGS & Quasi Bonds	6.87	3.81	3.06	4.09	Quantshop MGS All Yield
	PDS	5.45	4.05	1.41	5.26	Quantshop Corp (Medium) Yield (Internal)
	Loans					Quantshop MGS Yield + 50bps
	Money Market	3.54	3.57	-0.03	2.86	KLIBOR 3 month
	Private Equity	-	-	-	204.15	Minimum ROI of 10% p.a
INTERNATIONAL	Equity	10.11	8.94	1.17	6.76	MSCI All Country World
	Fixed-Income	11.51	8.46	3.05	4.86	JP Morgan Global Aggregate
	Property	-	-	-	3.91	Minimum ROI of 5% p.a
	Private Equity	-	-	-	0.81	Minimum ROI of 10% p.a
KWAP TOTAL		4.03	1.08	2.95	6.15	

Domestic equity market posted poor returns which had negatively impacted the fund equity portfolios. Despite the setback, KWAP's domestic equity portfolio managed to outperform the benchmark under an extremely challenging market condition.

Fixed-income portfolios remained resilient and was able to deliver steady returns especially when the equity market was facing turbulence.

Besides the implementation of right strategies, all international investments provided favourable returns after benefiting from the strengthening of the US Dollar against the Ringgit.



CIO REVIEW

ON INVESTMENT

We constantly strive to create an effective investment model that best reflects our strategy and our strong appreciation towards sustainable investment.

Nik Amlizan binti Mohamed, Chief Investment Officer



As a responsible manager and custodian of the Fund, embracing the principles that strike a fine balance between managing short term performance against long term returns lie at the core of our investment beliefs.

The year 2014 was indeed a challenging year for the investment team where we were faced with the sudden passing of Encik Ahmad Norhisham bin Hassan, our then Chief Investment Officer in February 2014. I officially took over from the late Encik Ahmad Norhisham in September 2014.

KWAP never loses sight of the need to take into account the longer term perspectives of managing the fund. As a responsible manager and custodian of the Fund, embracing the principles that strike a fine balance between managing short term performance against long term returns lie at the core of our investment beliefs. We constantly strive to create an effective investment model that best reflects our strategy and our strong appreciation towards sustainable investment outcomes which in the final analysis, should ultimately serve the best interest of our stakeholders.

It is for this reason that I am pleased to report the Fund's investment performance for the five-year period ending 31 December 2014. Over the past 5 years, KWAP saw its fund

grew from RM61.5 billion to RM109.43 billion in 2014, representing an average growth of 12% per annum. During the same period, the Fund registered an average gross ROI of 6.68% which was 1.06 percentage points higher than the 5.62% of GDP measured over the same period. Strong returns in capital and property markets both abroad and onshore have been contributing factors to our performance despite the challenging market environment. In fact despite a particularly difficult year last year, KWAP still managed to register 4.03% total return or time weighted rate of return (TWRR) outperforming the Fund's blended benchmark by 295 bps.

Within the Fund, our internal managers have consistently outperformed benchmarks over the past 5 years. Domestic equity achieved a 5-year average TWRR of 10.85% compared to the FBM100 benchmark of 7.29%, domestic private debt securities (PDS) achieved 6.20% compared to Quantshop Corp Medium Index benchmark of 5.37% and MGS achieved 5.22% versus Quantshop MGS All Index benchmark of 3.74%.

OUR PERFORMANCE

As for our internally-managed investments abroad, we started our foray into the international markets in 2011 and since then have performed creditably relative to benchmarks across asset classes. Our international fixed income achieved a 3-year annualised TWRR of 7.83% versus the JPM Global Aggregate Bond Index of 4.44% while our international equity investment team achieved a 3-year annualised TWRR of 14.39% versus the MSCI AC World Index benchmark of 15.48%, which attributed to the absence of US equity investment in our portfolio.

This commendable performance is underpinned by our investment orientation which remained predominantly focused on domestic investments; indeed the areas in which we have strong conviction and expertise in. As of end 2014, the Fund had 89.13% or RM99.3 billion of its total funds available invested in Malaysia, across all asset classes, supporting local jobs, infrastructure for communities and commerce, and business expansion and related economic activity. On this note, KWAP remains committed to support the domestic economic agenda to the extent that it will also benefit the Fund commercially without compromising our risk appetite.

It is perhaps worthwhile to highlight the highly complex, turbulent and sometimes unpredictable interplay of market forces observed over the past 5 years. The constantly changing market environment and volatile macroeconomic landscape have placed considerable pressures on investors and market participants alike, resulting

CIO REVIEW ON INVESTMENT



KWAP remains committed to support the domestic economic agenda to the extent that it will also benefit the Fund commercially without compromising our risk appetite.

on several occasions panic reactions and dramatic movements in the financial markets. While these nervous responses to some extent, amplified the downside, it also unveiled a fair share of opportunities on the upside. Either way, as an institutional investor, we view these market gyrations as justifications for the fund to thoughtfully resume its diversification strategy.

An integral aspect of our diversification is motivated by our disciplined and increasingly dynamic approach to Strategic Asset Allocation (SAA) which to us, is the most important contributor to and the driver of the long-term stability of the Fund's performance. Given the high degree of impact the SAA has on our investment performance, we constantly examine and revisit the robustness of the latter to ensure that we are fully capable of managing the risk return trade-offs that come about as a result of employing the prescribed strategies.

It is also worth distinguishing the fact that unlike a typical pension fund, KWAP has yet to assume any liability obligations, hence our current preference to growing the fund.

This ambition extends beyond the comfort of our strengths and role in the local arena as we continue to develop, build and nurture our talent base and capabilities and skills in newer and even more complex areas within the institutional fund management value chain.

On a final note, although yearly returns must be evaluated with restraint and due care, the strength of our past five-year returns is the culmination of the significant work we have done to date. These include the strategies that we have adopted as well as the processes that we have put in place to facilitate our investments since our inception. Furthermore, to achieve a stable long-term return over time and safeguard our investments through sound risk management, it is imperative for KWAP to continuously enhance and harness its capabilities to ensure that its investments continue to bear fruit and yield outstanding and consistent results for its stakeholders for years to come.

OUR PERFORMANCE

Table for reference

Gross ROI	2014	6.15%		
	Average 2010 - 2014	$(7.07\%+6.30\%+6.84\%+7.05\%+6.15\%)/5 = 6.68\%$		
Fund Size	2014	As at 31 December 2014 = RM109.43 billion at cost		
	Average 2010 - 2014	Average fund growth of 12% per year Fund size end 2009 = RM61.50 billion (at cost) Fund size end 2014 = RM109.43 billion (at cost)		
TWRR	2014	Total Fund = 4.03% Benchmark = 1.08% Outperformance = 2.95%		
	Average 2010 - 2014	Total Fund = 7.59% Benchmark = 5.30% Outperformance = 2.29%		
Absolute Income (RM Billion)	2014	Asset Class	RM billion	%
		Equity	2.27	35.06
		Loans & PDS	1.47	22.79
		MGS	1.12	17.32
		Money Market	0.19	2.97
		Private Equity	0.93	14.38
		International Equity	0.24	3.67
		International Fixed Income	0.11	1.63
		International Property	0.14	2.18
		TOTAL	6.47	100.00
ROI	2014	Asset Class	2014	2010-2014
		Equity	7.05%	10.30%
		Loans & PDS	5.12%	5.39%
		MGS	4.09%	4.72%
	Average 2010 - 2014	Money Market	2.92%	2.80%
		Private Equity	97.45%	72.29%
		International Equity	6.76%	6.70%
		International Fixed Income	4.86%	4.41%
		International Property	3.91%	3.42%
		TOTAL	6.15%	6.68%
Asset Allocation (Market Value)	2014	Asset Class	2014	End 2009
		Equity	31.60%	26.25%
		Loans & PDS	26.20%	29.74%
		MGS	26.31%	24.17%
	End 2009 – End 2014	Money Market	4.54%	18.99%
		Private Equity	1.08%	0.85%
		International Equity	4.36%	-
		International Fixed Income	2.55%	-
		International Property	3.36%	-
		TOTAL	100%	100%

RESEARCH



The FBM KLCI closed at 1,761.3 points for 2014, translating to a 5.7% decline from the 1,867.0 level in 2013.

Tursina Binti Yaacob, Director of Research Department



The plantation sector was the worst-performing sector in 2014 as it contracted by 10.2% year on year due to concerns over the oversupply situation in global edible oil, regulatory issues and deteriorating demand for biodiesel as crude oil price fell drastically.

2014 Review

Comparative markets & Global perspectives

The FBM KLCI closed at 1,761.3 points for 2014, translating to a 5.7% decline from the 1,867.0 level in 2013. In total, FBM KLCI lost 7.8% in total market value to RM1.57 trillion as at the end of December 2014, from RM1.70 trillion as at the end of December 2013.

Relative to its regional peers, the FBM KLCI 2014 total return performance has been one of the weakest at -1.9%. Apart from South Korea with total return of -2.9%, FBM KLCI significantly underperformed other markets such as Thailand at +19.1%, the Philippines at +25.5%, Indonesia at +25.5%, Singapore at +10.3%, Taiwan at +12.0%, Vietnam at +9.4%, Hong Kong at +6.4% and China at +55.8%.

At the local front, the underperformance was attributed by a severe de-rating of the oil and gas stocks following the significant decline in crude oil price, in addition to weaknesses in the banking industry and negative issues within the plantation sector.

The plantation sector was the worst-performing sector in 2014 as it contracted by 10.2% year on year due to concerns over the oversupply situation in global edible oil, regulatory issues and deteriorating demand for biodiesel as crude oil price fell drastically. The banking sector contracted by 7.4% year on year as the fierce competition put pressure on margins. Despite the share price decline in oil and gas stocks in fourth quarter of 2014, overall, the sector posted a 6.8% gain year on year.

The outperformer during the year is the telecom and technology sector, which gained by 10.5% year on year. The sector's performance was driven by export recovery and defensive nature of earnings which makes it attractive in the midst of uncertainties impacting other sectors in the market.

The property index declined by 0.6% year on year. The property cooling measures announced in Budget 2014 has hit property demand in first quarter of 2014, where property transactions value for the period declined by 2% quarter on quarter. As the lending environment was more challenging, there were slower bookings-to-SPA conversions across all property segments. However, there was some pick

OUR PERFORMANCE

up in demand in the second quarter of 2014 +9% quarter on quarter and in the third quarter of 2014 +2% quarter on quarter upon pre-GST rush for property purchases and attractive promotional packages. Malaysia House Price Index growth had tapered off to 4.6% from 8.4% in the second quarter of 2014 to below its 10-year average growth rate of 6.1%.

The FBM KLCI performance during the year was also affected by a series of external factors, globally. In the first half of 2014, there was rapid sell-off across most emerging markets, prompted by concerns over the US Fed's Quantitative Easing tapering plans, which has triggered currency volatility in some emerging markets such as Argentina, South Africa and Turkey. There were also worries over the slowing down of China's economy, as well as the political turmoil in Middle East countries, Ukraine and Thailand, which culminated in falling financial asset prices and depreciation of currencies in some emerging economies.

During the second half of the year, the FBM KLCI experienced another sell-off triggered by various factors such as a rapid decline of crude oil price, the imminent end of the US Quantitative Easing, the strength of the US Dollar, prospects of higher US interest rates, concerns over a faltering global economic recovery from growing deflationary concerns in Europe and Japan, as well as concerns of a possible economic hard landing in China.

On top of that, investors sentiment was also affected by the fear of a currency crisis in the emerging markets, and rising risk aversion caused by renewed nervousness about the momentum of global economic

growth, which could spread to the developed markets, sparking off significant sell-offs in global equities.

In 2014, foreign investors exited the market at a net selling amount of RM6.4 billion, about 2.7 times of their net buy of RM2.4 billion in 2013. Nevertheless, their net sell in 2014 has yet to reverse out their substantial net buy of RM13.7 billion in 2012, just about 29% of 2012's foreign net buy has been reversed out.

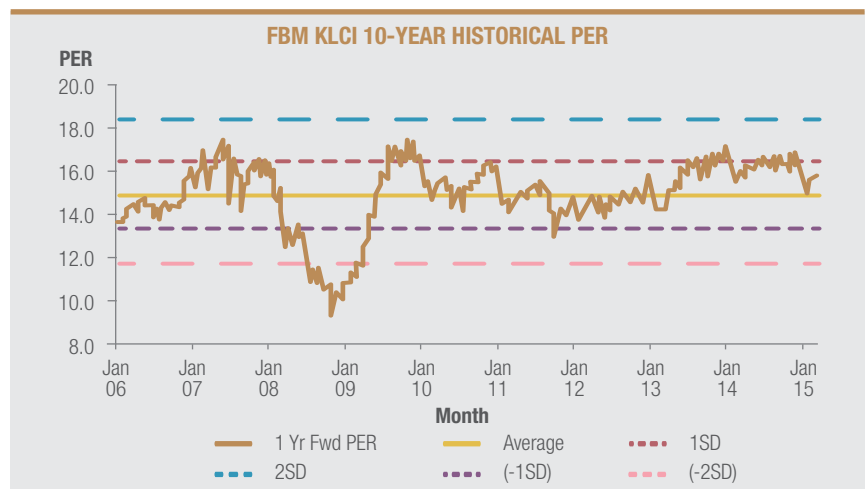
In terms of valuation, the FBM KLCI's premium valuation multiple declined from 17.9 times in December 2013 to 15.9 times in December 2014, attributed by a severe de-rating of the oil and gas stocks, in addition to weakness in banking and plantation stocks.

Relative to the regional peers, at 15.9 times forward Price Earning Ratio (PER), Malaysia is trading at a slightly expensive valuation compared to Indonesia and Thailand markets, which both trade at 15.4 times forward PER. Indonesia and

Thailand's valuation has also come down during the year due to policy and political risks. However relative to historical PER, at forward PER of 15.9 times, KLCI is still trading at a premium relative to KLCI 10 year historical average forward PER of 15.1 times.

AVERAGE FORWARD PER FOR ASIA PACIFIC ex Japan MARKETS

Country	Fw 1 Y	Avg 3 Y	Avg 5 Y
NZ	19.5	16.7	15.8
Philippines	19.3	18.2	16.4
Japan	18.9	17.3	17.2
Australia	16.6	14.4	13.9
Malaysia	15.9	15.9	15.6
Indonesia	15.4	15.1	15.1
Thailand	15.4	13.9	13.2
Singapore	14.0	14.3	14.3
S Korea	13.6	12.5	13.6
APxJ	13.2	12.4	12.6
Taiwan	13.0	15.2	14.6
H Kong	11.5	10.8	11.5



Source: Bloomberg

RESEARCH

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BOND MARKET 2014

Global Perspective and Comparative Markets

- Bull-run in the bond market continued into 2014. The year 2014 saw major government bonds across the globe strengthening from the start of the year. Asian Credit rebounded strongly in 2014 with a return of 8.5-8.9% driven by spread tightening.
- Risk aversion among investors was one of the many factors that led to the universal rally. A congruence of weak economic data, dismal global growth and events relating to geo-political strife led investors scrambling for safety.
- Sentiments wobbled following downward revision in global growth. In October 2014, the International Monetary Fund (IMF) revised its global economic growth forecast for 2014 from 3.4% to 3.3%.
- Divergence in monetary policy paths among central banks. The accommodative stance of these central banks helped to depress the yields of government bonds to some extent.
- Another factor that lends support to the strength in safe-haven assets is the recent downward spiral of oil prices. The slump in oil prices reinforced concerns that the global economy is steeping into deflationary spell, lending to recent gyrations in government bonds.

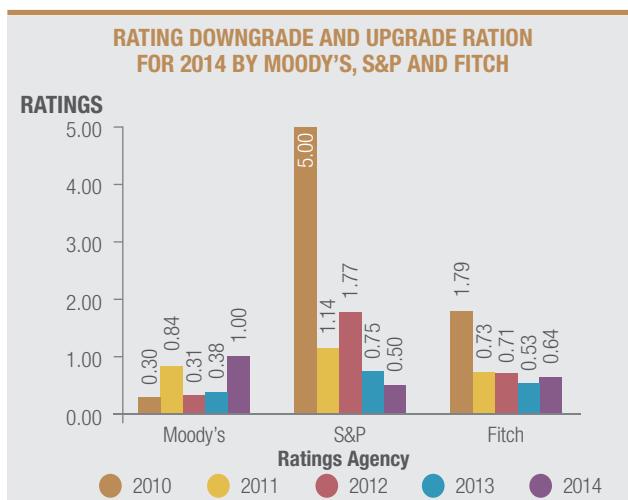
Credit Quality

- Asia Emerging Markets (EM) has been the best destination for its low default cases. Declining trend on the upgrade to downgrade ratio since 2012 for S&P and Fitch, with the exception of Moody's, which has a balanced ratio in 2014.

- Credit default swap (CDS), as measured by iTraxx continue to improved, tightened by a circa 12bps to 115.18bps after 27bps in 2013, despite concerns over slower growth in China and deteriorating financial metrics among issuers in Asia Ex-Japan.

Sovereign Ratings

- On July 23, 2014, Fitch Ratings affirmed Malaysia's sovereign rating at "A-" with Negative outlook maintained. Fitch Rating has put Malaysia on a negative rating watch since July 2013. Two other rating agencies i.e. S&P and Moody's Rating have thus far ascribed a stable outlook on Malaysia's sovereign rating. Fitch cited public finances is Malaysia's key sovereign credit weakness and remain a source of downward pressure on the ratings. Government debt-to-GDP estimated at 54 to 55% in 2014, still above Fitch's median of 50% for its "A" rated sovereigns.
- Fresh concerns have risen again in January 2015, over the risk of the country's sovereign debt rating being downgraded following the revision in the Government's fiscal deficit target for 2015 due to falling crude oil prices, and slowing global growth.
- As at end December 2014, foreign investors own 44.1% of outstanding MGS. MGS remains a strategic allocation within Asian indices, where its comparatively attractive normal yields levels continue to support sustained offshore interest with foreign ownership levels steady at 42% to 48% throughout 2014.



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EQUITY

2014 Equity Market Summary

2014 was indeed a 'roller-coaster' year for Malaysian equities. With a negative return of 5.7%, it was in fact one of the toughest years for the FBM KLCI as the index closed the year as the worst performing markets in the region, significantly underperforming its peers.

The year was clouded by major economic developments that shaped the performance of equity markets around the world, Malaysia was no exception. Investors continue to witness uneven global economic recovery in different parts of the world. World's biggest economy, the US, started to show signs of a sustained economic growth on a backdrop of improving job market and consumer sentiment.

The Eurozone, on the other hand, was facing a different fate. Just as when the investors were feeling more optimistic on the economy at the beginning of the year, serious worries on rising risk of deflation arose. Euro fell to its lowest in nine years against the dollar as speculation rife that European Central Bank (ECB) will start its own stimulus program to combat deflation. The Ukraine crisis and economic sanctions imposed on Russia had also negatively impacted Europe's biggest economy, Germany.

The movement of the emerging markets as a whole was rather volatile, taking cue from the slowdown of growth in China and other emerging economies. The surge in volatility in emerging markets was also partly a response to Federal Reserve's action of

ending its 3-year old bond buying program, popularly known as Quantitative Easing 3 (QE3). The news was somewhat mitigated by Bank of Japan bold action in launching a massive asset purchases amounting to 80 trillion Yen. The turmoil in the oil markets which saw crude oil tumbled 45% in 2014 had also caught investors by surprise. The oil rout was as a result of a structural change in the demand and supply dynamics of the oil and gas sector.

On the domestic front, corporate numbers disappointed investors as early as the first quarter. Results which turned out weaker than expected have triggered series of earnings downgrade by analysts throughout the year. Much of the damage, however was caused by significantly lower commodity prices in particular, palm oil and crude oil. Palm oil, one of Malaysia's main export, declined 15% in prices to settle around RM2,266 per tonne. Crude oil had more impact to the Malaysian economy. The oil rout has urged the national oil giant, Petronas to cut capital expenditure (CAPEX) and operation expenditure (OPEX), and eventually prompting the Malaysian Government to revise its budget. As fiscal worries takes centre stage and risk of a rating downgrade for the country looms, the Malaysian Ringgit weakens to the level of RM3.49 against the dollar, its lowest since 2009. Consumers were also cautious ahead of Government Service Tax (GST) implementation in 2015.

With all the events that happened, the FBM KLCI index ended the year at 1,761.25 points, down 105.71 points or 5.7% from the beginning of the year. Despite negative

news dominating the markets for most part of the year, the index reached its all-time high of 1,892.60 points on 8 July 2014, before succumbing to selling pressure and continued unwinding of positions by foreign funds. Foreigners sold a net of RM6.9 billion worth of equities during the entire 2014 as compared to a net inflow of RM3.0 billion the year before. For the record, 2014 was the first year KLCI delivered a negative return after five years of consecutive positive performance.

Market Review

2014 began with aftershocks from the taper tantrums of 2013, as investors pared back risky positions amid rising geo-political risk. There was an escalation of default risk in Argentina, prompting a sharp depreciation of its currency. Corruption scandals and political paralysis in key emerging markets such as Brazil and Turkey also drew the attention of investors, also leading to yet another round of currency depreciation.

The decline in oil prices may go down as the single most imperative development of 2014. Accommodative supply faced with weaker demand pushed oil prices almost 50% lower over the year. Non Organisation of Petroleum Export Countries (Non-OPEC) oil producers had steadily been increasing output while US shale oil and gas output had been building at an exponential rate. As OPEC decided not to cut output in November, the market forced prices to collapse in order to clear inventories. The fall in oil prices could act as a tax cut to households and corporates, with the greatest benefits occurring where oil is imported. For exporters like Russia, it would be a significant hit to revenues, which of course drove assets related to oil as well as growth prospects down in value.

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As for central banks, actions were very mixed. The US Federal Reserve saw Janet Yellen take over from Ben Bernanke as the new Chair. Yellen was initially criticised over her communication, but has since found her feet and has successfully brought an end to the Federal Reserve's quantitative easing program and changed the US central bank's communication to signal monetary tightening in 2015, all without significant market volatility. Meanwhile, Mark Carney was less successful at the Bank of England having caused a false start in sterling money markets after warning of a potential rate rise by the end of 2014 in his June's Mansion House Speech. He has of course since retreated to a more familiar dovish tone. The European Central Bank was probably the busiest of the central banks as Mario Draghi cut interest rates further, announced new liquidity measures targeted at boosting lending to corporates, and also unveiled private asset purchases, focusing on asset backed securities and covered bonds. European macroeconomic performance has poor over the year, not helped by ongoing austerity, a lack of lending activities as banks faced a review of their balance sheets, and of course the impact of geo-political risk with Ukraine/Russia. Deflation concerns have not gone away either. Given the fall in oil prices, the European Central Bank is ending the year by seriously considering whether to start buying sovereign debt in early 2015. Finally, having sounded confident of its actions for most of the year, the Bank of Japan surprised many investors and observers in October by increasing its target of asset purchases from ¥60-70 trillion to ¥80 trillion per year. The move came as it became obvious that Japan was heading back into recession after the government went ahead with the rise in the sales tax.

INVESTMENT PERFORMANCE

Turning to equity markets, the MSCI Euro index had advanced 2.27% (local currency term) in 2014. Accommodative monetary policy by the European Central Bank as well as investor expectations of further easing helped Euro stocks' performance. In contrast, the UK FTSE100 index delivered a broadly weak performance in 2014 as it fell 2.71% in local currency term.

EQUITY MARKET FUND SIZE

increase

25.2%

to RM40.01 billion

EQUITY INCOME

Return of
Investment (ROI) of

7.02%

to RM2.519 billion

Equity Market Fund Size

KWAP's total exposure in equity has recorded a clear increase of 25.2% to RM40.01 billion as at 31 December 2014 from RM31.96 billion at the beginning of the year.

Domestic equity accounted for the majority portion of the fund size or 89.6% of KWAP's total exposure in equity at market value, whilst the balance of 10.4% was invested in international equity.

In terms of division between internally managed equity against externally managed, 82% out of the total exposure are managed internally by KWAP equity portfolio managers and the remaining 18% are outsourced to external fund managers appointed by KWAP.

Equity Income

For the year ended 31 December 2014, KWAP equity investments recorded a total

realised income of RM2.51 billion, which translates to a Return of Investment (ROI) of 7.02%. A substantial portion of the income, 90.1%, was contributed by domestic equities, whilst international equities accounted for the remaining 9.9%.

On a separate note, internally managed equity made up for 80.3% of KWAP's total income from equity and the balance of 19.7% was derived from equity investment outsourced to external fund managers.

Internally Managed Domestic Equity

KWAP's prudence in its investments proved rewarding especially during volatile and uncertain market condition. KWAP exercises prudence in its investments by employing rigorous screening methodology and valuation 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 produce good performance when the internal domestic portfolio recorded a total return of -3.30% as measured by the Time Weighted Rate of Return (TWRR) against its benchmark FBM100 return of -6.17%.

In terms of realised return, internal domestic equity recorded a total realised income of RM1.87 billion which translates into an ROI of 6.74%. Of the total investment income, RM885.64 million was derived from capital gain whilst the balance of RM984.79 million and RM0.15 million was derived from dividend income and fees earned from Securities Borrowing and Lending (SBL) activities respectively.

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Externally Managed Equity

Domestic

As at 31 December 2014, the total fund at market value that was managed by domestic external fund managers (EFM) stood at RM5.4 billion, an increase of 28.5% from RM4.3 billion in 2013. In proportion terms, the total equity portfolios managed by domestic EFMs account for 4.92% of KWAP total fund size of RM110.6 billion at the end of the year. Out of the eleven (11) domestic EFMs, three (3) managers have been entrusted with Shariah equity investment, two (2) EFMs managing small cap mandate, one (1) new EFM managing Environmental, Social Governance (ESG) mandate while the rest manage conventional mandates.

List of Domestic External Fund Managers
as at 31 December 2014

Conventional	Fund Inception
CIMB-Principal Asset Management	2005
Nomura Asset Management	2007
Aberdeen Asset Management	2008
RHB Investment Management	2009
Kenanga Invest Berhad	2011
Islamic	
i-VCAP Management Sdn. Bhd.	2011
CIMB Principal Islamic	2012
Amlslamic Asset Management	2012
Small Cap	
Affin Hwang Asset Management	2014
Kenanga Invest Berhad	2014
Environment, Social, Governance (ESG)	
VCAM Asset Management	2014

KWAP conducts meetings on quarterly basis to review the EFMs' performance 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, forty (40) quarterly meetings were conducted, typically held at the beginning of each quarter.

KWAP's ongoing initiatives include outsourcing more funds across different mandates. This is done via additional capital injection to best performing EFMs and adding new EFMs for current and new mandates. KWAP issued Request for Proposals (RFPs) to local and international asset management companies to invite those with good track record to be on KWAP's Panel of Approved EFMs.

As at 31 December 2014, KWAP's domestic equity EFMs recorded an aggregate realised income of RM398.8 million, representing an average ROI at cost of 9.0%. Most EFMs outperformed the designated benchmark except in the Islamic space where all the EFMs underperformed the FBM Hijrah benchmark. The underperformance was largely contributed by the fall of oil prices which affected the share prices of oil and gas companies which most of the EFMs had exposure in.

International

In 2014, KWAP's externally managed international equities investment which is divided into three segments; Asia Pacific ex-Japan (APEX), the United Kingdom (UK) and Europe equities.

List of International External Fund Managers
as at 31 December 2014

Asia Pacific ex-Japan	Fund Inception
State Street Global Advisors	2011
Franklin Templeton Asset Management	2013
FTSE UK	
Prima Ekuiti (PEUK)	2012
MSCI Euro	
Prima Ekuiti (PEUK)	2014

As at 31 December 2014, KWAP's international equity EFMs recorded commendable ROI at cost between 6.4% and 7.3%. All EFMs outperformed the designated benchmark and contributed close to RM97 million in realised income.

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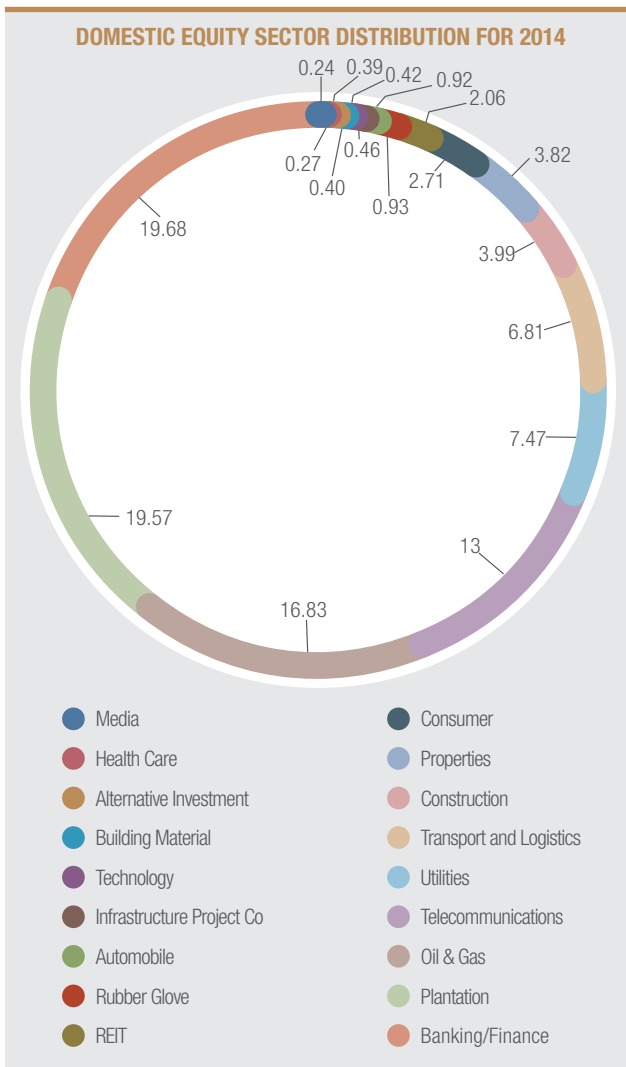
KWAP conducted meetings with potential international portfolio managers regularly, along with conference calls and also quarterly reviews with existing managers to obtain updates on the portfolio performance as well as investment review and outlook. Investments in the UK equities are outsourced to Prima Ekuiti (UK) Limited [Prima Ekuiti], a wholly owned subsidiary of KWAP. The following report summarises the operations of Prima Ekuiti since its commencement of operation in April 2012.

PRIMA EKUITI (UK) LIMITED

Background

30 April 2014 marks the second 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 was set up as part of KWAP's initiatives to develop active management of foreign investments. The objectives of its establishment:

- To be a vehicle for KWAP to invest directly in foreign capital markets and generate optimum returns on its investments
- To complement KWAP's diversification strategy by expanding KWAP's investments and geographical presence beyond the Malaysian market
- To serve KWAP's strategy to develop and attract talent by providing international exposure and experience to staffs



Note: Figures are rounded up to two decimal points

Throughout the year, Prima Ekuiti has successfully increased the market value of its existing UK equity portfolio to GBP252.02 million from KWAP's initial investment of GBP200 million. It had also repatriated approximately of GBP25 million to KWAP since its establishment.

Due to the sterling performance of its UK equity portfolio, Prima Ekuiti expanded its investment coverage and capabilities by setting up a new mandate - Euro equity. Prima Ekuiti Euro equity portfolio was inception on 2 September 2014 with an initial investment of EUR100 million from KWAP.

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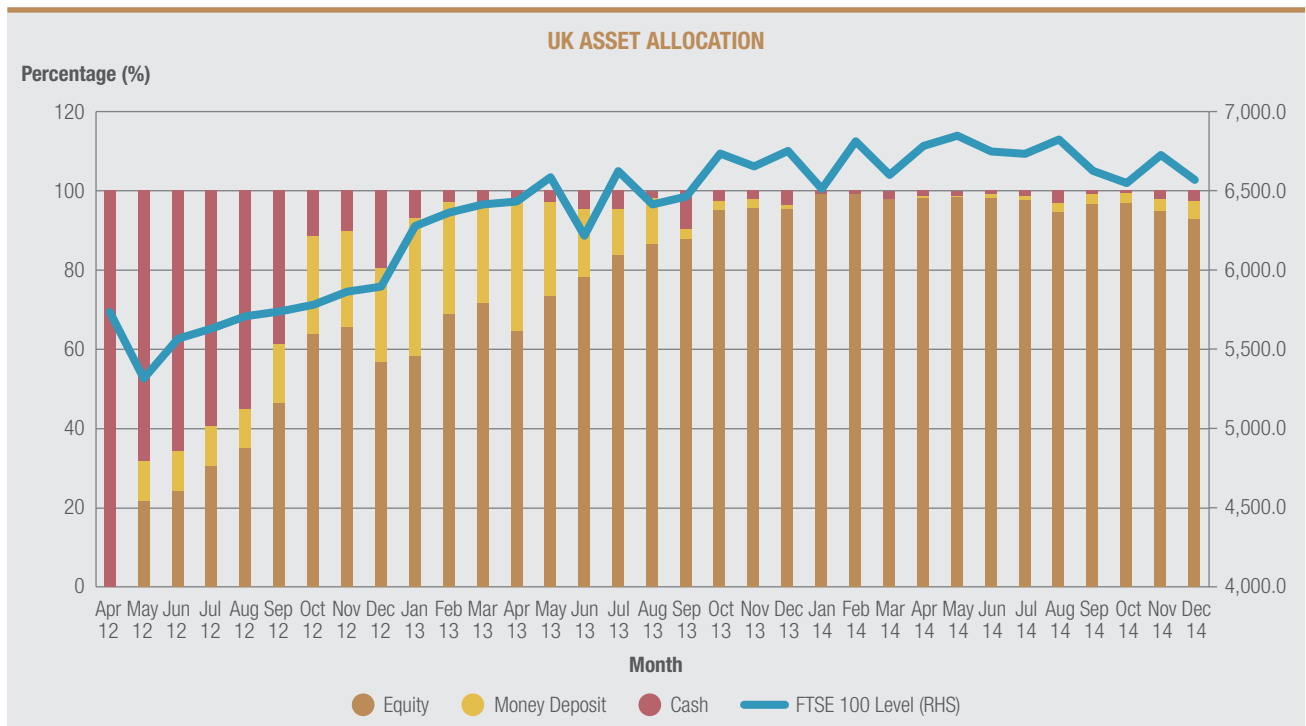
Investment Review

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

Despite a roughly feeble UK market performance, its UK equity portfolio had advanced 6.16% in 2014 to GBP252.02 million, and outperformed its benchmark FTSE100 index by 8.87%. This yearly outperformance was attributed to dynamic sector allocation as well as strategic stocks selection. It is also worth to note that the UK equity portfolio increased by 24.38% since its inception on 2 May 2012, outperforming benchmark by 11.41%. Excluding cash, the equity carve-out portfolio returned 33.19% since 2 May 2012, outperforming benchmark by 20.22%. As at 31 December 2014, its UK equity portfolio's Net Asset Value (NAV) stood at 1.07x, and

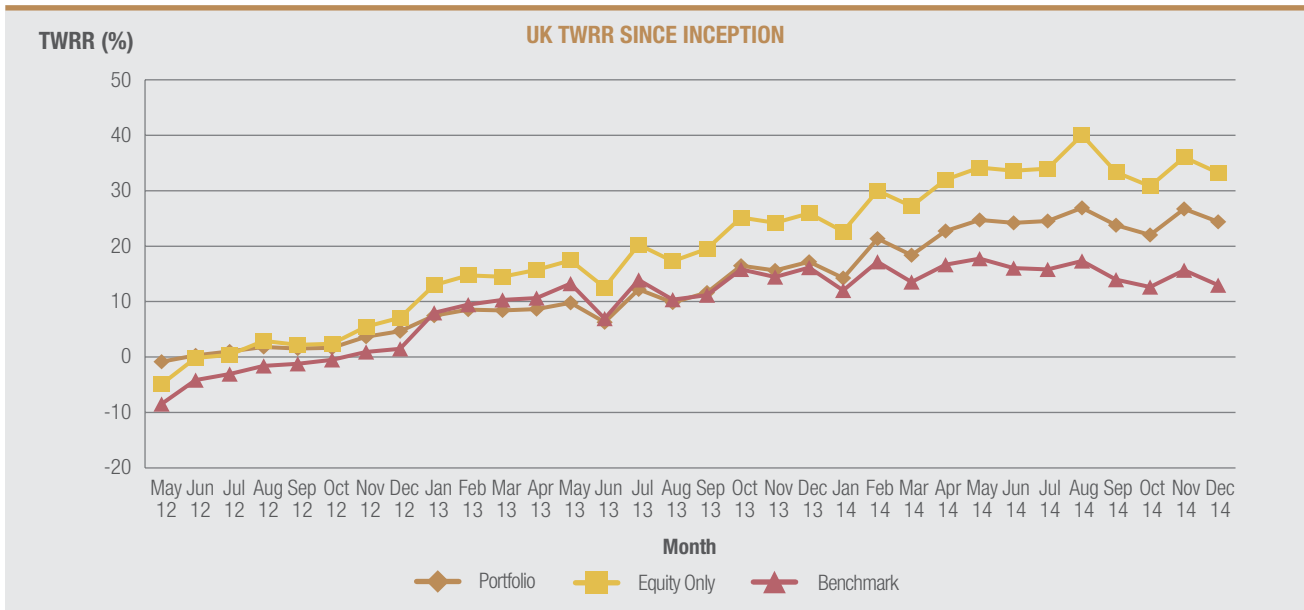
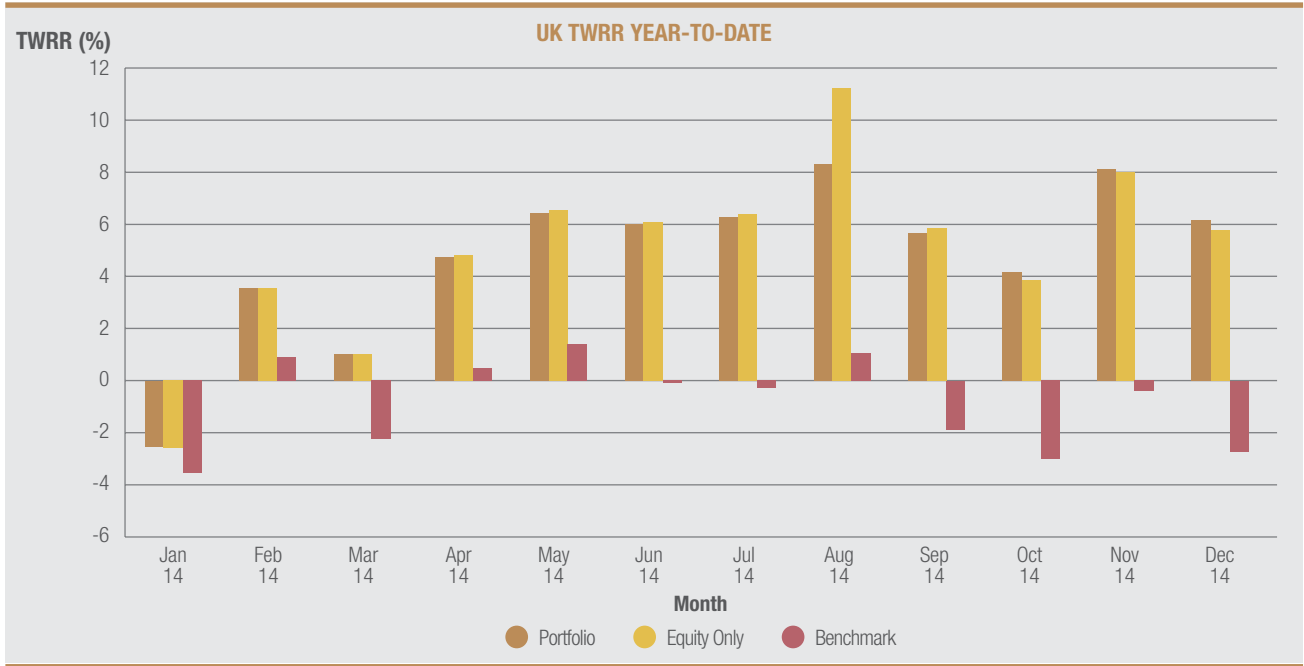
recorded Gross Return on Investment (ROI) of almost 8%, beating benchmark dividend yield of 4% and KWAP's income target of 7%. The UK equity portfolio had an information ratio of 3.12x, indicating that it created more than 3x value for every risk it took.

Meanwhile, its Euro equity portfolio increased by 4.99%, since its inception on 2 September 2014, to EUR105.17 million. The MSCI Euro index, however, returned 0.02% during the period under review, leaving its Euro equity portfolio with an outperformance of 4.97%. Since the portfolio was only incepted on 2 September 2014, no meaningful ROI was registered as the initial focus of the portfolio was on establishing the asset allocation and growing the assets. As at 31 December 2014, the portfolio's NAV stood at 1.05x. The Euro equity portfolio had an information ratio of 1.46x.

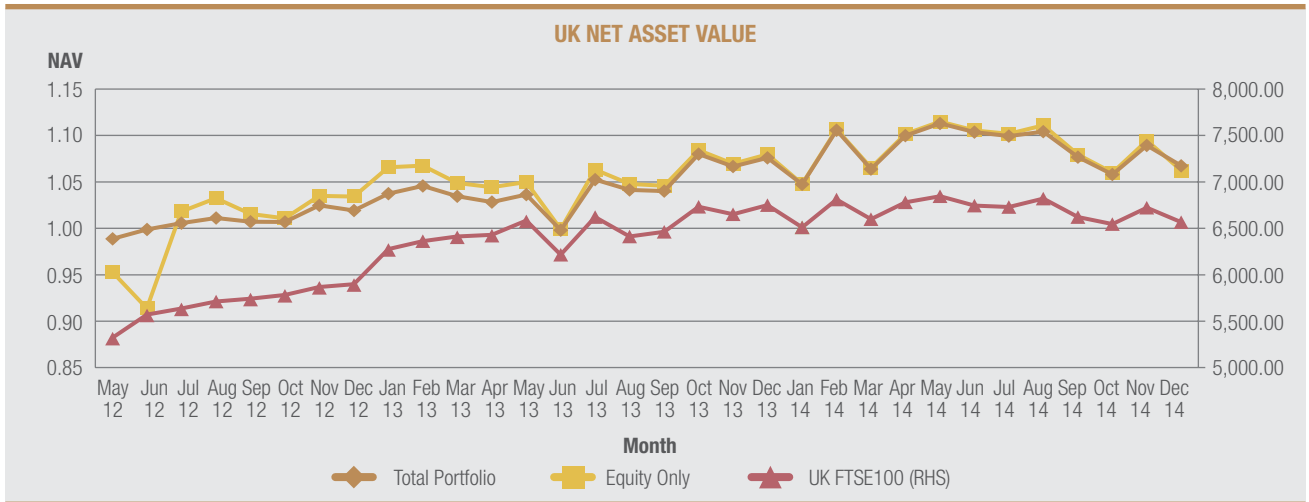
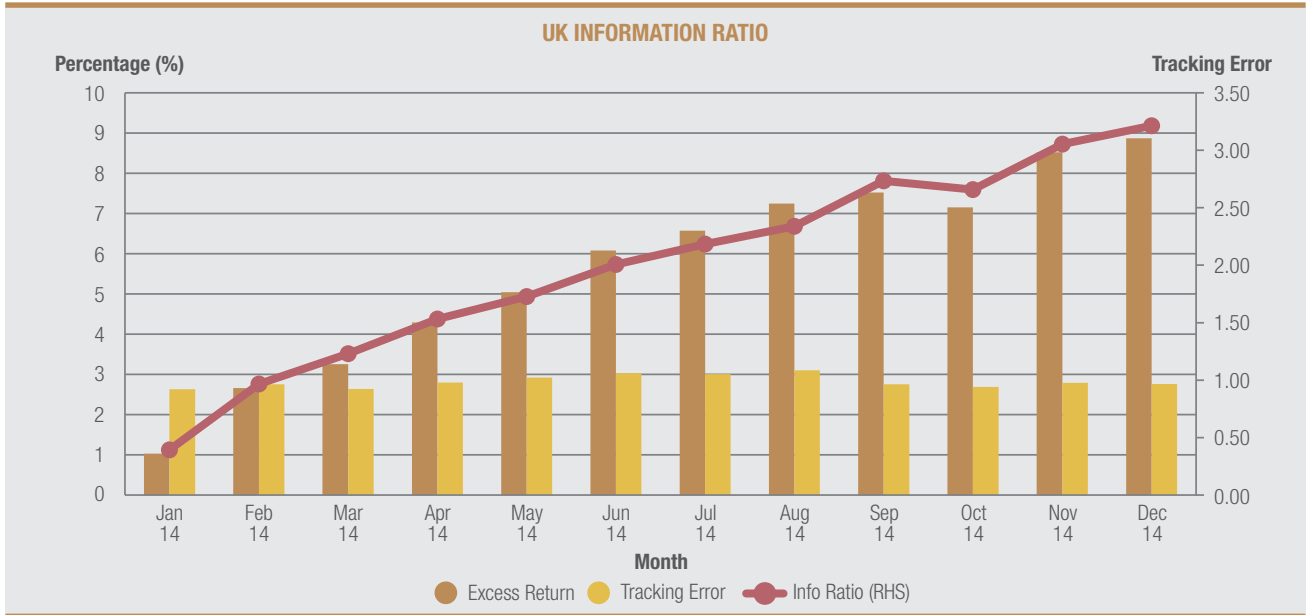


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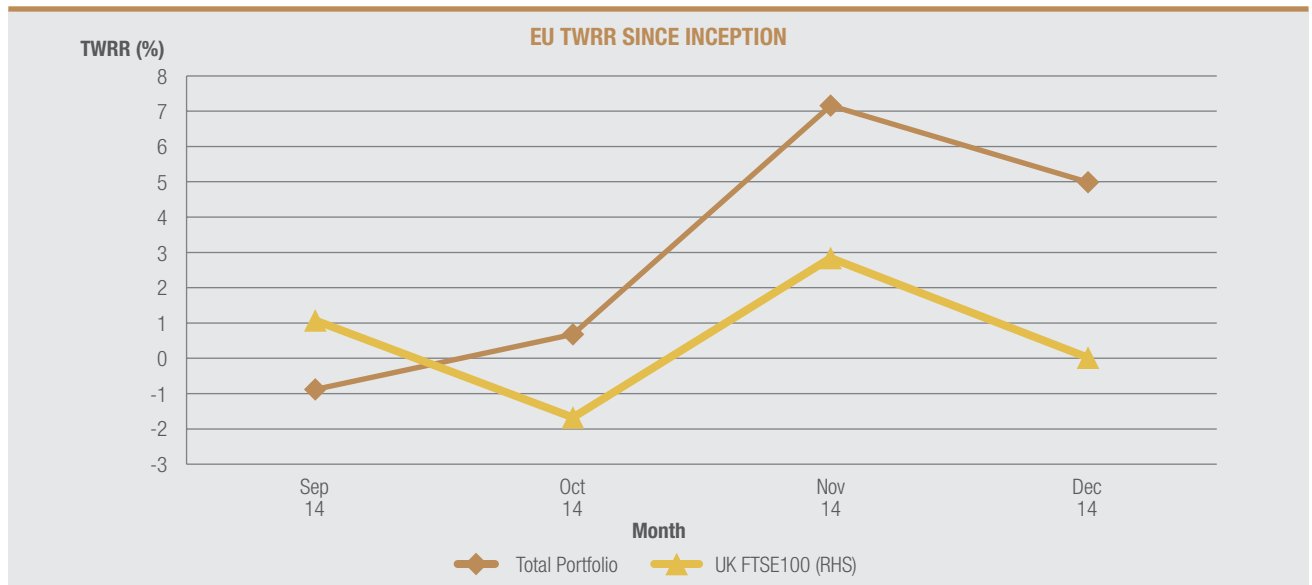
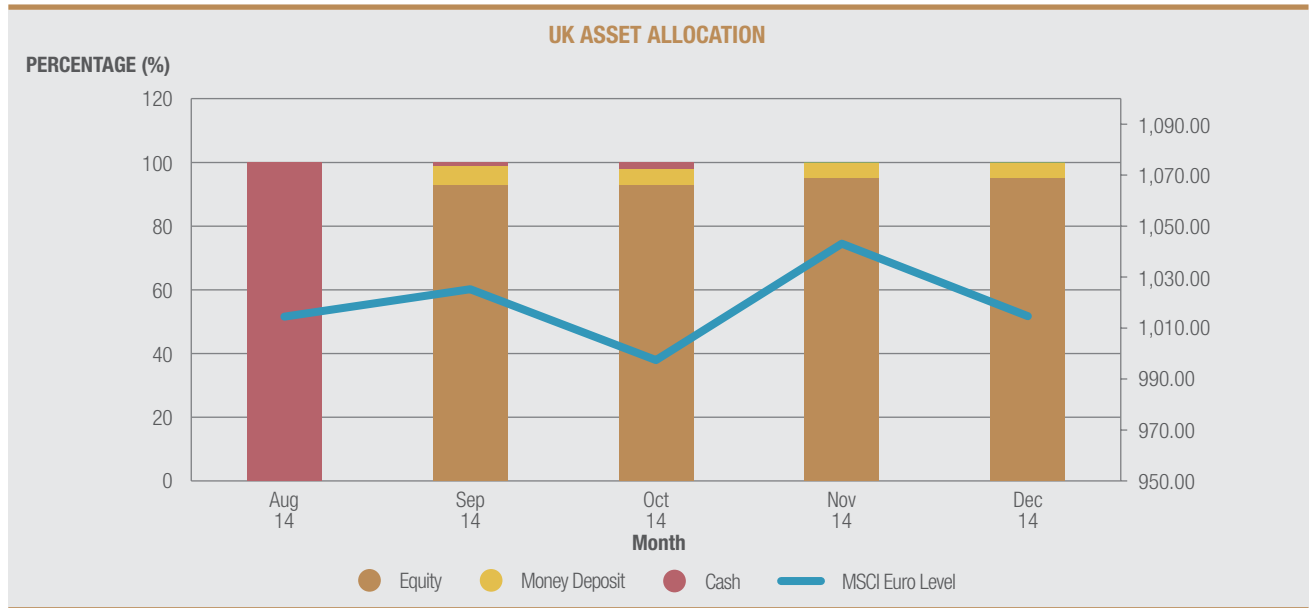


Business Review

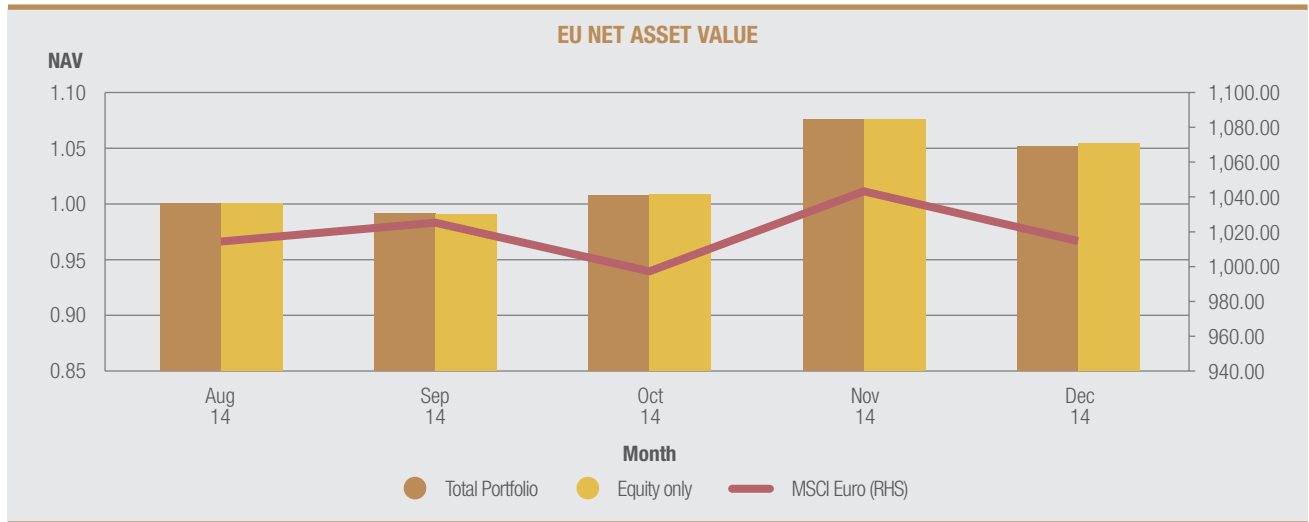
Prima Ekuiti is a wholly-owned subsidiary of KWAP. KWAP's initial investment in the company was made on 6 October 2011 with 2 ordinary shares of GBP1.00 per share, and subsequently increased its investment in the company on 31 January 2012 by 49,998 ordinary shares of GBP1.00 per share. As at 31 December 2014, the total ordinary shares held by KWAP in Prima Ekuiti was 50,000 of GBP1.00/share.

INVESTMENT PERFORMANCE

OUR PERFORMANCE



OUR PERFORMANCE



For the year ended 2014, Prima Ekuiti as a company recorded a turnover of approximately GBP1.52 million, representing an annual increase of 86.8%. The outstanding business performance was due to growing size and stellar performance of investment portfolios under its management. Of the total GBP1.52 million, 68.6% was derived from the management fee whilst the remaining 31.4% came from the performance fee. Profit after taxation totalled GBP480,784, a significant improvement from the preceding year.

Meanwhile, its balance sheet has strengthened with shareholders' funds increasing from GBP440,881 in 2013 to GBP921,664 as at 31 December 2014. Of the total GBP921,664, 56.9% came from retained earnings whilst other reserves and called up share capital made up 37.7% and 5.4% respectively.

Summary of Financials:

Prima Ekuiti	2012	2013	2014
Earnings Per Share (GBP)	0.37	0.50	9.62
Return on Shareholders' Funds	4.42%	5.65%	52.16%

Prima Ekuiti plans to make a clear commitment to pay dividends to its shareholders, KWAP. For 2014, Prima Ekuiti had distributed GBP100,000 (net) in dividends to KWAP.

Looking ahead, it is targeting a high single digit organic growth in assets under management and prudent cash-cost management to ensure sustainability of the company.

To prepare its employees for the growing investment roles and coverage, Prima Ekuiti has constantly ensured that its employees received exposure through international investment conferences and seminars. In 2014, its employees attended Barclays 2014 Investment Series, Citigroup Global Perspective Conference, Credit Suisse Pan European Conference, and JPMorgan Year Ahead Macro Seminar on top of field trips across UK.

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

INVESTMENT PERFORMANCE

International Equity Internal

For the year ended 31 December 2014, KWAP's internally managed international equity investments recorded a total income of RM151.4 million, more than five-fold increase from the total income registered in 2013. 67.6% of the total income was derived from the sales of equity holdings while 32.4% of total income, or RM49 million was gained via dividends received from the invested companies. Overall, the total income received in 2014 translates into a Return on Investment (ROI) of 8.13%, an increase of 676 bps from the previous year.

Moreover, coverage and capacity for international equities continued to strengthen during the year. This is evident that the total exposure of the internally managed international equity investments grew from RM1.61 billion to RM2.31 billion in 2014 as the organisation grew more accustomed and gained greater understanding of the regional economies and international markets. Research capacity in terms of both company-specific and macro-related were enhanced with the addition of new human resources and continued direct exposure to the countries, via regular meetings as well as country and sector visits. Feasibility studies on new international markets, both in developed and emerging economies, were also undertaken to assess potential international expansions, in line with the organisation's investment strategy to diversify its investment exposure.

Global equity markets performed modestly in 2014 with the MSCI All Country World Index, a measure of overall global equity performance, recording a return of 2.1% in 2014 relative to its strong performance of 24.1% in 2013. Overall, performance of global equity markets were mixed as the US market continued its strong performance from previous years. As the US economy exhibited improved economic figures and robust economic growth in 2014, the S&P 500 Index registered a return of 12.4% for the year, recording multiple record highs throughout the year before hitting its highest level a week before year-end. On the other hand, UK and European equity markets registered moderate performance as the FTSE 100 and MSCI Euro Index registered returns of -2.7% and 2.3% respectively amidst continued uncertainty over the economic growth in the European zone.

Overall Asian equity markets also registered weak returns as the MSCI Asia Pacific ex-Japan Index posted a flat return of -0.2% in 2014. Investors' concerns grew over the region, underpinned by China's moderate economic growth, volatile regional currency and risk of capital outflows from the region amidst the Federal Reserve's imminent interest rate hike. There were also mixed performances in the North Asia markets such as Hong Kong, Taiwan and China with Korea underperforming South East Asian equity markets. However, Indonesia, Thailand and Philippines equity markets registered gains in excess of 20% in 2014.

The 2015 outlook for global equity markets is expected to be more constructive amidst an increase in global growth trajectory. The International Monetary Fund is expecting the global economy to grow by 3.5% for 2015, with the US economy leading the global engine growth. Furthermore, equity markets are expected to be supported by continued liquidity injections. Despite the Federal Reserve's expected move to increase its interest rates in 2015, central banks in Europe and Japan have embarked on further liquidity easing to boost inflation and economic activities. Such influx in liquidity in the past has proved to spur growth in financial asset values as well. Moreover, while China's economy is expected to moderate in 2015, its transition towards a more consumer-driven economy should be supportive for a more sustainable growth rate in the future amidst its monetary-easing stance. Although uncertainties remain over the sustainability of European economic recovery and continued volatility in currencies, the overall prospect for the global economy and equity markets remain positive for 2015 on strong economic fundamentals and concerted efforts by authorities to support growth and prevent any downside events.

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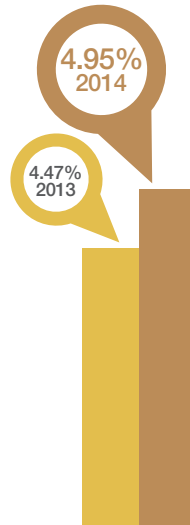
FIXED INCOME

Overall Fixed Income Performance

The year 2014 was challenging yet an eventful year for fixed income market. Market sentiments wobbled as the year featured, ending of bond purchasing under Quantitative Easing Program (QE) in the US, slowdown in China, tumbling crude oil prices, divergence in interest rate policy by central bank, and uneven global economic growth. In addition, sentiments were also rattled with a number of geo-political and political unrest issues to the perilous rise of terrorism which stoked flight to safe-haven bonds. In the latter part of the year, Asia markets saw foreign fund outflows into US Treasuries and US dollar triggered by rising bets that the Fed may start to raise Fed Fund rate in 2015.

On local front, Malaysia Government Securities (MGS) performed well with 10-year MGS yield tightened from 4.15% and dipped to its low at 3.79% in November 2014. After an extended period of strong performance, MGS corrected in the final month of 2014 amid slowdown in domestic market as global crude oil prices plunged. The 10-year MGS yields spiked 4.26% on Dec 16, 2014. Nonetheless, not all was gloom, yields flattened out to 3.98% on the last trading day for year 2014. The earlier uptick in yields had largely been attributed to foreign outflows. Nevertheless, the quantum of outflows was lesser as compared to outflows triggered by taper tantrum of early May 2013 in Asia.

Loan's ROI



Despite the challenging environment, KWAP sailed through this rough market squalls. KWAP's fixed income portfolio performed well in 2014. Overall return on investment (ROI) achieved as at 31 December 2014 was 4.44%, significantly higher than the average 10-year MGS yield of 4.02%. Individually, income for corporate bond as at 31 December 2014 was RM743.89 million with ROI of 5.40%, outperforming Quantshop Corp (Medium) yield by 135 basis points (bps). Government Securities and Quasi Government Bonds' income surged to RM1,120.79 million as compared with RM930.82 million posted in the previous year. Although ROI increased to 4.09% from 3.91% in the previous year, for the MGS section the ROI surpassed the Quantshop MGS All yield by 29 bps.

Performance of domestic external fund manager's ROI was at **4.33%** from 5.37%

Money market's ROI detracted to **2.92%** from 3.06%

Performance of domestic external fund manager's ROI was at 4.33% from 5.37% a year ago, attributed to lack of new issuances, steadier low yielding environment and fewer trading opportunities. International external fund manager's ROI edged a higher to 4.79% from 4.36% amid volatile performance in emerging market local currencies. Loan's ROI gained up to 4.95% from 4.47% in 2013 due to early redemption by borrowers. In nominal terms, it registered RM642.85 million of income from RM524.75 million in 2013. Money market's ROI detracted to 2.92% from 3.06% on increased drawdown during the interim and lower closing balance.

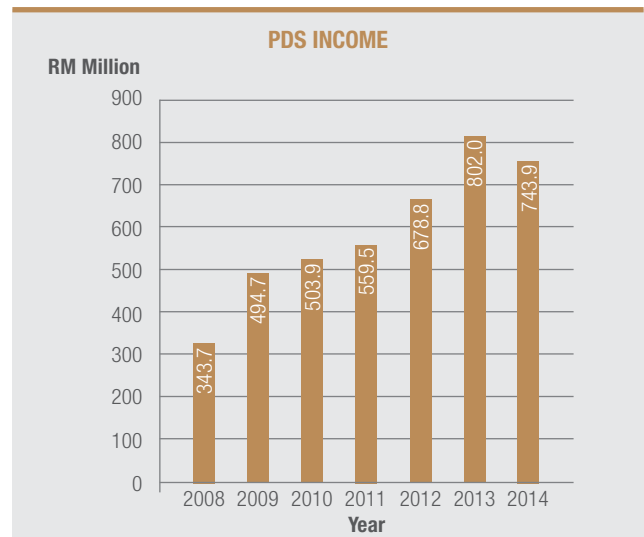
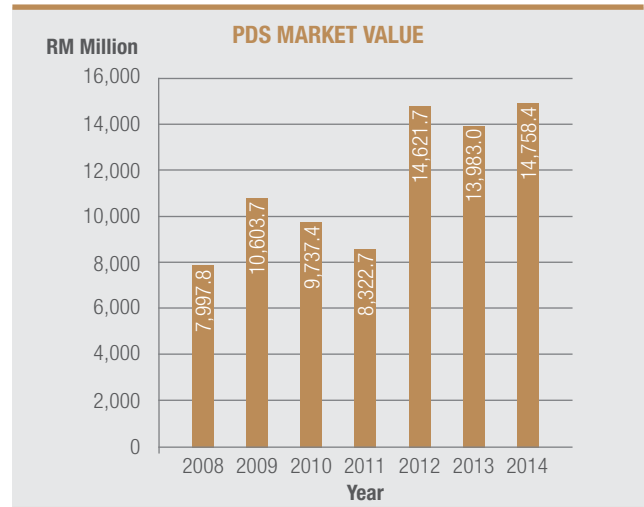
INVESTMENT PERFORMANCE

On products and initiatives, KWAP embarked on the search of active alpha, yield enhancement and greater diversification. During the year, KWAP invested in regional economies under its Asia Fixed Income Mandate with the appointment of a dedicated and skilled fund manager, generating ROI of 3.77% and realised returns amounting to RM5.8 million. KWAP also initiated a study on Shariah compliant fixed income portfolio with the aim to tap and support the fast growing Islamic fund management market. Besides these, the fixed income team also established a trading portfolio to provide better liquidity in the MGS market.

INTERNALLY MANAGED

Private Debt Securities

During the year, activities in the bond market was largely subdued, owing largely on the bearish bond market generally and in particular concerns over the QE tapering effect. The QE tapering started continuously in early 2014 and ended in October 2014. Global economies remained weak especially in Asia and Emerging markets although sentiment was slightly upbeat in Eurozone and in the US economies. Closer to home, Bank Negara Malaysia raised the Overnight Policy Rate (OPR) by 25bps during its Monetary Policy Meeting (MPC) in July 2014 much to the expectation of the market which had already priced in the higher interest rates as early as January. With the hike, investors did not foresee any more rate increase for the year as reflected by the bond rally in the third quarter of 2014. However, yields spiked up at the end of the year on the back of falling oil prices and a weakening Malaysian Ringgit against US Dollar. On the credit space, total issuance of Private Debt Securities (PDS) remained strong, up from RM68.8 billion in 2013 to RM78.8 billion in 2014 largely driven by government guaranteed issuances.

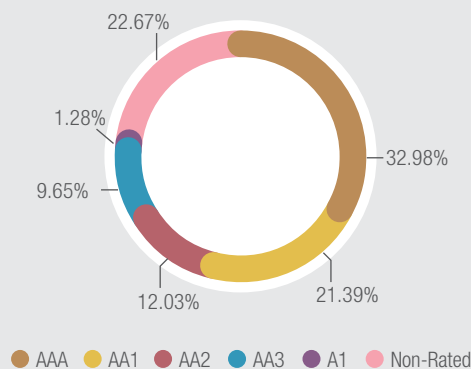


KWAP's credit portfolio holdings at market value in 2014 rose by 5.54% from RM13.98 billion in 2013 to RM14.75 billion. Total amount sold or redeemed in 2014 was RM1.32 billion againsts new purchases of RM2.45 billion. Income in 2014 decreased to RM743 million from RM802 million as the majority of the purchases was transacted towards the end of the year 2014. Capital gains in 2014 was lower at RM15.26 million compared

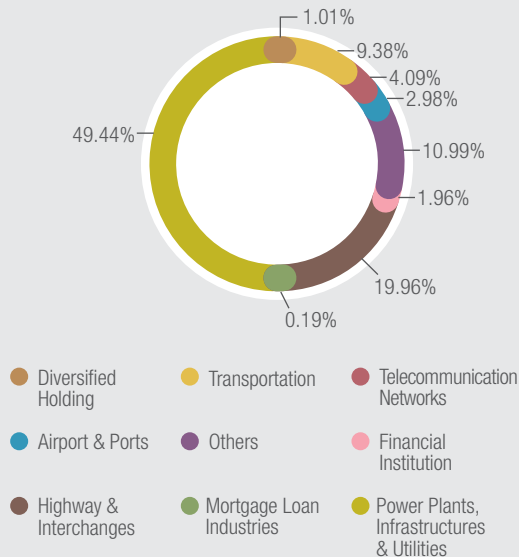
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to RM54.33 million in 2013 as the portfolio was able to sell only RM710 million worth of papers in 2014. ROI slid from 5.72% in 2013 to 5.40% in 2014 as the low interest rate environment persisted throughout 2014.

2014 PDS RATING DISTRIBUTION



2014 PDS SECTOR DISTRIBUTION



Global bonds market remained volatile with divergence in monetary policies. Leading economies such as Eurozone and the US showed slight pickup while developing economies showed signs of weaknesses. These attributes are expected to persist in 2015. On the domestic front, the Gross Domestic Product (GDP) growth was revised from 5.30% to 4.80% on the back of lower oil prices and weakening of Malaysian Ringgit against US Dollar. Overnight Policy Rate (OPR) is expected to remain unchanged for 2015 as inflationary pressures are still contained. New issuance of PDS should be consistent to 2014 figures of RM86 billion with government related project and concessions still taking the lead. Liquidity is to remain flushed in the absence of major outflow to other markets and asset classes. As a result, demand for bonds will continue to outstrip supply, hence pinning down the yields at current levels.

Malaysian Government Securities and Quasi Government Bonds

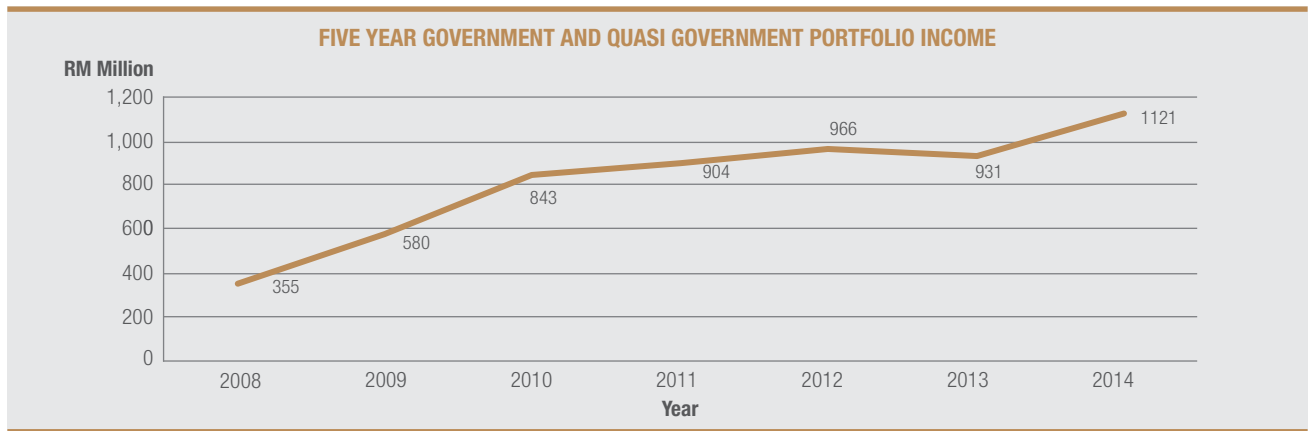
At the beginning of 2014, the markets were expecting rising interest rates following strong US data and the Fed's tapering. However, interest rates did not move in line with such expectation. The 10-year US Treasury yield moved steadily lower and closed 85 basis points lower in the year at 2.17% while touching a low of 1.86%. The world continued to look for safe haven assets while economies of other parts of the world were still struggling to recover.

Similarly, 10 MGS-year started the year at 4.15% yield-to-maturity and eventually went lower throughout the year and dipped to the low in November 2014 at 3.79%. Nonetheless, this strong rally in MGS did not sustain until the end of 2014. Market was surprised by a massive slump in oil prices. Malaysia, as an oil exporter country was badly impacted. As a result, MGS yields spiked 50 bps across the curve and wiped out the whole move throughout the year in a mere duration of two weeks.

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Against this challenging backdrop, the portfolio registered ROI of 4.09% for the financial year with portfolio duration of 6.54 as compared to 2013's ROI of 3.91%. The current ROI outperformed the benchmark, Quantshop MGS All Yield of 3.81% by 28 basis points. The gross investment income as at 31 December 2014 increased by 20.4% to RM1.121 billion as compared to 2013's figure of RM930.8 million. KWAP's total investment in government securities (MGS, GII and Quasi Government Bonds) as at 31 December 2014 stood at RM29.1 billion as compared to RM25.0 billion as at end of 2013.



Loans

KWAP's total investment in loan portfolio as at 31 December 2014 stood at RM11.81 billion as compared to RM13.21 billion as at end of 2013. The following table detailed the KWAP's loan portfolio:

Borrower	2013	2014
Public Authority/Corporation with Government Interest	11,980.59	10,588.48
Corporate Company	1,230.00	1,220.00
Total	13,210.59	11,808.48

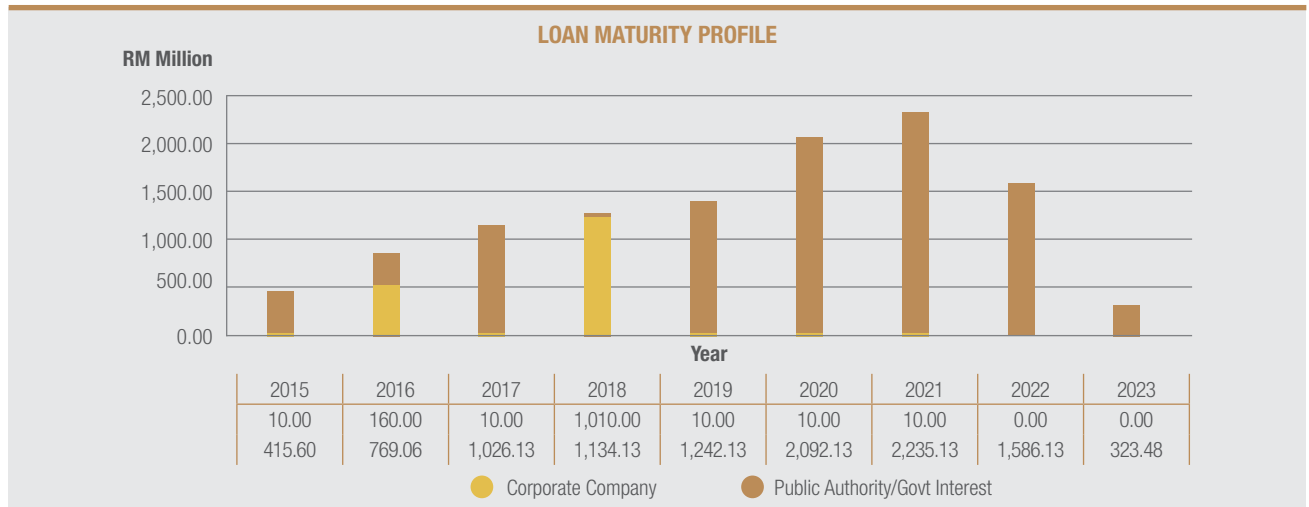
No new loan was disbursed in 2014. Changes in the loan portfolio were attributed to interest capitalisation, repayment and prepayment of loans during the year.

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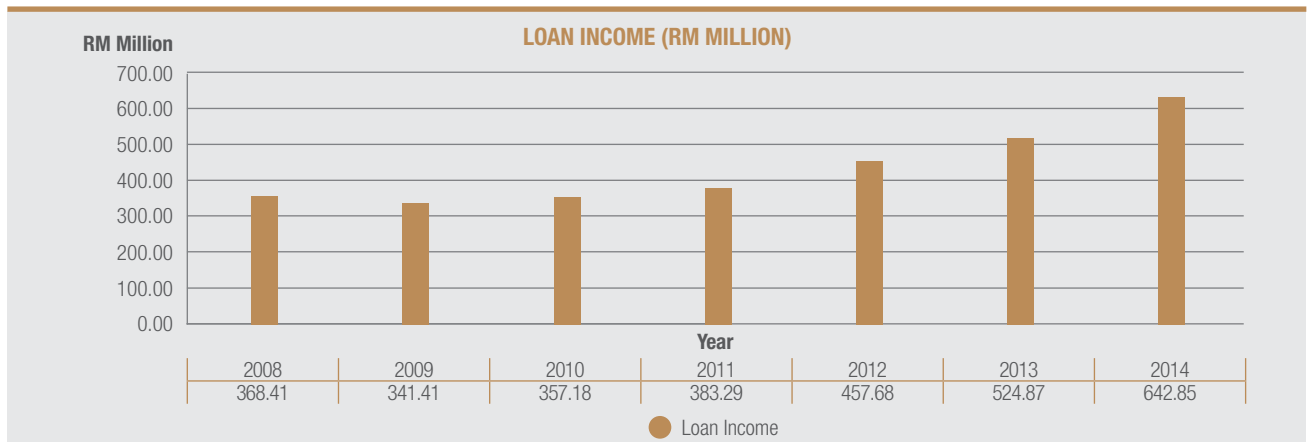
2014 loan holding movements in the fixed income portfolio is as below:

Loans Holding Movement	Amount (RM Million)
Interest Capitalisation	223.84
Capital Repayment	(312.09)
Loan Prepayment	(1,313.87)
Net Movement	(1,402.12)

The chart below indicates KWAP's fixed income loans portfolio's maturity:



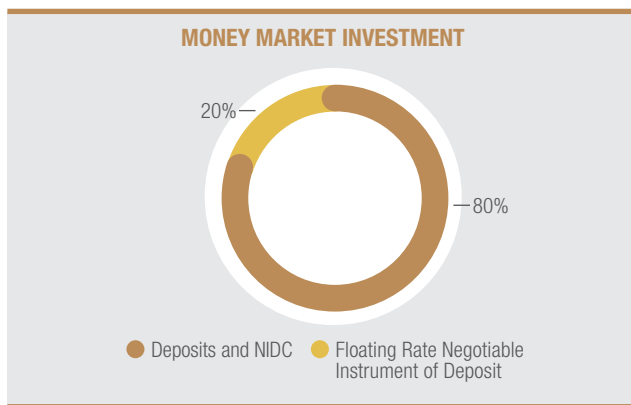
As at 31 December 2014, loan portfolio registered gross income of RM642.85 million from RM524.75 million in 2013 reflective of the loan portfolio's ROI which surged up to 4.95% as compared with 4.47% a year ago:



INVESTMENT PERFORMANCE

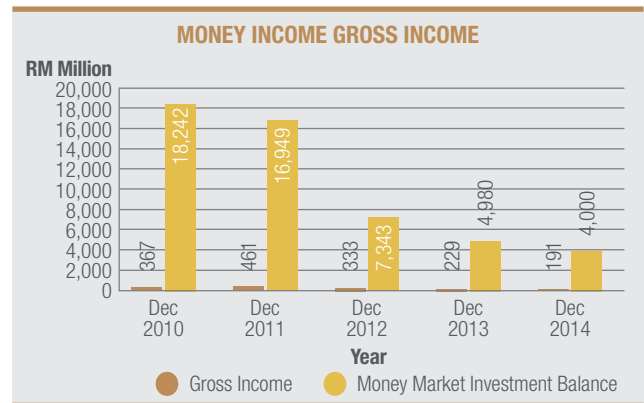
Money Market

Total money market investments balance stood at RM4.0 billion as at 31 December 2014, down by 18% from RM4.9 billion held at the beginning of the year. The tenor ranges between overnight to five (5) years. The following is the breakdown of money market investment as at 31 December 2014:



The money market investment cash balances accounted for 4.54% of KWAP's total fund size, maintaining sufficient cash holdings for daily operational requirement and drawdown for other asset class investments.

The gross income generated from the money market investment in 2014 was RM192.4 million, approximately 16.4% lower compared to RM229.3 million received in 2013. This was attributed to the lower money market investment balance of RM5.0 billion in early 2014 as compared to RM7.2 billion in early 2013. The lower gross income was also attributed to the higher cash utilisation of SAA for investments in other asset classes. The next diagram displays the money market performance:



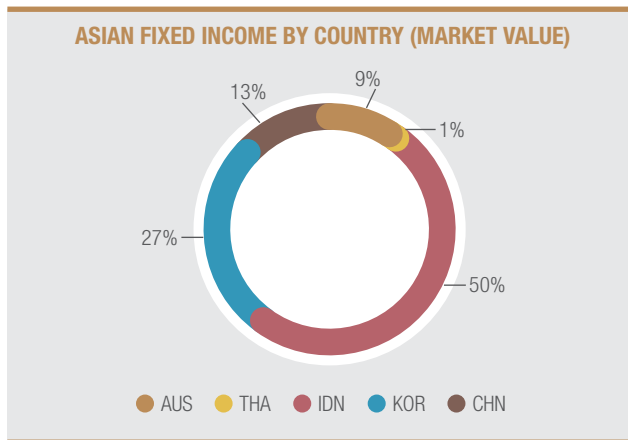
International

For the year ended 31 December 2014, KWAP's internally managed fixed income investment recorded a total income of RM61.47 million, which translates into ROI of 4.85%.

During the year, KWAP embarked on a new mandate to invest into South Korea, Indonesia, Thailand, China, Hong Kong and Australia in hard and local currency. This mandate is part of Fixed Income Department's initiative to spearhead KWAP's foray into direct international investment in the region. As at 31 December 2014, KWAP invested RM307.52 million under the said mandate. This Asian Fixed Income (AFI) portfolio has recorded year to date Time Weighed Rate of Return (TWRR) of 3.46% which outperformed its benchmark by 232 basis points.

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In addition, KWAP's holdings of Malaysia government bonds denominated in US Dollars as 31 December 2014 amounted to RM1.29 billion. The combined Malaysia government bonds and AFI portfolios, internally managed fixed income assets invested offshore stood at 2.55% as compared to 2013 at 1.7% of KWAP's fund size at market value. The breakdown is as shown in the next chart:

**EXTERNAL FUND MANAGERS**

As at 31 December 2014, total outsourced funds managed by the external fund managers (EFM) stood at RM3.43 billion at cost, which accounted for 3.10% of overall KWAP fund size. In terms of geographical exposure, 68% of the externally-managed assets was invested in the domestic bond market and the remaining 32% invested globally by the EFMs. The diagram below refers:

As part of the ongoing initiative to diversify external manager's portfolio return and investment strategies, Request for Proposal (RFP) process was conducted for two mandates, Global Sukuk Mandate and Domestic Sukuk Mandate which saw the participation of domestic and international sukuk fund managers. Based on the evaluations made, two (2) new managers were approved to manage Global Sukuk portfolios and three (3) managers were approved to manage Domestic Sukuk portfolios.

Domestic EFM

As at 31 December 2014, total domestic fixed income funds managed by EFMs increased 48% to RM2.32 billion from RM1.57 billion a year ago. The amount accounted for 3.67% of overall fixed income investments. Domestic EFMs recorded an aggregate realised income of RM87.58 million representing an average ROI of 4.3%.

List of Domestic External Fund Managers as at 31 December 2014

DOMESTIC	Fund Inception
CIMB-Principal Asset Management Berhad	2006
AmlInvestment Services Bhd	2007
Affin Hwang Asset Management Berhad	2011
Amundi Malaysia Sdn. Bhd.	2012
Maybank Islamic Asset Management Sdn. Bhd.	2014
Nomura Islamic Asset Management Sdn. Bhd.	2014
RHB Islamic International Asset Management Berhad	2014

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As part of KWAP's monitoring process, performance reviews were regularly made with all EFMs and on-site visits were conducted periodically at their respective offices. Throughout the year, twenty-two (22) quarterly meetings, three (3) annual visits, two (2) compliance visits and three (3) due diligence audits were conducted to observe their compliance with relevant internal control procedures and best business practice with regard to day-to-day trading activities as well as middle and back office operations.

International EFM

In terms of the international investments, EFM investment exposure surged to USD350.0 million, an increase of 75% from USD200.0 million previously. Combined with internally-managed bond portfolios, offshore fixed income investment accounted for 2.55% of KWAP's fund size at market value as at 31 December 2014. The final target of SAA limit for international fixed income is set at 5.0% by end of 2017.

As at 31 December 2014, international external fixed income fund managers registered an aggregate realised income of USD13.17 million to an ROI of 4.11%.

List of International External Fund Managers as at 31 December 2014

INTERNATIONAL	Fund Inception
CIMB-Principal Islamic Asset Management Sdn. Bhd.	2011
Amlslamic Fund Management Sdn. Bhd.	2011
PIMCO Asia Pte Ltd	2011
BNP Paribas Investment Partners Najmah Malaysia Sdn. Bhd.	2014
Franklin Templeton GSC Asset Management Sdn. Bhd.	2014

As part of its monitoring process, KWAP held several discussions with regards to investment related or operational matters which included on-site visits to fund manager's premises to ensure their adherence to the terms of contract as well as to understand their business best practices. Regular tele-conference discussions were also conducted to gain latest investment review and outlook from their perspectives. Portfolio performance reviews were constantly held on a quarterly basis to ensure their performance targets were met. Throughout the year, eighteen (18) quarterly meetings, two (2) annual visits and two (2) due diligence audits were conducted to observe their compliance with relevant internal control procedures.

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ALTERNATIVE INVESTMENT

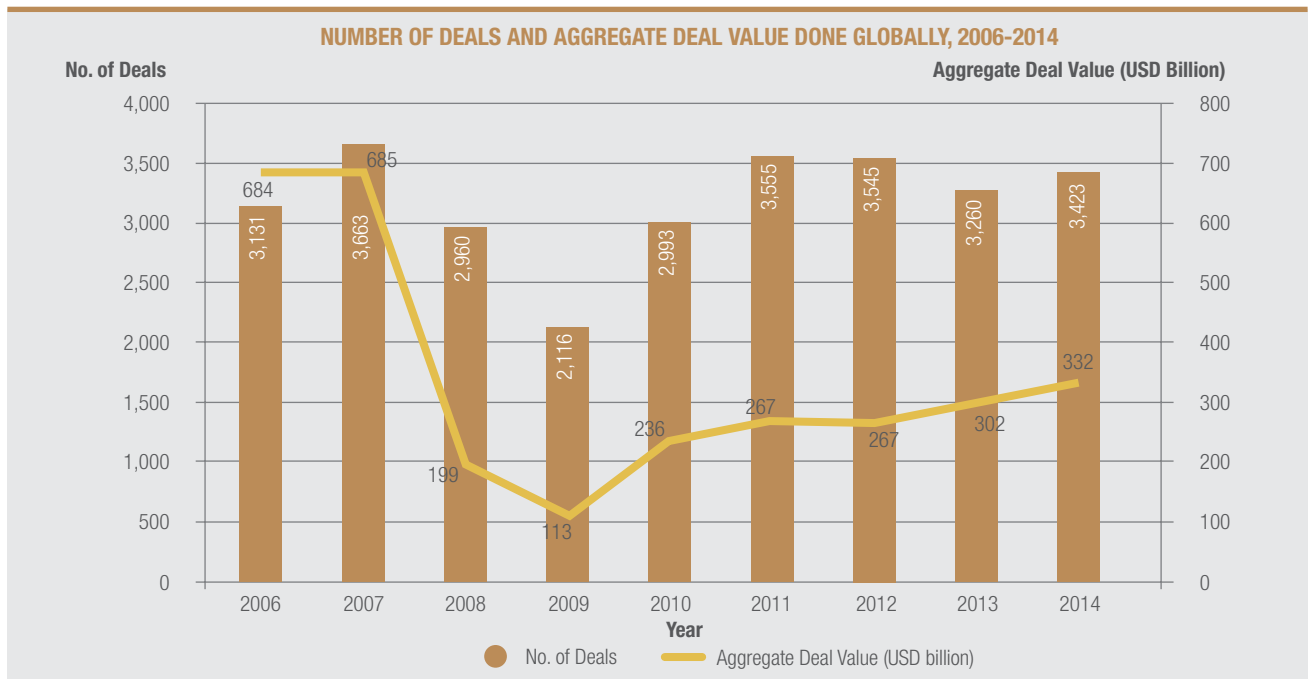
a. Private Equity Review

i. Private Equity Overview

Global private equity fundraising continued its increase driven largely by the growth in investor commitments to the US, Asia-Pacific and Emerging Market's private equity funds. Investment pace in Europe continued its steady recovery while the US and Asia-Pacific gained further traction.

2014 also saw the turnaround of the venture capital which saw returns outperforming other private equity strategies, a level not seen since the height of the dot.com boom. Most of the investments into venture capital were poured into early stage or seed financing, which accounted for nearly a fifth of investments in this asset class. Increases in the investments were mostly seen in Business to Business (B2B) companies, in particular information technology sector with fund raising in 2014 at its highest level since 2007. The main reason confidence was back in Venture was due to the large exits and strong realised performance for many recent venture funds. Among notable deals in this segment was the acquisition of WhatsApp by Facebook valued at USD19.7 billion and Alibaba's Initial Public Offering (IPO) which raised USD21.8 billion.

Other trends spotted in private equity for 2014 include the continued steady rise of public pension funds investing in private equity. According to Preqin, about 7% of Assets Under Management (AUM) were allocated by pension funds into investments in private equity compared to 6.2% in 2010.



Source: Preqin

INVESTMENT PERFORMANCE

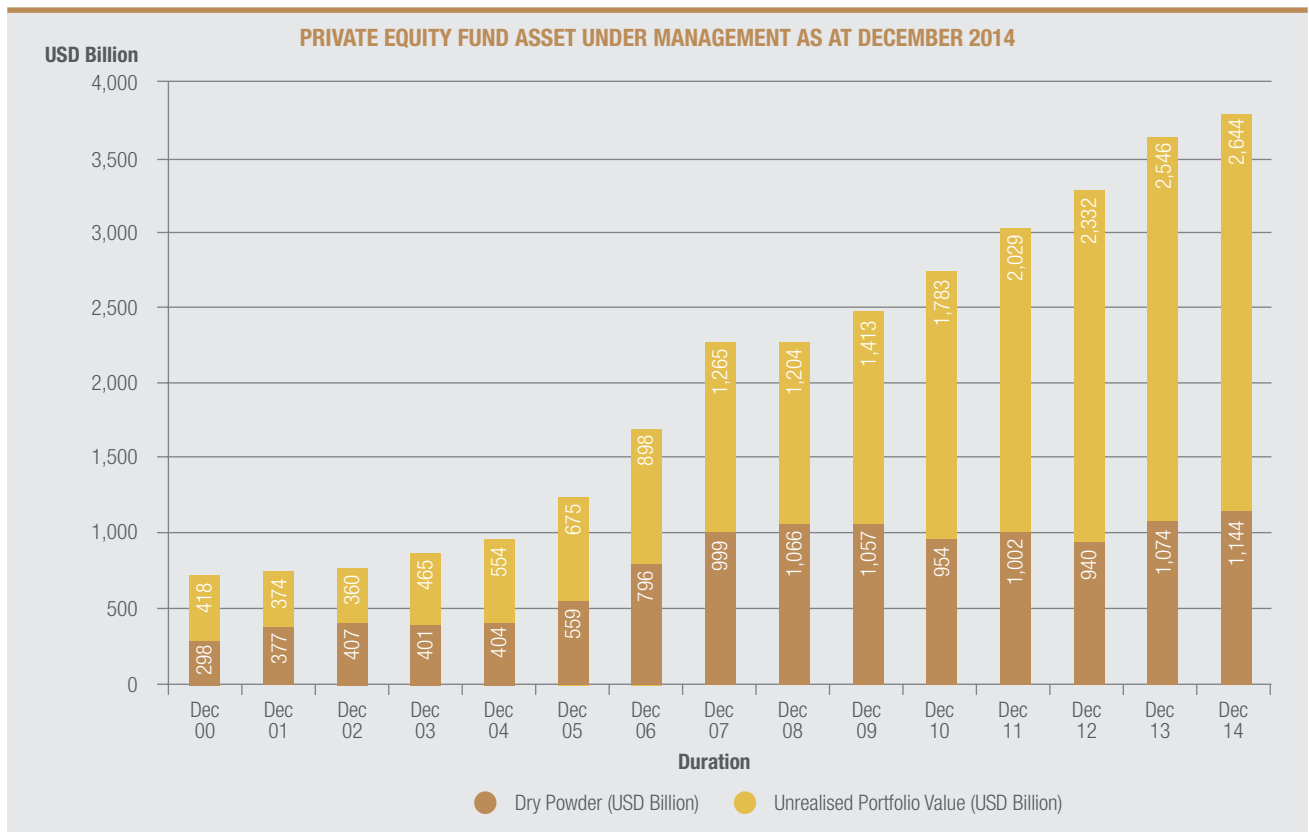
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Fundraising and Dry Powder in PE

The amount of dry powder recorded in 2014 continued to climb 7% higher than the previous year's levels, which is an increase of over USD128.0 million of dry powder in December 2013. This amount combined with an increase in the unrealised value of portfolio assets equated to an Asset Under Management (AUM) totaling over USD3.8 trillion.

North America accounts for the majority of total funds raised at 57%, followed by Europe at 24%, Asia at 13% and rest of world at 6%. This pattern was not surprising given the varying levels of maturity of the industry across these regions. With the asset class gaining prominence in regions such as Asia, it is likely that these emerging areas will become an increasingly important part of the private equity and venture capital universe.

2014 also saw the continued trend of increasing dry powder which will undoubtedly heighten competition for deals. This will not only make it harder for the GPs to find attractive deals but will also push valuation higher and we would possibly see overall returns negatively impacted.



Source: Preqin

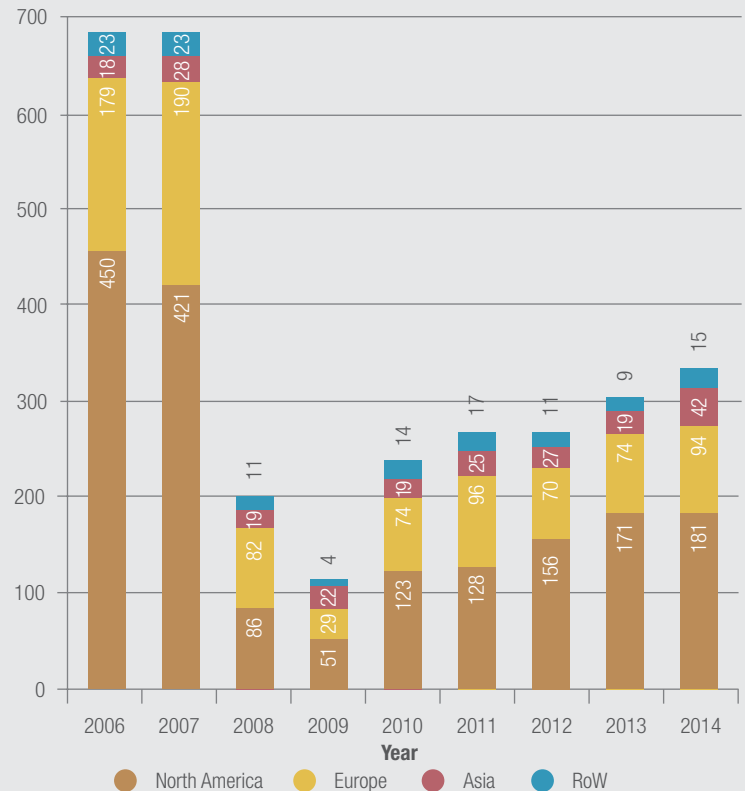
OUR PERFORMANCE

Regional Outlook

North America continued to be the strongest region for private equity activities, where aggregate value of deals increased to USD181.0 billion in 2014 compared to USD171.0 billion in 2013. Investment pace in the US improved after a slow start in 2014, which was supported by continued strength in corporate merger and acquisition (M&A) activity. Energy funds supported by the outlook of continued consumption in the US as part of an overall outlook on the US economic expansion, topped the buyout segment which was the strongest it had been since recent history. The closing of Hellman & Friedman Capital Partners VIII at USD10.9 billion marked the largest fund raised in 2014.

In Europe, the story continued to be somewhat subdued. Until recently, private equity investment's confidence in Europe was impacted by the slowdown in economic growth, high unemployment rate and political upheaval in certain countries pursuant to the sovereign debt crisis of 2009. A positive shift in the region was detected in 2014, which has increased activity in the region particularly in Western Europe and the Nordic countries with fundraising activities increasing by 45% and 41% respectively with funds raised concentrating in the small and mid-cap space.

The number of transactions for non-bank lenders also increased by 109%, as reported Deloitte's Alternative Lender Deal Tracker. The UK led the highest source of deals at 48%, followed by France at 25% and Germany at 12%. Factors such as changing investor appetite in a low-yield environment and improving economic activity in the UK and US economies were the reason for the boost in this activity. The European credit scene had also gained substantial involvement from SMEs as they provided easier and cheaper access to lending compared to government banks in Europe. Emergence of big credit funds from big players such as the KKR Direct Lending Fund and Carval Credit Value Fund was also seen in this market. Among notable deals in Europe in 2014 include the largest exit of the year by KKR on the sale of its remaining stakes in Alliance Boots to Walgreen Co for EUR11.0 billion and the acquisition of Lindorff by Nordic Capital for EUR2.3 billion.

AGGREGATE VALUE OF PE-BACKED DEALS BY REGION FROM 2006 TO 2013**Aggregate Deal Value (USD Billion)**

Source: Preqin

INVESTMENT PERFORMANCE

Asia-Pacific in 2014 had shown a stellar performance in the private equity space which saw the world's largest ever IPO in the third quarter by Alibaba which was backed by a consortium of private equity investors. The IPO raised a whopping USD21.8 billion and commanded a market capitalisation of USD170.0 billion. The heightened IPO activities were seen largely due to China lifting its moratorium on listings.

Fundraising was also strong in the region, with buyout funds increasing by more than 42% compared to 2013 with USD14.4 billion raised. This trend supported the increasing number of Asian fund managers that were involved in the buyout segment. Amongst the largest buyout funds raised include the USD3.9 billion closed by Carlyle Asia IV Fund. Growth funds which had traditionally seen tremendous jump over the years, softened in 2014 with a slight improvement of just over 2% from last year at USD28.9 billion led by USD1.7 billion fund by Morgan Stanley and USD970 million fund by Orchid Asia.

Another area which enjoyed the investment momentum was the energy sector in Southeast Asia which saw Blackstone investing USD800 million in Tamarind Energy. Meanwhile, a consortium of investors including RRJ Management poured USD5.0 billion into Sinopec Marketing, a subsidiary of China Petroleum & Chemical Corporation. The jury is still out on the traction of these commitments as oil prices took a swan-dive towards the tail-end of 2014.

ii. Infrastructure Overview

The US had benefited from the shale revolution, and most of the opportunities in the US were related to the energy sector, which in turn benefited the manufacturing sector due to lower energy costs in 2014. Outside of energy however, the US continued to lag other developed markets in the transport, water and waste sectors.

The UK, Canada and Australia continued to be viewed as the best markets from a regulatory standpoint. Australia, in particular, is anticipated to generate very significant deal flows due to the large privatisations expected to take place over the next few years. There is a voracious demand for large, trophy assets within the infrastructure space, such as Port of Newcastle, Australia by a consortium led by Hastings and Queensland motorways by the Transurban Consortium as it was deemed by investors to be a safe market for infrastructure investments.

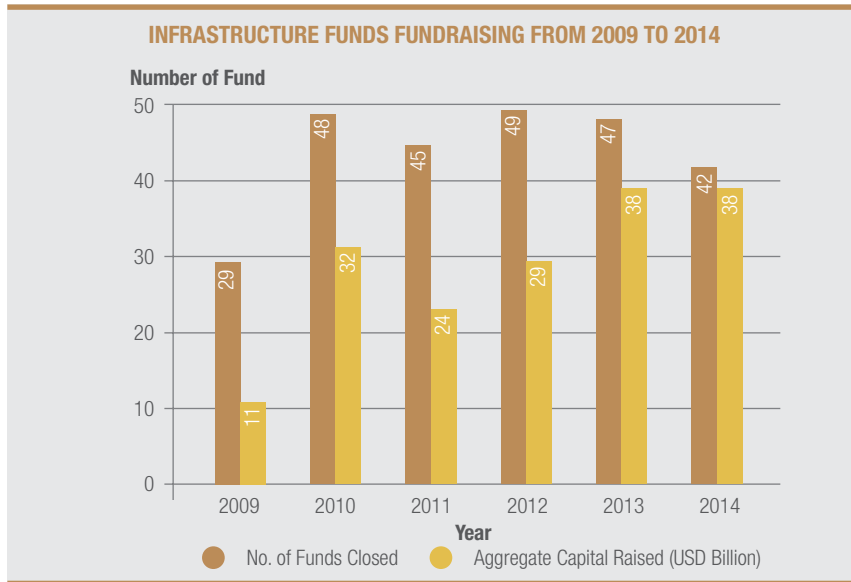
Europe overall, continued to struggle in 2014 and structural challenges remained across Europe. While regulation in Europe is generally clear and favourable, the last few years have seen rising political risks associated with infrastructure investments. Nonetheless, we believe that selective opportunities still exist in Europe.

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 should be adequately offset by higher potential returns. Asia's general lack of breadth and depth of infra-specific managers compared to Organisation for Economic Cooperation and Development (OECD) countries primarily due to infra projects being funded traditionally through government balance sheet and the lack of demand for infra funds due to risks and complexity involved in the region coupled with extremely diverse geography and culture.

Fundraising and Dry Powder in Infrastructure

Overall, 2014 saw 42 infrastructure funds reach a final close, raising USD38.0 billion, the same amount raised in 2013. Infrastructure funds raised over the last three years now hold an unprecedented amount of dry powder.

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Source: Preqin

Regional Outlook

Seen in 2014, availability of dry powder in this space will continue to spur high valuations and increase M&A activities. According to data tracker PitchBook, 2014 saw private equity funds invest nearly USD1.0 trillion over 5,305 deals, the highest total since 2007 and have approximately USD750.0 billion cash on hold to spend.

Current high valuations are forcing a greater confluence for creative transactions structuring and buy-and-build strategies to create and build potential value in 2015. We expect managers to invest in more complex transactions to source for more reasonable assets and counter high prices.

The energy sector is an emerging area of opportunity brought about by the significant sell-off in oil prices. With the squeeze of available credits from traditional lenders, private market investment opportunities will broaden across the energy sector to include rescue financing, acquiring assets from stressed energy companies and financial restructuring of those assets.

b. Asset Allocation

As at 31 December 2014, KWAP has invested in twenty-two (22) private equity funds and maintains three (3) direct private equity investments. KWAP's total private equity investment amounted to RM2.86 billion or 2.59% of KWAP's total fund size and is within the approved 3.0% Strategic Asset Allocation (SAA). This represented a growth of nearly 44.0% of investments compared to 2013.

i. Private Equity Fund Investments

For 2014, KWAP continued to concentrate its efforts on Private Equity funds portfolio diversification which focuses on geographical and also fund strategy. A total of six (6) new private equity funds were approved for investment in 2014.

2014 saw KWAP making its first Secondaries fund investment into Strategic Partners VI (SPVI). KWAP continued its exposure into infrastructure funds via investments in iSquared Capital Global Infrastructure (ISQ) and Blackstone Energy Partners II (BEP II). KWAP also made investments into Creador II and TAEI II, Asian region funds with strong exposure in Malaysia.

In December 2014, an additional investment was approved by KWAP's Investment Panel for an investment into Equis Asia Fund II, which focuses on the energy and infrastructure investments in the Asian region.

ii. Direct Private Equity Investments

As at 31 December 2014, one (1) new direct investment was made into Munchy Food Industries Sdn. Bhd. (Malaysia's No. 1 wafer biscuit maker), bringing the total number of Direct Private Equity Investments by KWAP to three (3). This is KWAP's first co-investment alongside a private equity fund.

c. Income

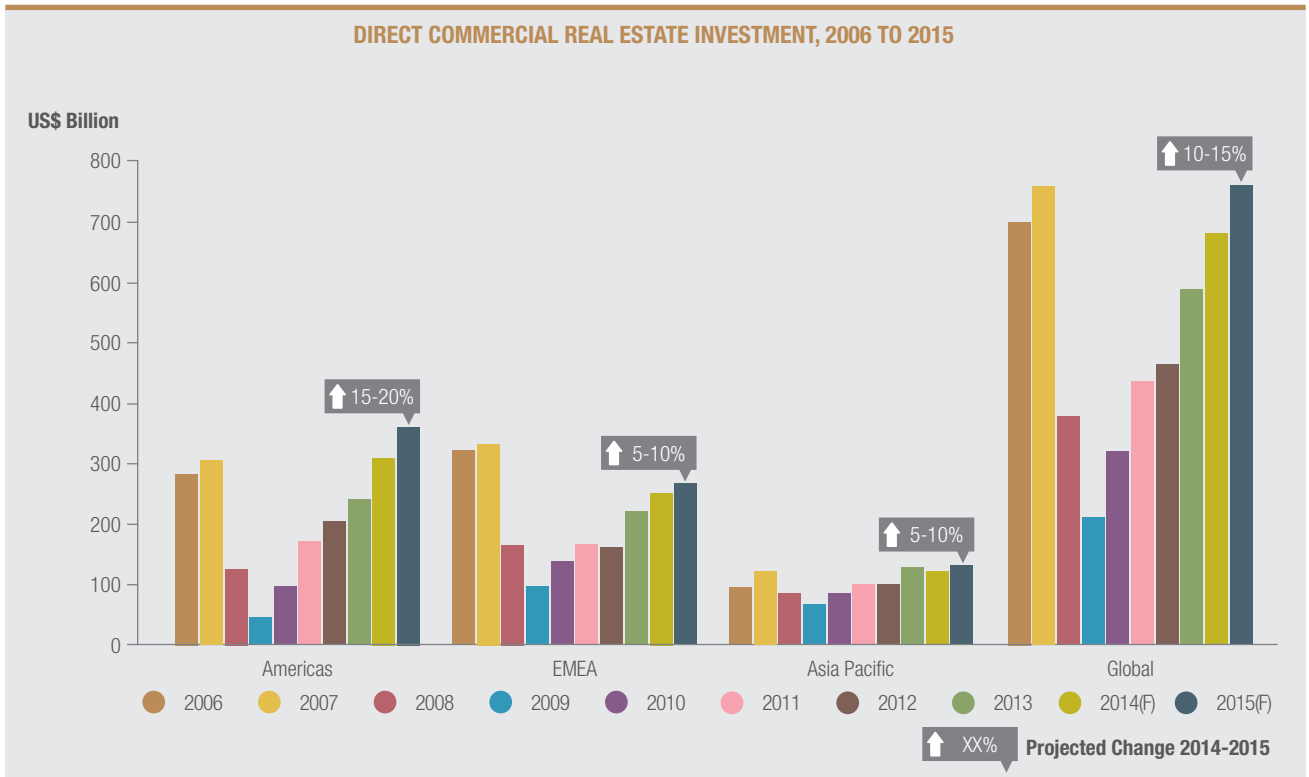
As at 31 December 2014, private equity investments generated a total income of RM930.06 million with ROI of 97.45%.

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Property Market Review

Global

Direct commercial real estate investment has recorded approximately USD468 billion transaction volumes in the third quarter of 2014 or 24% higher on year to date basis compared to the same period of 2013. Total full year investment for 2014 is expected to exceed USD700 billion. Strong performers of established major markets in third quarter of 2014 were USA at USD71.0 billion, UK at USD25.1 billion and Germany at USD10.3 billion. Investment activity in Europe for 2014 is expected to exceed USD164 billion recorded in 2013, driven by its three largest markets UK, France and Germany¹. London with approximately over USD27 billion of investment is a city which recorded the highest direct commercial investment, followed by New York USD26 billion and Tokyo USD19 billion.

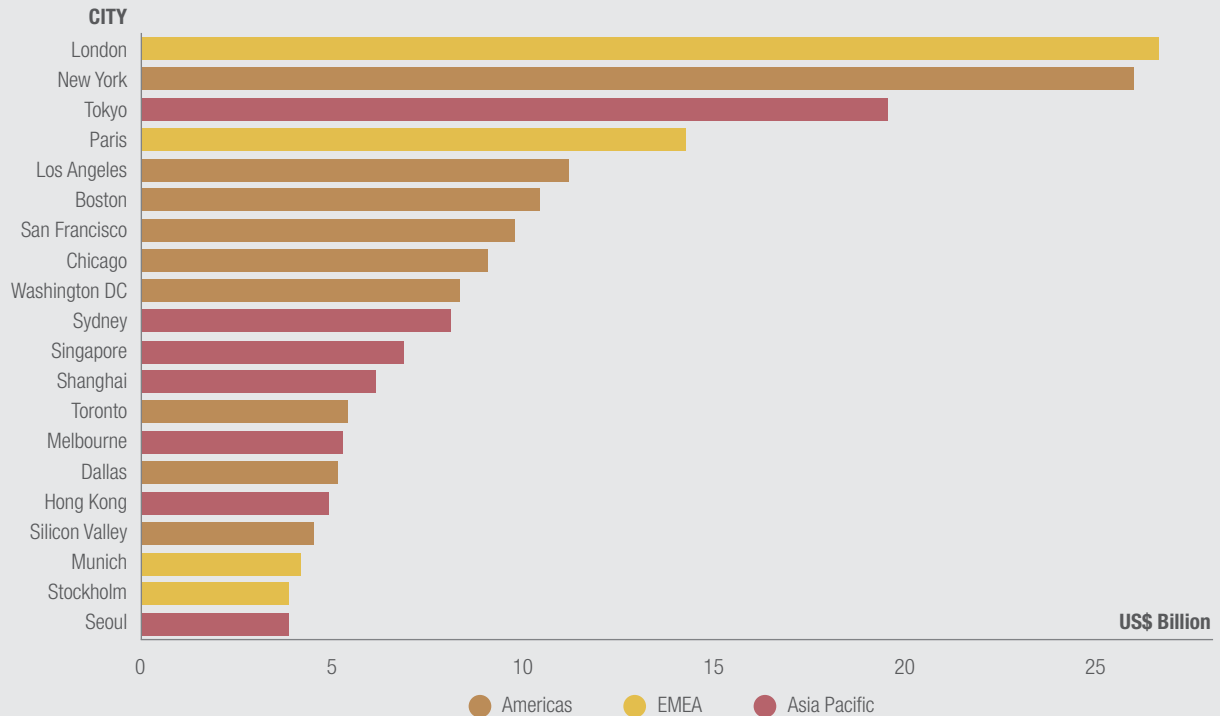


Source: Jones Lang LaSalle, October 2014

¹ Jones Lang LaSalle Global Market Perspective fourth quarter of 2014

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DIRECT COMMERCIAL REAL ESTATE INVESTMENT - VOLUME IN TOP 20 CITIES, YEAR-TO-DATE 2014



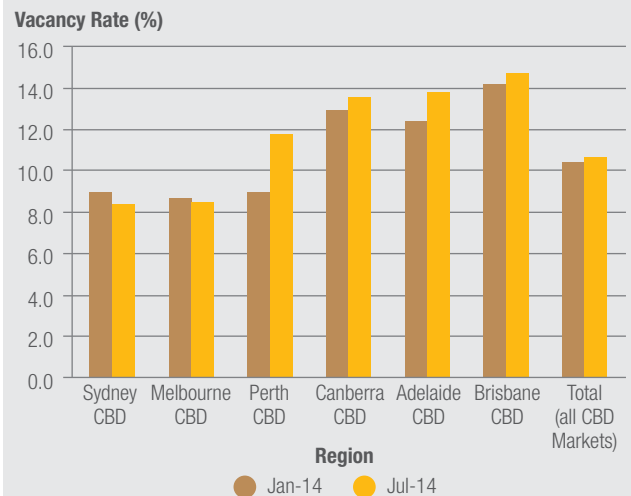
Australia

Australian CBD offices saw an increase in vacancy rate from 10.4% in January 2014 to 10.7% in July 2014. Top performer was Sydney with 23,083 sqm absorption of office space in July 2014 with vacancy rate at 8.4%. Melbourne trailed behind with 8.5% vacancy rate and 29,291 sqm of absorption. However, Brisbane's vacancy rate increased to 14.7% in July 2014 with absorption at -9,431 sqm. The rising demand for Sydney and Melbourne shows that the non-mining sector is picking up. The overall increase in the vacancy rate was due to a weaker demand for office space in Brisbane and Perth in line with slowing activity in the mining sector and falling resource prices². Commercial office accounted for 56% of investment activities in 2014 with foreign investment amounted to AUD12.6 billion or 39% of total investment³ as per chart.

² Australian Property Council Office Market Report July 2014

³ DTZ Research Investment Market Update Australia fourth quarter of 2014

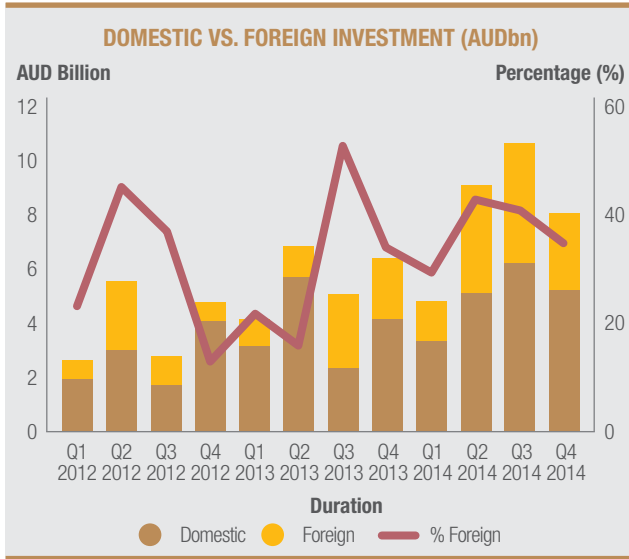
AUSTRALIAN CBD VACANCY RATE



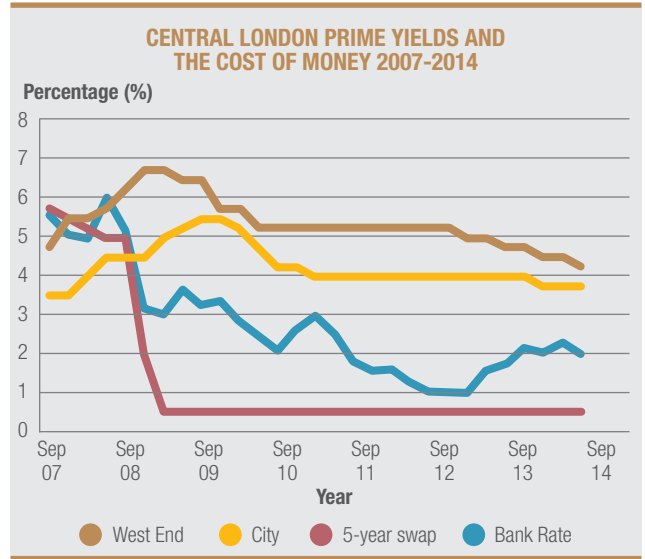
Source: Property Council of Australia

INVESTMENT PERFORMANCE

OUR PERFORMANCE



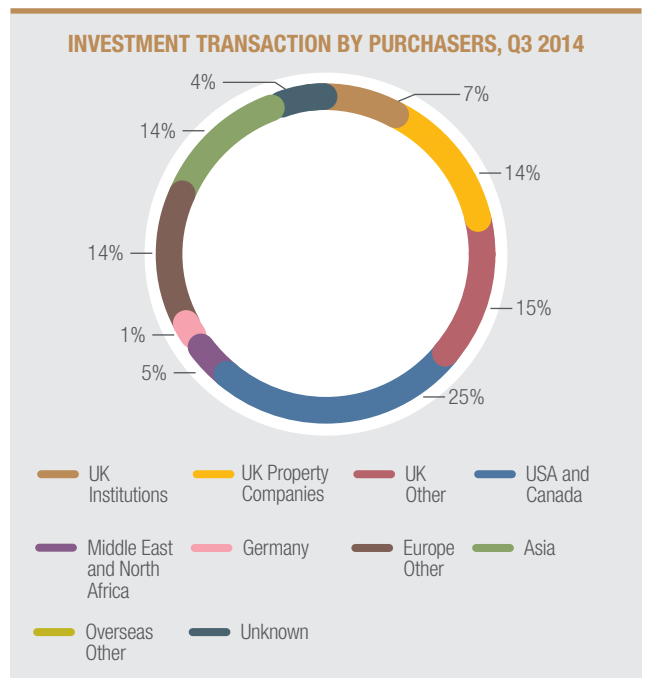
Source: DTZ Research



Source: Jones Lang LaSalle/Datastream

UK

The overall UK office vacancy rates stood at 10.4%, a reduction of 150 basis points year on year; the lowest level recorded since fourth quarter 2008⁴. The average prime office yield in Central London submarkets of City in third quarter of 2014 was at 4.25%, their lowest since 2007 while West End remained stable at 3.75% as per chart. Central London recorded stronger investment volume of £4.3 billion in third quarter of 2014 as compared to the combined first quarter and second quarter 2014 of £5.6 billion. Total investment volume for the year 2014 is estimated to reach £15 billion⁵. Central London continued to attract overseas demand due to its position as a well-established transparent and liquid market. As at third quarter of 2014, international investors accounted 60% of transaction volume in Central London, where USA and Canada investors were the most prominent, accounting for 25% of the total⁶.



Source: CBRE

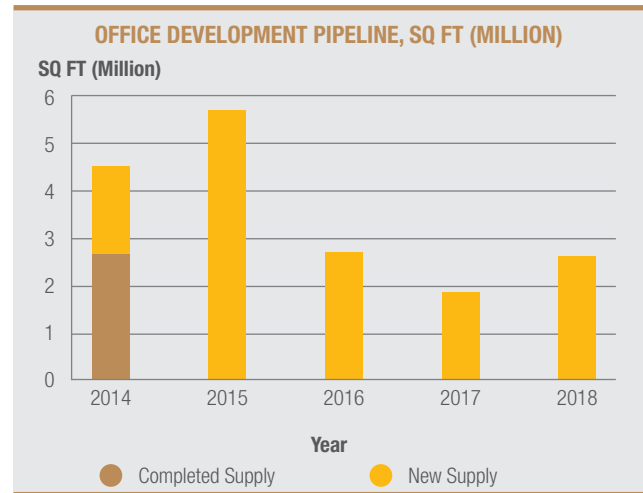
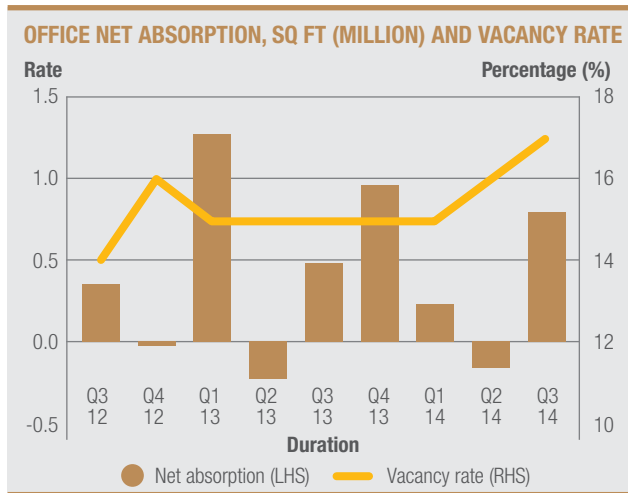
Note: Figures are rounded up to two decimal points.

⁴ Jones Lang LaSalle UK Office Market Outlook first half of 2014
⁵ Jones Lang LaSalle The Central London Market third quarter of 2014
⁶ CBRE Research Central London Property Market Review third quarter of 2014

OUR PERFORMANCE

Malaysia

Office buildings in Kuala Lumpur recorded an average vacancy rate of approximately 17% in the third quarter of 2014. This was despite a significant increase in the year to date net absorption rate to 797,900 sq ft in the third quarter from -164,100 sq ft in the second quarter, as this increase in net absorption (net take up) was offset by additional supply. Supply in the third quarter of 2014 increased by 2 million sq ft as four separate buildings were completed during the third quarter of 2014. Rents dropped from an average of RM6.13 psf in second quarter of 2014 to RM5.98 psf in the third quarter of 2014. With substantial pipeline of supply of approximately 14.7 sq ft from the fourth quarter of 2014 to 2018, rents are expected to be under pressure. Average capital value increased marginally from RM838 per sq ft in the first quarter 2013 to RM850 psf in the first quarter 2014.



Performance

As at 31 December 2014, KWAP's total investment in international property was RM5,503.20 million or 4.98% of KWAP's total fund size.

Utilisation of the fund for investment in property are as follows:

ASSET TYPE	UK	AUSTRALIA
Office	10 Gresham Street, London	737 Bourke Street, Melbourne
	88 Wood Street, London	20 Bridge Street, Sydney
		179 Turbot Street, Brisbane
		747 Collins Street, Melbourne
Shopping centre	Intu Uxbridge, London	
Logistics		1 Griffin Crescent, Brisbane
		133 Lenore Drive, Sydney

As at 31 December 2014, the 9 properties generated a net cash income of RM196.07 million. The annualised net yield for the Australian assets for 2014 were above 6.0% while the annualised net yield for the UK asset was at 5.1%.

CONTRIBUTION MANAGEMENT



One of KWAP's major 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.

Md Saffi Bin Nadzir, Director Of Contribution Department

As stipulated by the Act, contributing employers comprising statutory bodies, local authorities and agencies are required to remit pension contributions to KWAP for their employees who have been granted with pensionable status by the Public Service Department (PSD). Apart from employers' contribution, KWAP also receive government's portion from agencies namely Employees Provident Fund (EPF), Armed Forces Fund Board (LTAT), Public Service Department (PSD) among others.

In 2014, KWAP received a total collection of RM4.37 billion comprising Federal Government's contribution of RM1.5 billion, employers' contribution of RM1.02 billion and receipts of government's portion of RM1.85 billion.

EMPLOYERS' CONTRIBUTION

Total employers' contribution in 2014 is RM1.02 billion.

Breakdown of employer's contribution:

CATEGORIES OF EMPLOYER	RM (Million)
Statutory Bodies	821.14
Local Authorities	194.91
Agencies	4.88

OUR PERFORMANCE

RECEIPTS OF GOVERNMENT'S PORTION

In 2014, KWAP received a total of RM1.85 billion from receipts of government's portion remitted by Employees Provident Fund (EPF), Armed Forces Fund Board (LTAT), Public Service Department (PSD) and others.

GOVERNMENT AGENCIES	RM (Million)
Employees Provident Fund	1,224.78
Armed Forces Fund Board	562.92
Public Service Department & others	61.71

Statistic of Contributing Employers and Members

As at 31 December 2014, KWAP recorded a total of 503 contributing employers with 171,528 members.

The 5-year breakdown of Contributing Employers is as follows:

EMPLOYERS	2010	2011	2012	2013	2014
Statutory Bodies	176	181	184	194	195
Local Authorities	148	149	149	149	150
Agencies	244	271	280	162	158
Total	568	601	613	505	503

The 5-year breakdown of KWAP Members is as follows:

EMPLOYERS	2010	2011	2012	2013	2014
Statutory Bodies	90,789	96,881	106,278	116,641	124,163
Local Authorities	34,924	36,349	38,798	43,325	46,637
Agencies	671	825	779	594	728
Total	126,384	134,055	145,855	160,560	171,528

CONTRIBUTION MANAGEMENT

OUR PERFORMANCE

TOP 20 CONTRIBUTORS FOR 2014

NO.	EMPLOYERS	RM (MILLION)
1.	Universiti Teknologi MARA	119.93
2.	Majlis Amanah Rakyat	63.66
3.	Universiti Kebangsaan Malaysia	52.77
4.	Universiti Teknologi Malaysia	42.03
5.	Universiti Putra Malaysia	36.36
6.	Dewan Bandaraya Kuala Lumpur	34.05
7.	Universiti Malaya	31.69
8.	Hospital Universiti Sains Malaysia	27.48
9.	Universiti Sains Malaysia	25.58
10.	Pihak Berkuasa Kemajuan Pekebun Kecil Perusahaan Getah	20.99
11.	Universiti Utara Malaysia	20.79
12.	Pusat Perubatan Universiti Malaya	20.10
13.	Lembaga Kemajuan Tanah Persekutuan (Felda)	15.83
14.	Lembaga Pertubuhan Peladang Kuala Lumpur	15.45
15.	Institut Penyelidikan Dan Kemajuan Pertanian Malaysia	15.29
16.	Universiti Tun Hussein Onn Malaysia	14.15
17.	Universiti Pendidikan Sultan Idris	12.60
18.	Universiti Teknikal Malaysia Melaka	11.97
19.	Lembaga Pemasaran Pertanian Malaysia	11.96
20.	Universiti Malaysia Sarawak	11.53

OUR PERFORMANCE

NEW REGISTERED EMPLOYERS 2014

A total of twenty seven (27) new employers were registered with KWAP, comprising four (4) statutory bodies, two (2) local authorities and twenty-one (21) agencies with details as follows:

NO.	EMPLOYERS	CATEGORY	REGISTRATION DATE
1.	Kementerian Kemajuan Tanah Sarawak	Agency	10 January 2014
2.	UiTM Private Education Sdn. Bhd.	Agency	23 January 2014
3.	Rapid Bus Sdn. Bhd.	Agency	11 February 2014
4.	Yayasan Pembangunan Ekonomi Islam Malaysia (YAPEIM)	Agency	3 March 2014
5.	Lembaga Sumber Air Negeri Kedah	Statutory Body	17 March 2014
6.	Johor Corporation	Agency	19 March 2014
7.	Kementerian Belia Dan Sukan	Agency	26 March 2014
8.	Perak Halal Corporation Sdn. Bhd.	Agency	26 March 2014
9.	UCSI Education Sdn. Bhd.	Agency	31 March 2014
10.	Yayasan Islam Perlis	Statutory Body	31 March 2014
11.	Gapmata Sajjan Sdn. Bhd.	Agency	18 April 2014
12.	Terengganu Integrity & Strategic Studies Institute	Agency	24 April 2014
13.	National Institutes Of Biotechnology Malaysia	Statutory Body	28 April 2014
14.	Majlis Daerah Putatan	Local Authority	20 May 2014
15.	Suruhanjaya Integriti Agensi Penguatkuasaan	Statutory Body	29 May 2014
16.	Kolej Universiti Islam Perlis	Agency	10 June 2014
17.	Radicare (M) Sdn. Bhd.	Agency	11 June 2014
18.	PKNS Real Estate Sdn. Bhd.	Agency	14 July 2014
19.	Koperasi Belia Masyarakat Melaka Berhad	Agency	16 July 2014
20.	Solid Essence Sdn. Bhd.	Agency	22 July 2014

CONTRIBUTION MANAGEMENT

OUR PERFORMANCE

NO.	EMPLOYERS	CATEGORY	REGISTRATION DATE
21.	Warisan Harta Sabah Sdn. Bhd.	Agency	7 August 2014
22.	Marina Putrajaya Sdn. Bhd.	Agency	18 August 2014
23.	Menteri Besar Incorporated	Agency	12 September 2014
24.	Eduspec Holdings Berhad	Agency	5 November 2014
25.	Majlis Daerah Semporna	Local Authority	7 November 2014
26.	Terengganu Incorporated Sdn. Bhd.	Agency	27 November 2014
27.	MKM Global Holdings Sdn. Bhd.	Agency	8 December 2014

REFUND

As part of operational activities, we also approved various types of refund applications payable to Employees Provident Fund (EPF), Public Service Department (PSD), employers and individuals. In the year 2014, a total of 4,797 refund applications were approved amounting to RM14.65 million.

The 5-year breakdown of refund cases is as follows:

YEAR	2010	2011	2012	2013	2014
Total application	4,087	4,801	3,725	4,830	4,797
RM (million)	11.26	13.20	9.39	11.60	14.65

INTEGRATED CONTRIBUTION MANAGEMENT SYSTEM (ICMS)

After the successful launch and implementation of the Integrated Contribution Management System (ICMS) in 2013, the system has replaced majority of Contribution Department's manual operational functions and as a result has improved performance marketly. A system enhancement was successfully implemented to the ICMS to include Electronic Fund Transfer (EFT) as a payment option in line with Bank Negara Malaysia's regulation to impose cheque processing fee of RM0.50 for every cheque issued with effect from January 2015.

OUR PERFORMANCE

MINI WORKSHOPS FOR ICMS PORTAL

Committed to ensure accuracy and integrity of contributor's data, nine (9) mini workshops for ICMS were conducted throughout the year. The objective of these workshops were focused on training employers to familiarise with the ICMS Portal which allows contribution data via online submission by contributing employers. The sessions were opened to all employers, however, priority was given to new employers registered in 2014. Number of participants for every mini workshop session was limited to a maximum of eight (8) participants to ensure the success rate is maximised through hands-on training and learning experience and using the ICMS Portal.

Mini Workshops for ICMS Portal in 2014:

NO.	EMPLOYERS	NO. OF PARTICIPANTS
1.	Lembaga Pertubuhan Peladang (2 sessions)	16
2.	Dewan Bahasa Dan Pustaka	3
3.	Lembaga Perumahan Melaka	3
4.	Yayasan Pelajaran Johor	3
5.	Perbadanan Muzium Negeri Kelantan	4
6.	Majlis Bandaraya Petaling Jaya	3
7.	Perbadanan Islam Johor	3
8.	Suruhanjaya Integriti Agensi Penguatkuasaan	4
9.	Majlis Perbandaran Seremban	2
10.	Majlis Daerah Dabong	2
11.	Majlis Daerah Jeli	2
12.	Majlis Daerah Pasir Mas	3
13.	Majlis Daerah Kuala Krai	2
14.	Majlis Daerah Bachok	3
15.	Perbadanan Kemajuan Negeri Melaka	2
16.	Lembaga Pembangunan Industri dan Pembinaan (CIDB)	3

CONTRIBUTION MANAGEMENT

OUR PERFORMANCE

REMITTANCE OF PENSION CONTRIBUTIONS VIA EFT/TT

The remittance of pension contribution via Electronic Fund Transfer (EFT) and Telegraphic Transfer (TT) was first introduced to employers in 2013 to increase the efficiency of contribution collection. Among the benefits of remittance via EFT are reduction in administrative costs, increased efficiency and tighter security.

The initiative of encouraging employers to remit pension contribution via EFT continued throughout 2014 where a campaign was launched and carried out in May 2014. The response received from the employers were very encouraging as it expedites their remittance of contribution process. As a result, 145 employers or 29% of the total employers have started using the EFT and TT payment method totalling of RM203.12 million payments received throughout the year 2014.

COMPLIANCE AND ENFORCEMENT VISIT

The main objective of compliance and enforcement visit is to ensure total compliance by all employers in remitting their 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.

For the year 2014, the Compliance and Enforcement Division conducted visits to a total of fifty two (52) employers comprising twenty one (21) statutory bodies, thirty (30) local authorities and one (1) agency in eight (8) states namely Kuala Lumpur, Selangor, Pahang, Perak, Sabah, Kelantan, Sarawak and Johor.

Among the activities carried out during these visits were briefing to employers on KWAP's functions, checking of documents and meetings with employers to resolve various issues pertaining to their contribution. The team also embarked on the initiative to create awareness among employers on the usage of the ICMS in managing their overall contribution matters.

Summary of Compliance and Enforcement Visits Conducted in 2014:

STATE	MONTH OF VISIT	LOCAL AUTHORITIES	STATUTORY BODIES	AGENCIES	TOTAL EMPLOYERS
Kuala Lumpur	February & March	1	10	1	12
Selangor	April	5	6	-	11
Pahang	June	5	3	-	8
Perak	June	2	-	-	2
Sabah	August	2	-	-	2
Kelantan	September	4	1	-	5
Sarawak	November	10	1	-	11
Johor	December	1	-	-	1
Total		30	21	1	52

Our Business Operations

SECTION 04

- 096** High Performance Culture
- 101** KWAP Young Talents
- 104** Review of 2014 Operations and Achievements

HIGH PERFORMANCE CULTURE

TALENT SOURCING AND ACQUISITION

KWAP is in constant pursuit of those who are motivated and passionate. We celebrate diversity and continuously seek people from various backgrounds and culture. The last few years saw KWAP increasing its diversity by recruiting those from different ethnic backgrounds. The understanding and mutual respect for each other that exists amongst employees is key towards ensuring a harmonious working environment that can propel KWAP to greater heights.



GENDER DISTRIBUTION IN KWAP IS ALMOST EQUAL

KWAP's total manpower



4.9
Average Years of Service

Average Age

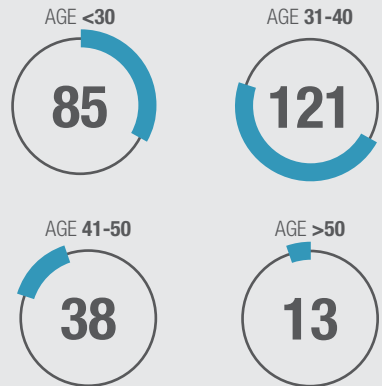


PROFESSIONAL QUALIFICATION
19%
Post Graduate/CFA Charterholder

Recruitment & Turnover



MANPOWER DISTRIBUTION BY AGE



Investment & Support Function



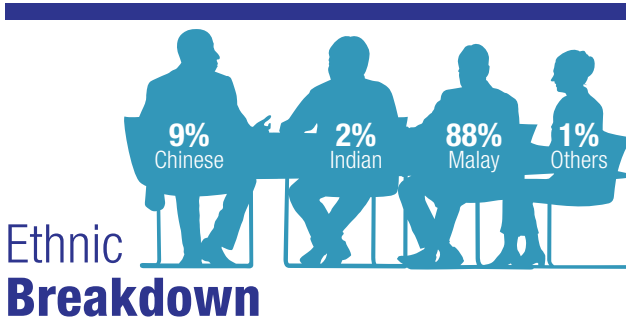
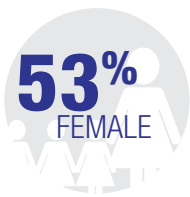
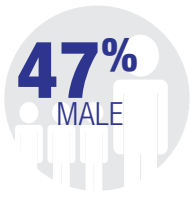
56%
Degree/ Professional Qualification

17%
Diploma

8%
Certificate

OUR BUSINESS OPERATIONS

KWAP also celebrates gender equality. The gender distribution in KWAP is almost equal. The number of female employees taking on middle management level positions has also increased. With active recruitment of generation Y employees, the average age in KWAP has also reduced significantly and it is our desire to ensure that the organisation remains young, relevant and dynamic.

**GENDER DISTRIBUTION****GENERATION DISTRIBUTION****KWAP INTERNSHIP PROGRAM**

Interns with KWAP are given the opportunity to choose the areas that they would like to gain exposure in. We accept interns from various field of studies and we are flexible on the internship duration. The objective is to provide the interns with a glimpse of the real working environment through a structured learning program and rotation as well as provide an overview of the pension and investment industry. Interns are provided with valuable learning opportunities and will have hands on experience working with existing projects.

CONTINUOUS LEARNING

Each year KWAP commits a considerable amount of investment and resources into its learning and development program for its employees. These programs cater to the diverse needs and aspirations of our employees to ensure that they are equipped with the right knowledge, skills, confidence level and capability to succeed.

Areas of development for our employees are not only focused on ensuring that they are continuously upgraded in their functional skills but also in leadership, management and soft skills. KWAP also places a lot of emphasis in its Core Values Programs which focus on inculcating these core values as their personal values as well.

In 2014, KWAP aims to inculcate a coaching and mentoring environment beginning with the senior management and middle management employees. It is essential that managers play their role in coaching their subordinates to achieve specific goals and skill sets as well as mentor others towards achieving their career growth and aspirations.

KWAP continues to support its employee growth and development through its secondment and attachment programs to local and international organisations. We support the continuous development and professional growth of our employees by providing an Educational Assistance Scheme to employees who aspire to pursue further studies. KWAP also actively

HIGH PERFORMANCE CULTURE



supports and participates in government related initiatives that promote talent and contribute towards nation building through cross fertilisation programs and knowledge sharing activities.

Four (4) in-house thematic events were carried out in 2014 - *Health, Safety & Stress Week, HR Engagement Week, Risk & Integrity Week* and *READ-Volution Month*. We also completed twenty-two (22) different in-house programs and sent our employees to more than forty-two (42) external public programs domestically and internationally. A total of 2,267 training days was achieved organisation wide an increase of 22.3% from the previous year.

QUARTER ONE – HEALTH, SAFETY & STRESS WEEK CAMPAIGN 2014 (24 – 28 FEBRUARY 2014)

This is the first time that KWAP allocated a week dedicated to promote health, safety and stress management amongst its employees. The week began with a “Healthy Breakfast Giveaway” to all employees. Dr. Philip Kumar, a yoga therapist, hypnotherapist, a holistic medicine practitioner and pain management therapist was invited to give a talk entitled “Breathe Deeply, Laugh Loudly”. The talk focused on how laughing could be a great cure for many stress-related diseases.

The campaign continued with another talk, “Move It, Eat It & Burn It” by Encik Firdaus Akhimullah, who is a professional fitness trainer with 6 years of experience specialising in health & fitness management, physical education and coaching. On the third day, we also invite Kevin Zahri a renowned nutritionist and physical trainer to conduct a talk as well as a circuit training session. A certified Chemical Health Risk Assessor as well as a Certified Assessor for JKKP (Jabatan Keselamatan dan Kesihatan Pekerja) provided employees’ awareness on the importance of safety and health.

OUR BUSINESS OPERATIONS

**QUARTER TWO – KWAP TEAMBUILDING & CARHUNT 2014 (24 – 25 MAY 2014)**

Teambuilding is a must-have activity each year for KWAP. Apart from building stronger and better working teams amongst its employees, the Teambuilding program is looked at as a motivator and an energy booster in promoting sense of belonging to the organisation as well as love for the job they are currently doing. This program is also used as a platform to strengthen trust amongst employees, bridge interdepartmental gaps and inculcate positive work attitude.

The highlight of 2014 Teambuilding event was the Car Hunt which involved thirty-eight (38) cars and hundred fifty two (152) employees who started the hunt from Saloma Bistro in Jalan Ampang, Kuala Lumpur, and went through five (5) pit stops - Central Market, Setapak Golf Driving Range, Taman Wetland, Putrajaya, and Kedai Makan Kak Ani, Sungai Pelek - before reaching the destination at AVANI Sepang Gold Coast, in Sepang Selangor, which covered almost 100 kilometres.

**QUARTER THREE – HR ENGAGEMENT WEEK 2014 (11 – 15 AUGUST 2014)**

During the third quarter of 2014, KWAP organised an event to bring employees closer to HR and enhance their understanding interims of HR's role. The approach for the one-week event was an informal and carnival-like whereby employees were invited to visit HR thematic booths. We also published HR functions and roles in creative visuals at the event entrance.

Talks were also conducted by our internal HR personnel as well as guest speakers Dr. Hazlee Abdul Hadi, Head of Occupational Health Physician of Prince Court Medical Centre and Puan Nur Amani Yusnida, Practice Leader-Rewards from AON Hewitt, Booths by Lembaga Hasil Dalam Negeri (LHDN), Tabung Haji, Takaful Malaysia and Puzat Zakat were also made available for employees to refer to. Contests were also organised throughout the week - Best Selfie, Guess the Baby in the Picture, HR Quizzes and First To Come, Last To Leave - where winners walked away with prizes. The week closed with a talk by Malaysia's First Astronaut, Datuk Dr. Sheikh Muszaphar Shukor.

HIGH PERFORMANCE CULTURE



QUARTER FOUR – READ-VOLUTION MONTH 2014 (8 December 2014 – 16 January 2015)

In quarter four, the READ-Volution month was introduced which was held in conjunction with the relaunch of KWAP's Resource Centre with the tagline REST, RELAX and READ. In encouraging employees to pick up a book and read, as well as emphasising the importance of reading and constant knowledge acquisition, book sales and numerous contests were held during the month.

The campaign kick started with a total revamp of the Resource Centre. During this refurbishment of the Resource Centre, new book titles and magazines were added to the collection and made available to all employees ranging from – health magazines, special interests, hobbies, sports, home decoration, fashion, parenting and etc. The new Resource Centre was officially launched by our CEO, Encik Wan Kamaruzaman Wan Ahmad alongside our CIO, Puan Nik Amlizan Mohamed, and a few of the Senior Management.



KYT-CAP PROGRAM

was designed to suit the younger generation



KWAP YOUNG TALENT- CAREER ACCELERATION PROGRAM (KYT-CAP)

The KYT-CAP was introduced in 2013 with the objective towards developing well rounded and capable employees for functional or specialist ladder whilst nurturing their leadership competencies towards future leadership roles in KWAP. The first batch of fresh graduate talents for the program were recruited during the UKEC Career Fair in the United Kingdom where KWAP participated for the first time.

As we recognise that the Gen-Ys and millennials have distinct career aspirations, the KYT-CAP Program was designed to suit the younger generation. The aim of the program is on nurturing well rounded talents whom are focus driven with specialised and diverse skill sets. Upon joining, all KYTs are subject to a one (1) month program which covers orientation and on boarding in Phase 1; and Relationship and Culture Building in Phase 2 before they are placed on a six (6) to eight (8) months rotation plan in Phase 3 (Experiential and learning exposure) based on their inclination and strengths. Their placement after the rotation plan will be the beginning of their career acceleration program towards making them future leaders of KWAP.

KWAP's KYT-CAP PROGRAM



AIMS TO
**NURTURING
TALENTS**

KWAP

YOUNG TALENTS



LESTER
Siew Wai Kit



EIREEN
Camelia Rusli

Q1 Why did you choose to start your career with KYTP?

I was already set on immersing myself into investment management upon completion of my studies, when I chanced upon an interview with the CIO during the UKEC Career Fair. I was very impressed with what the CIO shared regarding KWAP, as well as the flow of activities I will be exposed to that will serve as valuable learning experiences.

Q2 What is a typical day for you in the program?

A typical day varies with the department that I am rotated at. Nevertheless, across the departments I was given a set of side tasks as well as a main project to work on. The side tasks were related to day-to-day functions and allowed me to contribute to the department as well as build my base of knowledge in the field. The main project lets me hone my analytical as well as presentation skills, as I am required to present my findings to my colleagues at the end of the training rotation.

Q3 How has the journey been so far?

The journey has been fast-paced and yet rewarding at the same time. The initial learning curve is very steep, but as I went along I started to connect the dots and discern a picture of the industry. My colleagues have also been very accommodative and helpful, hence making the learning process smoother and much more enriching.

Q4 What are some of the most useful skills that you have picked up?

Along the initial training period and departmental rotation, I have picked up valuable skills such as conducting myself in a professional setting, running a business presentation, as well as carrying out a research task independently. I have also improved on my interpersonal and management skills.

Q1 Why did you choose to start your career with KYTP?

The reason why I joined KWAP was because I wanted to be part of a rapid growing investment organisation. This could be an advantage for me in terms of career progression. The fast paced environment in KWAP drives me to give my best every day.

Q2 What is a typical day for you in the program?

Typical day as for now includes learning new things and juggling between reading, conducting cash flows calculations and other feasibility studies.

Q3 How has the journey been so far?

The journey so far has been surprisingly awesome. There are so much knowledge and experiences to share here! It kind of boosts your will to 'step up the game', too.

Q4 What are some of the most useful skills that you have picked up?

Most useful skill would be my socialising skill as well as skill of not being afraid to speak up whenever there is query.

KWAP YOUNG TALENTS



ALI IQBAL
Zainal Adnan

Q1 Why did you choose to start your career with KYTP?

I chose KWAP because I was convinced that KWAP promises learning opportunities and ensures career progression. Also the fact that it is a pension fund, it matches my objective of giving back to the community and help fellow Malaysians.

Q2 What is a typical day for you in the program?

Aside from meeting top economists, analysts and expanding my professional network, a typical day at work for me would be, having to search for data and news from various sources available including Bloomberg terminals and professional databases. Something new to learn everyday!

Q3 How has the journey been so far?

The journey so far has been incredible. The amazing working atmosphere really helps with my familiarisation period and I can say that I have learned a considerable amount of knowledge and feel really fortunate to be working for KWAP.

Q4 What are some of the most useful skills that you have picked up?

So far, out of the many skills that I was exposed to, I feel that the most useful ones are professional networking, presentation, analysis and time-management.



SYAIMA
Sabila Sohaimi

Q1 Why did you choose to start your career with KYTP?

To be honest, when I got a call for an interview, that was the first time I've heard about KWAP! But after doing research on the company's profile, I have a strong belief that this is a company on the way up. It will be awesome to be part of this corporation as it grows.

Q2 What is a typical day for you in the program?

A typical day would be learning a lot!! I start my day by feeding myself with the current business news and as I read, I'll be looking for any fine opportunities. My job requires me to prepare due diligence reports on the opportunities that we would like to grab.

Q3 How has the journey been so far?

It has been a very pleasant journey so far, I enjoyed my days in KWAP and look forward to new challenges each day! Having a great team is such a blessing!

Q4 What are some of the most useful skills that you have picked up?

Definitely it would be the reading skills! I've improved my skimming technique, and I'm starting to pick up the jargons of the financial industry. Aside from that, mixing with these brilliant people from various backgrounds has broadened my horizons.

OUR BUSINESS OPERATIONS

**Q1 Why did you choose to start your career with KYTP?**

I chose to start my career in KWAP because I want to be a part of a rapidly expanding organisation which could help me greatly in terms of my career growth.

Q2 What is a typical day for you in the program?

A typical day in this program is similar to a typical day of any other financial services personnel. KWAP allows me to get first-hand experience in all of the tasks delegated by my supervisor.

Q3 How has the journey been so far?

The journey has been a dynamic one as KYTP provides a holistic training program whereby they give technical trainings, exposure to the clients relating to our respective departments, emphasis on work-life balance, and also active participation in CSR programs.

Q4 What are some of the most useful skills that you have picked up?

I have learned how to communicate better with my peers which in turn increased the efficiency of my work. Other than that, I have also learned how to do presentations, prepare reports, and meet the necessary individuals/departments needed when closing a deal.

Q1 Why did you choose to start your career with KYTP?

I have a clear trajectory of what I would want to become. At that time after graduating, of all the employers that I've met, I was convinced that KWAP offers a broad and exciting range of opportunities to launch my career. As they only hire the best, undoubtedly, invest a great deal of time, energy and resources giving us, the employee, the tools and training we need to be a high performer.

Q2 What is a typical day for you in the program?

Every day is challenging yet exciting with a great deal of analysis on potential deals and opportunities. Moreover, working alongside brilliant people makes it a much more enjoyable profession in KWAP.

Q3 How has the journey been so far?

Slowly but surely I'm progressing and improving myself to become tremendously passionate in what I am doing with the support of my team and supervisor. The encouragement received from them makes it a great place to work, I really feel fortunate to be here.

Q4 What are some of the most useful skills that you have picked up?

Well, so far I have caught on the importance of attention to detail in which I believe that prevention is better than cure. Indeed, I strongly stick to the discipline of working hard where it is crucial to be in control yet enjoying what I am doing.

REVIEW OF 2014

OPERATIONS AND ACHIEVEMENTS

DEPARTMENT	REVIEW FOR 2014
ACCOUNTS & MANAGEMENT SERVICES	<p>KEY ACHIEVEMENTS</p> <p>ADMINISTRATION, FINANCE & PROCUREMENT DIVISION</p> <ol style="list-style-type: none"> 1. Review of Standard Operating Procedures (SOPs) A review of SOPs and Financial Policies & Guidelines was undertaken to update and enhance. 2. Government Service Tax (GST) Implementation Preparations were initiated to prepare KWAP for the impending implementation of GST on 1 April 2015. Relevant officers of KWAP were sent to attend courses and discussions were held with system providers on the relevant enhancements to be undertaken. 3. Payment Via Electronic Fund Transfer (EFT) Payments via EFT were extended to cover almost all payments thereby reducing the need to issue payment cheques and hence saving time and effort in processing payments. <p>ACCOUNTS DIVISION</p> <ol style="list-style-type: none"> 1. Malaysian Financial Reporting Standards (MFRS) Implementation The phased implementation of MFRS, covering the period of 2014 to 2015, commenced as planned. Accounting policies and Standard Operating Procedures (SOPs) relating to MFRS 139 and MFRS 7 were completed in 2014. 2. Integrated Fund Investment Management System (IFIMS) Replacement System Groundwork and preparation for the replacement of IFIMS being the investment system. 3. Review of Standard Operating Procedures (SOPs) A review of SOPs and Financial Policies & Guidelines was undertaken to update and enhance them. 4. GST Implementation Preparations were initiated to prepare KWAP for the impending implementation of GST on 1 April 2015. Relevant officers of KWAP were sent to attend courses and discussions were held with system providers on the relevant enhancements to be undertaken. 5. Exception Reporting Current exception reporting were reviewed and new reports designed to enhance further the monitoring process of the investment system.

OUR BUSINESS OPERATIONS

DEPARTMENT	REVIEW FOR 2014
<p>ACCOUNTS & MANAGEMENT SERVICES (CONTINUED)</p>	<p>GOING FORWARD</p> <p>ADMINISTRATION, FINANCE & PROCUREMENT DIVISION</p> <ol style="list-style-type: none"> 1. Stationery & Inventory Tracking System The proposed system is expected to enhance the current stationery and inventory management system. 2. GST Implementation Ensure that the systems and processes are in place to ensure smooth implementation of GST at KWAP, including training to all relevant staff members at the operational levels. <p>ACCOUNTS DIVISION</p> <ol style="list-style-type: none"> 1. Financial Reporting Standards (FRS) Implementation The phased implementation of FRS, covering the period of 2014 to 2015, shall continue throughout 2015 covering the other relevant MFRS. 2. Global Tax Implementation Ensure the implementation of the global tax system in relation to the tax matters of international investments. 3. GST Implementation Ensure that the systems and processes are in place to facilitate smooth implementation of GST at KWAP, including training for all relevant operational employees.

REVIEW OF 2014 OPERATIONS AND ACHIEVEMENTS

DEPARTMENT	REVIEW FOR 2014
CONTRIBUTION	<p>KEY ACHIEVEMENTS</p> <ol style="list-style-type: none"> <p>1. Collection</p> <p>Collection of pension contribution, receipts of government's portion and government's contribution totaling RM4.37 billion.</p> <p>2. Integrated Contribution Management System (ICMS)</p> <p>Enhancement to the system was successfully implemented in May 2014 which include Electronic Fund Transfer (EFT) as a mode of payment to enable payment to/from employers via EFT.</p> <p>3. ICMS Portal Mini Workshop 2014</p> <p>Conducted nine (9) sessions of ICMS Portal Mini Workshop involving fifty eight (58) participants representing sixteen (16) employers.</p> <p>4. Compliance And Enforcement Visit</p> <p>A total of 48 employers have been visited in 2014 to ensure compliance in remitting pension contributions in accordance to the Statutory and Local Authorities Pensions Act 1980 (Act 239).</p> <p>5. Engagement with State Secretary Office and Government Agencies to ensure compliance to the Service Circular No. 12/2008 on the Policy and Procedure of Appointment of Secondment, Temporary and Permanent Transfer</p> <ul style="list-style-type: none"> Terengganu State Secretary Office Perbadanan Pembangunan Kampong Bahru Suruhanjaya Integriti Agensi Penguatkuasaan Solid Essence Sdn. Bhd. Terengganu Incorporated Sdn. Bhd. Eduspec Holding Berhad Sinergi Perdana Sdn. Bhd.
	<p>GOING FORWARD</p> <ol style="list-style-type: none"> To enhance both Integrated Contribution Management System (ICMS) and Portal to increase the capability of the systems in managing contribution matters and provide a customer-centric interactive platform to employers. To develop and establish Compliance and Enforcement Framework which includes Policy and Strategy to strengthen the entire compliance and empowerment structure. To conduct continuous engagement with Federal Ministries, State and Secondment Agencies to ensure pension contributions are in line with the relevant Acts. To review and update Standard Operating Procedures (SOPs) in order to increase efficiency and effectiveness in daily operational performance.

OUR BUSINESS OPERATIONS

DEPARTMENT	REVIEW FOR 2014
CORPORATE AFFAIRS DEPARTMENT	KEY ACHIEVEMENTS
	MARKETING COMMUNICATIONS <ol style="list-style-type: none"> <li data-bbox="478 545 1424 634"> 1. External Publications Published the Corporate Governance Principles and Voting Guidelines Booklet in August 2014. Upgraded, developed and revamped design of the internet portal completion in December 2014. <li data-bbox="478 658 1424 746"> 2. Internal Publications Upgraded, developed, revamped design and launched the intranet portal in July 2014. Published a new newsletter, KWAP Events & Happenings. Carried out two (2) Disaster Recovery Communications exercises. <li data-bbox="478 771 1424 827"> 3. Branding Gained approval for the KWAP Dress Code Guidelines and KWAP Communications Guidelines. EVENTS <ol style="list-style-type: none"> <li data-bbox="478 907 1424 1028"> 1. External Events Organised twelve (12) events which involved Ministers and Board members. These events include the Leadership Series, Study Visits by foreign counterparts, official visits by Ministers and the Financial Result Announcement. Two (2) signing ceremonies were also held. <li data-bbox="478 1052 1424 1140"> 2. Internal Events Organised twelve (12) events which involved external speakers such as the Aspiration Series, Informational Talks and festive celebrations.
	CORPORATE SOCIAL RESPONSIBILITY & PUBLIC RELATIONS <ol style="list-style-type: none"> <li data-bbox="478 1221 1424 1365"> 1. Corporate Social Responsibility (CSR) Organised six (6) internal CSR events which includes new activities such as talk by Ustaz Kazim Elias, and Hijabista Program. Organised sixteen (16) external CSR events which covers new initiatives such as the Financial Planning Seminar for Young Executives, KWAP Youth Empowerment for under graduates, Adopt A Library for a rural school. <li data-bbox="478 1390 1424 1478"> 2. Public Relations Organised five (5) interviews and six (6) press releases for the Chief Executive Officer with financial magazines and business news as well as events for senior management's participation in forums.
GOING FORWARD <p data-bbox="478 1527 1424 1583">The new internet portal is targeted to be launched in the first quarter of 2015 and gain approval for its corporate identity guidelines by second quarter of 2015.</p> <p data-bbox="478 1602 1424 1658">A new event initiative for 2015, to co-host the Pesta Sukan Kementerian Kewangan alongside Securities Commission is targeted to take place in fourth quarter of 2015.</p> <p data-bbox="478 1677 1424 1733">While the CSR initiative is targeted to cover bigger areas of financial planning under the theme of education for life.</p>	

REVIEW OF 2014

OPERATIONS AND ACHIEVEMENTS

DEPARTMENT	REVIEW FOR 2014
INTERNAL AUDIT	<p data-bbox="486 455 1416 484">KEY ACHIEVEMENTS</p> <ol style="list-style-type: none"> <li data-bbox="486 493 1416 680"> 1. Achieve the Internal Audit Plan For Year 2014 <ul style="list-style-type: none"> <li data-bbox="535 527 1416 583">• Completed all nine (9) audit projects related to Investments, Operations and Information Technology in accordance with the approved Internal Audit Plan for year 2014. <li data-bbox="535 592 1416 615">• Performed inaugural audit review of Prima Ekuiti (UK) Limited, a wholly owned subsidiary of KWAP. <li data-bbox="535 624 1416 680">• Conducted verification exercises on the accuracy of amortisation/accretion of securities and loan interest calculation. <li data-bbox="486 718 1416 971"> 2. Provide Advisory Services to the Stakeholders <ul style="list-style-type: none"> <li data-bbox="535 752 1416 774">• Attended all KWAP's Disaster Recovery exercises as independent observers. <li data-bbox="535 784 1416 840">• Reviewed KWAP's Key Policies and Standard Operating Procedures to ensure adequate internal controls are embedded in the processes and reflect the current best practices across the business. <li data-bbox="535 849 1416 906">• Participated in KWAP's major projects and management meetings as advisor on internal control matters. <li data-bbox="535 915 1416 971">• Disseminated Internal Audit Newsletters to KWAP employees to instil awareness in the areas of Governance, Risk Management and Internal Control. <li data-bbox="486 1009 1416 1290"> 3. Strengthen the Internal Audit Function <ul style="list-style-type: none"> <li data-bbox="535 1043 1416 1131">• Conducted study visits to Standard Chartered Bank Malaysia Berhad, CitiBank Berhad and Maybank Investment Bank Berhad to further understand the operations in the areas of custodian & settlement, private equity and risk management functions. <li data-bbox="535 1140 1416 1228">• Registered for the Pasaran Kewangan Malaysia Certificate (PKMC) courses and examination to equip the Internal Auditors with knowledge and understanding of the Malaysian financial system and markets. <li data-bbox="535 1238 1416 1290">• Attended Information Technology risk related courses on cloud computing and Mobile Device Management. <p data-bbox="486 1309 1416 1337">GOING FORWARD</p> <ul style="list-style-type: none"> <li data-bbox="486 1346 1416 1403">• To fulfill the Internal Audit Plan for 2015 and develop a new three (3)-Year Strategic Audit Plan For Year 2016 to 2018. <li data-bbox="486 1440 1416 1497">• To prepare Internal Audit Department for the external assessment on conformance with the International Standards for the Professional Practice of Internal Auditing. <li data-bbox="486 1534 1416 1590">• To conduct an audit risk assessment review on the pension payment function of the Public Service Department of Malaysia.

OUR BUSINESS OPERATIONS

DEPARTMENT	REVIEW FOR 2014
INVESTMENT SUPPORT SERVICES	<p data-bbox="489 455 694 480">KEY ACHIEVEMENTS</p> <ol style="list-style-type: none"> <li data-bbox="489 495 1416 686"> <p data-bbox="489 495 1416 551">1. Implementation of the SWIFT-Compliant Multi-Currency New RENTAS Full STP Gateway Client/Front-End System that provides STP capabilities for both IFTS and SSDS transactions.</p> <ul style="list-style-type: none"> <li data-bbox="535 583 1416 634">• Successful participation in Industry Wide Testing RENTAS Stress Test, Mini-RENTAS and User Acceptance Testing for new Production environment. <li data-bbox="535 635 1416 686">• Successful deployment of New RENTAS Public cache files at Production environment, testing on New RENTAS STP Gateway installation and configuration setup and system integration testing. <li data-bbox="489 720 1416 864"> <p data-bbox="489 720 1416 808">2. Implementation of the OMGEO system, an automated system solution for acceleration of clearing and settlement of trades, seamlessly connect and inter operate with counterparties and respond to changing market and regulatory conditions on 1 April 2014.</p> <ul style="list-style-type: none"> <li data-bbox="535 840 1182 864">• Updating this process into department's Standard Operating Procedures. <li data-bbox="489 898 1416 1009"> <p data-bbox="489 898 1416 954">3. Implementation of Bloomberg Data License (BDL) Request Builder (automated data solutions for market prices and exchange rates) project on 1 May 2014.</p> <ul style="list-style-type: none"> <li data-bbox="535 986 1295 1009">• Successful participation in User Acceptance Testing and training conducted by vendor. <li data-bbox="489 1043 1416 1202"> <p data-bbox="489 1043 1310 1067">4. Department Readiness for new Asian Fixed Income Portfolio and Euro Fund Equity.</p> <ul style="list-style-type: none"> <li data-bbox="535 1099 1416 1149">• Enhancing employee competency and knowledge of product through training, discussion and front office's presentation. <li data-bbox="535 1151 1416 1202">• Create and update new Standard Operating Procedures for Asian Fixed Income Portfolio and Euro Fund Equity. <li data-bbox="489 1236 940 1315"> <p data-bbox="489 1236 863 1260">5. Compliance, audit and regulations.</p> <ul style="list-style-type: none"> <li data-bbox="535 1292 940 1315">• 100% compliance to rules and regulations. <li data-bbox="489 1348 1416 1603"> <p data-bbox="489 1348 1416 1405">6. Improvement on operational efficiency, infrastructure and realign work process with best practices.</p> <ul style="list-style-type: none"> <li data-bbox="535 1437 1416 1487">• Reviewed current work process which involved reviewing department structure, job description, job rotation, SOPs, and LOA. <li data-bbox="535 1489 890 1513">• Prepared Monthly Operation Reports. <li data-bbox="535 1515 1416 1566">• Conducted study visits to Citibank, Standard Chartered Bank and Maybank to study on their work process. <li data-bbox="535 1568 1416 1603">• Conducted feasibility study with service providers and market practitioners; and identified potential automation for current work processes.

REVIEW OF 2014

OPERATIONS AND ACHIEVEMENTS

DEPARTMENT	REVIEW FOR 2014
INVESTMENT SUPPORT SERVICES (CONTINUED)	<div data-bbox="486 452 1424 489" style="background-color: #0070C0; color: white; padding: 2px;">KEY ACHIEVEMENTS</div> <p data-bbox="486 495 1424 545">7. Collaboration with global custodians and related external parties on learning and growth initiative</p> <ul data-bbox="535 577 1424 737" style="list-style-type: none"> • Collaboration with Human Resource Department and coordinated trainings with external parties. Training covered various topics including market rules and regulation, fund accounting, securities borrowing and lending, Shariah Compliant Fund, FATCA briefing, tax matters and international corporate action. • Coordinated 2 days training program at Citibank Kuala Lumpur on custody, settlement, fund accounting, cash management, corporate action, risk and foreign exchange. <div data-bbox="486 746 1424 784" style="background-color: #0070C0; color: white; padding: 2px;">GOING FORWARD</div> <ul data-bbox="486 789 1424 1782" style="list-style-type: none"> • To continue effort on implementation of all mandated New RENTAS Systems bundled with long-term critical support services. • To implement an automated straight-through processing capabilities and host-to-host link to enhance depository transactions efficiently without common manual human intervention. • To continue facilitate the implementation of International/Malaysia Financial Reporting Standard (IFRS/ MFRS) in the organisation. • To do feasibility study on interfacing the external custodian data with KWAP Investment System for substantial shareholding reporting purpose. • To study and implement an internal Request Channel initiative (helpdesk support) where the department can provide assistance to Investment Departments on work related transactions e.g. new account opening, fund transfer and customised reports. This will enhance the monitoring and execution process. • To enhance competency and in-depth knowledge of Investment Support Services employees via: <ol data-bbox="535 1290 1424 1437" style="list-style-type: none"> a) Conduct/joint coordination of training on market rules and regulations and Custodial Services b) Organising refresher courses on Global Custodian's transaction online system c) Conduct visit to other Pension Funds or local/foreign-based asset management organisations to promote knowledge sharing and market best practices d) Send employees to Annual Asset Servicing Seminars which is organised by Global Custodian • To jointly assist and enhance division's readiness on the implementation of other investment department related projects: <ol data-bbox="535 1530 1424 1782" style="list-style-type: none"> a) New investment mandates/portfolio/capital injection for External Fund Managers and Private Equity Funds b) Equity Securities of Borrowing & Lending – Negotiated Transaction (SBL-NT) Model c) Equity market (USA, Japan and World market) d) International Bond/Sukuk e) Domestic Property Acquisition f) Syariah Compliant Fund g) Environmental, Cultural & Governance (ECG) System h) New Integrated Financial & Investment Management System (IFIMS)

OUR BUSINESS OPERATIONS

DEPARTMENT	REVIEW FOR 2014
RESEARCH	<p data-bbox="489 455 694 480">KEY ACHIEVEMENTS</p> <p data-bbox="489 495 1413 658">Research Department has enhanced engagements with corporations, industry associations and regulators, particularly at the regional level. This has further enriched our insight, knowledge and understanding of our universe coverage. Subsequently, the domestic and international equities and bond universes were expanded during the year to support the investment strategies of both our equity and fixed income portfolio managers. In addition, the internal credit scoring model was enhanced to strengthen our objectivity, independence and impartial credit assessment.</p> <p data-bbox="489 690 559 714">EQUITY</p> <ol data-bbox="489 746 1413 1080" style="list-style-type: none"> <li data-bbox="489 746 1413 939"> <p data-bbox="489 746 1413 799">1. New stocks addition into KWAP Domestic Stock Universe and KWAP International Stock Universe</p> <p data-bbox="535 802 1413 939">A total of twenty five (25) domestic and hundred and three (103) international stocks were included into KWAP Domestic and International Stocks Universes, respectively, during the year. At the end of the year, there are hundred twenty eight (128) stocks in KWAP Domestic Stock Universe and hundred sixty four (164) stocks in KWAP International Stock Universe. The new inclusion gives a wider selection of stocks to the fund managers for their trading strategies.</p> <li data-bbox="489 971 1413 1080"> <p data-bbox="489 971 1413 996">2. Attachments to foreign brokerage houses in Asia</p> <p data-bbox="535 999 1413 1080">In 2014, Research Department sent seven (7) analysts to four (4) countries for attachments and company visits, which includes meeting with regulators and statutory bodies. The attachments has increased and enhanced the analysts' understanding and knowledge on the regional countries, sectors and stocks.</p> <p data-bbox="489 1112 559 1136">CREDIT</p> <ol data-bbox="489 1168 1413 1692" style="list-style-type: none"> <li data-bbox="489 1168 1413 1343"> <p data-bbox="489 1168 1413 1193">1. Creation of International Bond Universe</p> <p data-bbox="535 1196 1413 1343">The creation and the inclusion of seventy six (76) new regional bond issuers into KWAP International Bond Universe was initiated during the year based on a two tier credit filtering system. The inaugural International Bond Universe will facilitate timely investment execution as well as to capture investment opportunity of top notch credits that arises in its approved Asian Fixed Income mandate and any newly approved investment mandates in the future.</p> <li data-bbox="489 1365 1413 1474"> <p data-bbox="489 1365 1413 1390">2. New inclusion for Domestic Bond Universe</p> <p data-bbox="535 1393 1413 1474">A total of seventeen (17) new domestic bond issuers, mainly "AA" rated issuers was included into KWAP Domestic Bond Universe. Approval was also obtained for new Basel III bond structures issued by Financial Institutions. The inclusion provides flexibility and timely investment execution for the fund managers.</p> <li data-bbox="489 1506 1413 1692"> <p data-bbox="489 1506 1413 1530">3. Enhancement to KWAP's Internal Scoring Model</p> <p data-bbox="535 1534 1413 1692">Improvements were made to the existing internal scoring model. Two scorecards were created to analyse, score and assign internal rating for domestic and international corporations and financial institutions. Concurrently, the following documents i.e. Standard Operating Procedures (SOPs), Credit Manual, Scorecard Rating Guidelines, Credit Review Template and Terms and References for Credit Committee were updated to incorporate the changes made to the internal scoring model. The new scorecard was approved by the Investment Committee and Investment Panel and came into effect from April 2014.</p>

REVIEW OF 2014 OPERATIONS AND ACHIEVEMENTS

DEPARTMENT	REVIEW FOR 2014
RESEARCH (CONTINUED)	GOING FORWARD EQUITY Attachments will be continued to further enhance our understanding, knowledge and exposure in the regional markets. In addition, we will be initiating coverage on new markets and explore international Shariah-compliant investments. "Sector teams" will be formed to reinforce our coverage on selected major industries. This is in line with KWAP's thrust of excellence as it will strengthen our grasp on recommendation and views surrounding the sectors. CREDIT Further enhancement on the internal credit model, to increase its robustness, will be undertaken in 2015, following a third party feedback on our current model. Additionally, a scoring model for sovereign assessment will also be established. Efforts will also be focused on strengthening credit monitoring and synchronising policies, processes and guidelines to ensure full independence of credit assessment under the Research Department. On building capabilities, analysts will be assigned on attachments and company visits to enrich their knowledge, skills and experiences in various sectors and credit assessment.

OUR BUSINESS OPERATIONS

DEPARTMENT	REVIEW FOR 2014
RISK MANAGEMENT AND COMPLIANCE (RMCD)	<p data-bbox="488 452 1416 480">KEY ACHIEVEMENTS</p> <p data-bbox="488 495 1416 624">2014 was the year that Risk Management and Compliance stood on the strong base that it had developed over the preceding years and sought to strengthen it further by developing new frameworks to address new risk or reprioritise existing recognised risks. Several key areas were reviewed, reassessed and remodelled to address changing market conditions and strategic priorities.</p> <p data-bbox="488 667 1416 797">A lot more time and effort was spent on analytics and simulations to assess existing and new strategies. Key deliverables include a new Liquidity Management Framework, Comprehensive Review of credit risk management, enhancement of the compliance process and key policies related to the future Malaysian Financial Reporting Standard (MFRS) rollout.</p> <p data-bbox="488 844 1094 868">ENTERPRISE RISK MANAGEMENT & OPERATIONAL RISK DIVISION</p> <p data-bbox="488 913 868 938">1. Enterprise Risk Management (ERM)</p> <ul data-bbox="535 949 1416 1215" style="list-style-type: none"> a. Completed the roll-out of enterprise wide Departmental Risk Profiling in which all departments were required to identify, assess and profile risks related to their functions and operations. b. Enhanced employee “Safety and Health” within office premise in line with the Occupational Safety and Health Act 1994. A Safety and Health Committee was formed and tasked to spearhead the implementation of relevant safety and health initiatives such as establishment and training of First Aider team, procurement and placement of first aid kits at strategic areas, as well as review and recommend improvements in KWAP. <p data-bbox="488 1262 914 1286">2. Business Continuity Management (BCM)</p> <ul data-bbox="535 1298 1416 1388" style="list-style-type: none"> a. Enhanced BCM capabilities with the increase in frequency and scope of disaster recovery exercises. The exercises have been successfully conducted and achieved the set objectives which includes surprise test for specific key areas.

REVIEW OF 2014 OPERATIONS AND ACHIEVEMENTS

DEPARTMENT	REVIEW FOR 2014
RISK MANAGEMENT AND COMPLIANCE (RMCD) (CONTINUED)	<p>MARKET RISK DIVISION</p> <ol style="list-style-type: none"> 1. Market risk reporting is further improved with the setting up of DataWatch as a risk data archiving, reporting and visualisation tool. 2. Actively involved in the scoping of the Request for Proposal (RFP) and initial assessment of the multiple solutions for investment system replacement project. 3. New policy and guidelines were developed to mitigate relevant risks. The Policies and guidelines are as follow: <ol style="list-style-type: none"> a. Trading Book Guideline; b. Valuation Guideline (Setting up of Valuation Committee); c. DVO1 Measurement and Limit Monitoring for MGS Trading; d. Leverage Policy for Property Investments; e. Value-at-Risk Policy; f. Backtesting Guideline. 4. A variety of simulations and scenario analyses was completed, leveraging on the multiple systems and tools at our disposal. This includes assessment of current performance and risk of existing portfolios and/or benchmarks, as well as analysing new business prospects or new strategies contemplated. <p>COMPLIANCE DIVISION</p> <ol style="list-style-type: none"> 1. Implementation of Chinese Wall Policy <ol style="list-style-type: none"> a. KWAP's Chinese Wall Policy is introduced to establish procedures to control the flow of material non-public and price sensitive information within KWAP to minimise the risk of insider trading and potential breach of laws and regulation. It also helps to ensure that the possession of material non-public and price sensitive information does not give rise to the risk or perceived risk of a conflict between the public interest, KWAP interest and the employee's personal interest. 2. Self Compliance Attestation <ol style="list-style-type: none"> a. Completed the rolled out of Self-Compliance Checklist which serves as compliance toolkit to measure the level of compliance in KWAP. The self-compliance attestation exercise was extended from annually to semi-annually in response to a dynamic and changing regulatory environment. 3. New Regulatory requirements <ol style="list-style-type: none"> a. New regulations were considered and incorporated into KWAP Compliance Framework, namely FATCA¹, PDPA² and OSHA³.

¹ FATCA (Foreign Account Tax Compliance Act 2010)

² PDPA (Personal Data Protection Act 2010)

³ OSHA (Occupational Safety & Health Administration 1994)

OUR BUSINESS OPERATIONS

DEPARTMENT	REVIEW FOR 2014
RISK MANAGEMENT AND COMPLIANCE (RMCD) (CONTINUED)	<p>CREDIT RISK DIVISION</p> <ol style="list-style-type: none"> 1. System and Project <ol style="list-style-type: none"> a. Finalised the selection of a credit risk quantification system and appointment of third party service provider to validate the internally developed credit rating scoring model. 2. Other initiatives <ol style="list-style-type: none"> a. Established the guarantor and non-performing loan guidelines. b. Developed sector concentration analytics and establish the Management Action Trigger for Sector Concentration. c. Reviewed the life cycle process for credit administration. d. Rolled out DataWatch System for credit risk reporting and visualisation.
	<p>GOING FORWARD</p> <p>ENTERPRISE RISK MANAGEMENT & OPERATIONAL RISK DIVISION RMCD will continue to promote, enhance and embed the risk management culture within KWAP. KWAP's capability in Business Continuity Management remains as one of key focus areas with new initiatives to be introduced throughout 2015 such as the ISO 22301 certification on BCM.</p> <p>MARKET RISK DIVISION Continue to enhance the risk reporting which include deep dive on Market Risk Reporting System and Database Set Up and Visualisation (DataWatch). Other initiatives include the following:</p> <ol style="list-style-type: none"> a. IFIMS replacement project – Project Members active participation in the procurement and implementation. b. MFRS 7 Disclosure scenario analysis and reporting. c. Perform simulation and analysis of new mandate/benchmark strategies. <p>COMPLIANCE DIVISION RMCD plans to rollout automated self-compliance checklist by the first half of 2015. The current self-compliance checklist will help to reduce the manual process and increase efficiency during the attestation exercise.</p> <p>CREDIT RISK DIVISION Implementation of credit quantification system and validation of internal credit rating scoring model are two key initiatives to be implemented throughout 2015. Other initiatives include the following:</p> <ol style="list-style-type: none"> a. MFRS 7 Disclosure. b. Establish a standardised rating framework and review of the credit risk management framework and guidelines. c. Review existing and introduce new credit risk process/limit/function. d. Enhance credit risk management analysis and reporting, perform scenario analysis and stress testing.

REVIEW OF 2014 OPERATIONS AND ACHIEVEMENTS

DEPARTMENT	REVIEW FOR 2014
LEGAL AND SECRETARIAL DEPARTMENT	<p data-bbox="488 455 1416 484">KEY ACHIEVEMENTS</p> <p data-bbox="488 497 1416 624">To ensure the highest standards of integrity, business ethics and professionalism are embedded where applicable. Although KWAP is not required to abide by the Malaysian Code on Corporate Governance, the Board will adopt best practices on governance to ensure that the highest standards of corporate governance are practiced to protect and enhance shareholder's value.</p> <p data-bbox="488 667 817 695">PAPERLESS MEETING INITIATIVE</p> <p data-bbox="488 739 1416 834">In year 2014, paperless meeting initiative has been implemented in KWAP in line with KWAP's initiative towards eco-friendly office and efficient document management. The initiative is divided into two (2) phases; Phase 1 is targeted for internal meetings and Phase 2 is targeted for Board Committee meetings.</p> <p data-bbox="488 877 1241 906">The first paperless Investment Committee Meeting took place on 19 November 2014.</p> <p data-bbox="488 915 663 943">GOING FORWARD</p> <p data-bbox="488 956 1064 984">The implementation of Phase 2 is targeted to take place in 2015.</p> <p data-bbox="488 1028 659 1056">BOARD RETREAT</p> <p data-bbox="488 1099 1416 1258">The Board and Investment Panel of KWAP were also involved in determining the strategic direction of KWAP. On 28 February and 1 March 2014, Management organised a Board and Investment Panel Retreat to obtain the Board and Investment Panel's insight for KWAP's strategic directions, with its key agenda on the proposed take-over of Post-Service Division of Public Service Department of Malaysia's functions. The retreat was successfully held with great participation from the Board and Investment Panel.</p>

OUR BUSINESS OPERATIONS

DEPARTMENT	REVIEW FOR 2014
INFORMATION TECHNOLOGY	<p data-bbox="489 452 1418 484">KEY ACHIEVEMENTS</p> <p data-bbox="489 495 1418 615">Information Technology Department plays a key role in helping KWAP achieve its business objectives by leveraging on technology. In 2014, the initiatives undertaken by Information Technology Department in 2014 fall into two streams, either to facilitate continuous business improvement or to bring about transformational changes and gains.</p> <p data-bbox="489 647 1418 709">In addition, to ensure uncompromised IT services, KWAP successfully maintained its ISO 27001:2005 certification with the successful surveillance audit.</p> <p data-bbox="489 741 1418 802">To facilitate accurate and expedient trade confirmation/matching between KWAP and its brokers, the OMGEO Post Trade Matching System was implemented.</p> <p data-bbox="489 834 1418 896">Incorporation of Electronic Fund Transfer (EFT) system functionality improved efficiency by eliminating manual processes in two business departments.</p> <p data-bbox="489 928 1418 1046">Complementing KWAP's business strategy, the Integrated Fund Investment Management System was enhanced to roll out new products such as the Wadiah Deposit, APEX USD Cost Reporting, Europe Equity Fund portfolio, Domestic Government Bond Trading Portfolio, Stop Loss Action Trigger for Fixed Income and Equity by Risk Management and Compliance Department.</p> <p data-bbox="489 1078 1418 1140">In order to support the increasing business requirements and to phase out end-of-life technology, the following IT Security and Infrastructure initiatives were successfully rolled out:</p> <ul data-bbox="489 1172 1418 1390" style="list-style-type: none"> • The end-of-life Microsoft Active Directory service (an authentication system) was upgraded. • To cater to increased disk storage performance and space requirements (due to roll out of new business initiatives such as the enterprise collaboration systems, security monitoring systems and the new RENTAS system). • A Vulnerability Scanner was procured to improve preemptive surveillance, scanning for vulnerabilities in applications and infrastructure. In addition, the team also implemented a Security Information & Event Management (SIEM) system to improve IT Security monitoring and reporting function. <p data-bbox="489 1416 1418 1440">Several transformational initiatives were also initiated/implemented in 2014:</p> <p data-bbox="489 1483 1418 1572">The migration to cloud based Microsoft Office 365 provided scalability and flexibility to users. At the same time freed up our precious resources (manpower and infrastructure). In addition, the cloud based solution improved system availability and simplified Business Continuity Management needs.</p> <p data-bbox="489 1603 1418 1692">Staff productivity is further enhanced with the upgraded Microsoft SharePoint portal. Amongst the new functions built into the new intranet are: HR Candidate Database, Fixed Income Department's knowledge database, and Legal & Secretarial Department's internal paperless meeting system.</p> <p data-bbox="489 1727 1418 1784">Aligning with the business strategic plans, IT team initiated the RFI exercise to identify suitable solutions to be considered by KWAP as it expands its universe of products and portfolios.</p>

REVIEW OF 2014 OPERATIONS AND ACHIEVEMENTS

DEPARTMENT	REVIEW FOR 2014
INFORMATION TECHNOLOGY (CONTINUED)	<p data-bbox="478 452 1432 484">GOING FORWARD FOR 2015</p> <p data-bbox="478 495 1432 589">IT Security and Governance is paramount to ensure that KWAP's IT eco-system is accessible, reliable, secure and resilient. Such an environment will accommodate a multi-generation workforce which supports mobility or work from anywhere.</p> <p data-bbox="478 634 1432 765">In 2015, with the expansion of KWAP's role in the Pensions Payment, IT initiatives will involve building and integrating Data Centres. In addition, we shall continue to enhance our eco-system that has Data Leakage Prevention (DLP) functionality, supports Virtual Desktop Infrastructure (VDI) and Bring your Own Device (BYOD) initiative. KWAP will also begin to build and invest in Data Analytics.</p> <p data-bbox="478 810 1432 866">KWAP appreciates the importance of a good Information Security Management System, hence KWAP shall be embarking on the initiative to upgrade to the latest ISO 27001:2013 certification standard.</p> <p data-bbox="478 911 1432 968">Lastly, Information Technology Department endeavors to support all the organisation wide strategic and tactical business initiatives planned for the year ahead.</p>

Corporate Governance

SECTION 05

- 120** Managing Our Risks
- 138** Statement on Governance
- 148** Statement on Internal Control
- 150** Corporate Governance: Principles and Voting Guidelines
- 151** Malaysian Code for Institutional Investors
- 152** Management Visits 2014

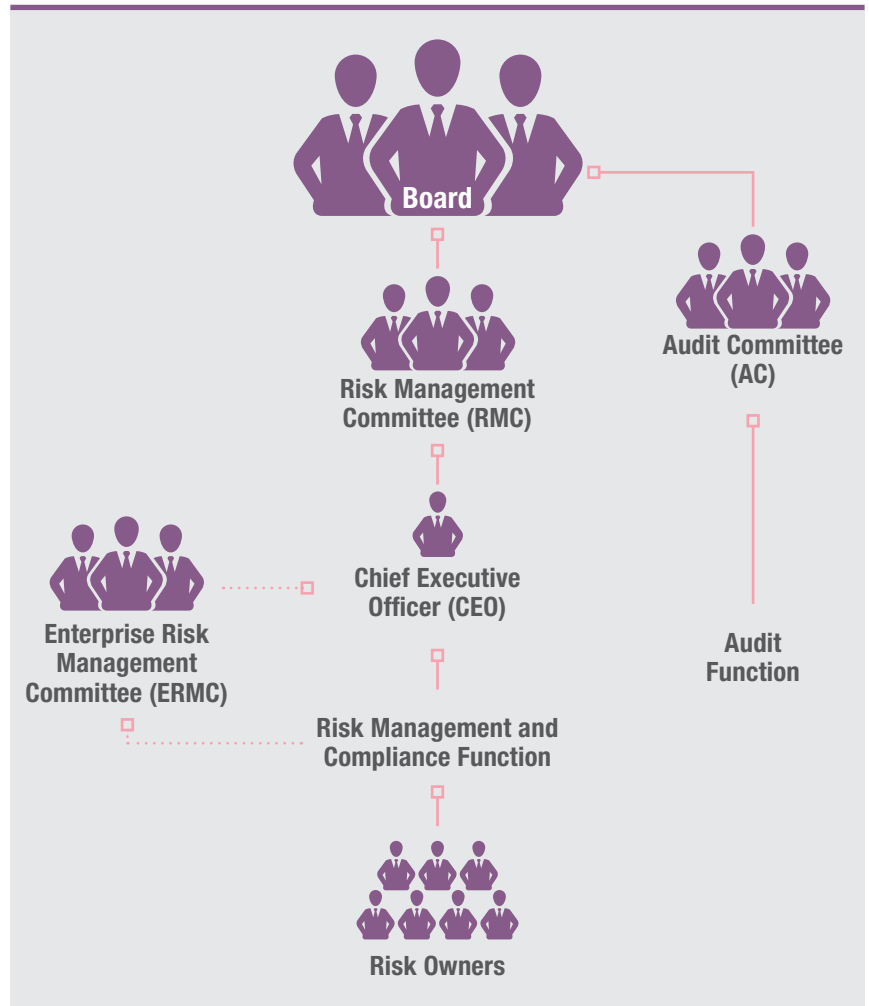
MANAGING OUR RISKS

OVERVIEW

KWAP in its journey to achieve its Mission and Vision recognises that the ever changing business environment presents a multiple form of threats and opportunities. KWAP is determined to move forward, manage threats and seize the right opportunities for value creation and capital preservation in whichever form. The risk management approach to support these initiatives is primarily through the adoption of the Enterprise Risk Management (ERM) as a core strategy across the enterprise. The approach is designed to identify potential events that may adversely affect the entity and manage risks within its risk appetite, thus providing reasonable assurance regarding the achievement of organisational 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 in KWAP.

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

CORPORATE GOVERNANCE

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 (ERMC) which is chaired by the CEO serves as a platform where all risk related matters, be it operational or investment related, are deliberated and addressed. Issues are then updated to Board's RMC for notification and decision, if necessary.

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

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

RISK MANAGEMENT FRAMEWORK & POLICY

KWAP has an Enterprise Risk Management Framework that has been formalised, which is supported by an ERM Policy, to facilitate the implementation of ERM. The ERM approach is benchmarked against and aligned to the ISO 31000:2009 Risk Management Standard. The next diagram shows the risk management key areas under the KWAP ERM Framework:



MANAGING OUR RISKS

The key areas and sub-frameworks include Operational Risk Management Framework, Market Risk Management Framework and Credit Risk Management Framework. These frameworks are developed on modular basis to provide a fair degree of segregation, depth and clarity for each key risk. KWAP has the flexibility to develop new sub-framework to address other risks if necessary. Other risks outside the broad risk categories (if any) are addressed with the corporate risk profile. Management of such risk is often executed via risk mitigation programs which are then duly executed in KWAP.

The latest addition to the ERM Framework is Liquidity Risk Management Framework which was developed on a forward looking basis to handle liquidity risk that will increasingly become more important in the future.

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of loss resulting from inadequate 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 KWAP business operations. It also serves as an avenue whereby relevant departments cooperatively work towards addressing risk issues pertinent to the reported events and is facilitated by RMCD.



We create **flexibility** to develop new sub-frameworks to address new risks

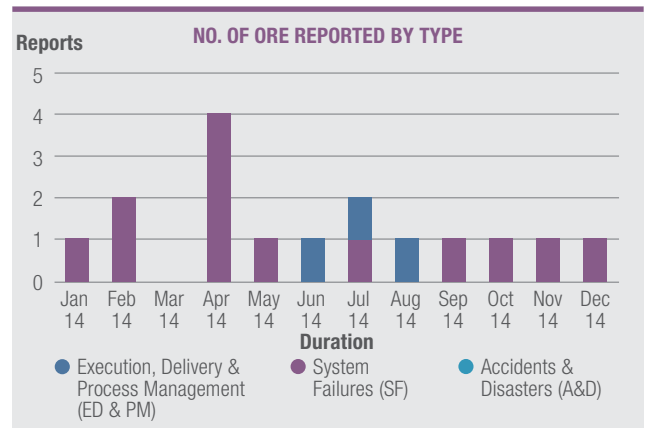
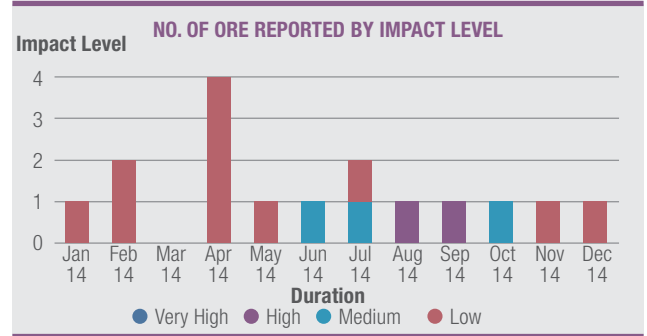


A new addition for ERM Framework is **Liquidity Risk Management Framework**

In 2014, there were no reported OREs with damaging impact to KWAP's operation as the majority of OREs were rectified on timely basis. The reported OREs mainly fell under the following categories of risk events:



In addressing the reported OREs, proactive measures were taken such as conducting a review on key processes to include new controls or ensuring more clearly defined roles and responsibilities for parties involved. The next diagram displays the number of OREs throughout 2014:



CORPORATE GOVERNANCE

Business Continuity Management

Business Continuity Management (BCM) has always been one of KWAP's priorities. Throughout 2014, KWAP continued with the implementation of BCM framework and identified areas where improvement can be made to internal capabilities and competencies to mitigate the risk of severe operational disruptions.

One of the key activities was Disaster Recovery Exercise (DRE) where KWAP is tested on its ability to recover critical functions within a set timeline and thus ensure operational continuity despite the disruption. In 2014, KWAP successfully conducted:

- Two (2) Planned Disaster Recovery Exercises (Non-Live and Live); and
- One (1) Surprise IT Disaster Recovery Exercise (Non-Live).

The live DRE required identified critical functions be performed (live) at KWAP's Disaster Recovery Center and upon completion, recovered back to primary office at Menara Yayasan Tun Razak. During these exercises, KWAP's personnel who serve as members of the Business Continuity Team were mobilised and tasked to perform the recovery of critical functions within the required timeline. The success of the live DRE is a great achievement for KWAP in ensuring a robust and tested up to date BCM strategy.



KWAP's underlying mission is to

EFFECTIVELY

measure and manage the compliance risk of the organisation to meet the expectations of all stakeholders

COMPLIANCE**OVERVIEW**

The compliance function in the organisation has gained prominence in recent years due to the nature and size of financial losses and loss of reputation that arise from compliance breaches. Compliance serves as an independent function that identifies, assesses, advises, monitors and reports on the compliance risk.

The main objective of compliance is to preserve KWAP's reputation to ensure that our competitive standing, reputation and shared values are not only maintained, but also enhanced. To achieve this objective, KWAP's underlying mission is to effectively measure and manage the compliance risk of the organisation to meet the expectations of all stakeholders. Compliance Risk within KWAP is defined as the risk of impairment to the organisation's business model, reputation and financial condition from a 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, of which the building blocks of the compliance functions were shaped. In managing the roll-out of Compliance Framework, Compliance has adopted the Three Lines of Defence Model in managing the compliance risk in KWAP.

The Three Lines of Defence Model is adopted by KWAP for the internal control framework in the context of risk management, corporate governance and risk oversight. On a functional basis, top management and front liners form the first line of defence against compliance risk. They are principally responsible for monitoring and ensuring that the conduct of their business activities are carried out within the approved policies. Aside from that, a Compliance Liaison Officer is appointed in each department to act as a reference point in any non-compliance issues and ensure that his/her department is kept abreast in any implementation of new policies and guidelines. Risk Management and Compliance Department (RMCD) forms the second line of defence. Compliance function has a key role in the control structure. This includes helping the business to anticipate the

MANAGING OUR RISKS

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 defence is internal audit which undertakes independent and regular ex-post reviews of the overall organisation's internal control 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 Acts 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 department at transactional or operating level, where any potential breaches shall be identified upfront before the event. A proactive approach has been adopted as non-compliance to the regulatory compliance is not an option.

b) Internal Compliance

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

Compliance Process

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



Value of Compliance

As business models change, new technologies emerge and new investment asset classes increase amidst the intense focus on operational efficiencies, KWAP has never been more exposed to such a myriad of risks. In this regard, the Board and Senior Management of KWAP have extended their full support and cooperation in moving the compliance to the front-line. It was done by establishing the tone from the top, which is quite simply to comply with all rules and regulations and employ ethical behaviour. All employees are aware that the Board and Management must take uncompromising stance if such trust is breached. The Compliance unit is increasingly becoming a point-of-reference and advisor for key strategies and initiatives that KWAP embarks on.

CORPORATE GOVERNANCE

The effective penetration of a proper compliance culture into all business and operating departments has enhanced our public domain presence and facilitated 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 this becomes an intrinsic trait of the organisation.

Chinese Wall Policy

KWAP developed and implemented its Chinese Wall Policy in 2014. KWAP's Chinese Wall Policy was introduced to establish procedures to control the flow of material non-public and price sensitive information within KWAP to minimise the risk of insider trading and potential breach of laws and regulations. It also helps to ensure that the possession of material non-public and price sensitive information does not give rise to the risk or perceived risk of a conflict between the public interest, KWAP's interest and the employee's personal interest. The governance prescribed in this policy sets out the means to avoid possible leaks of information thus avoiding unfair advantage to profit from or reduce losses ahead of the general public obtaining the said information.

CREDIT RISK

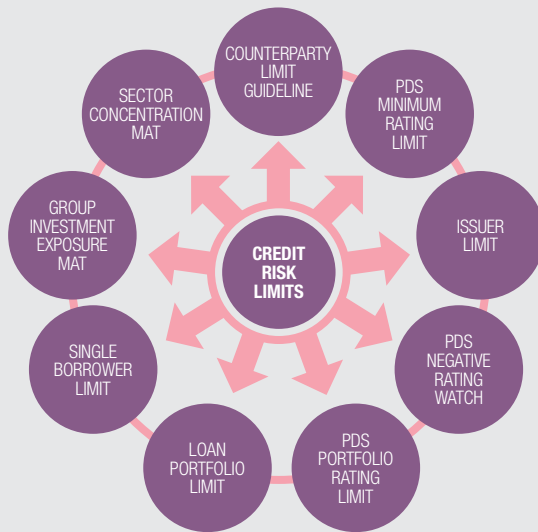
CREDIT RISK MANAGEMENT

Credit risk is defined as the probability 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 commensurate with the risk taken. The Credit Risk Framework and Credit Risk Guidelines were introduced to formalise the credit risk function covering credit risk measurement, credit risk assessment and monitoring.



MANAGING OUR RISKS

To manage KWAP's credit risk exposure, a series of credit risk limits and Management Action Triggers (MAT) have been placed, as illustrated next.



MARKET RISK MANAGEMENT

KWAP's market risk relates to unexpected loss resulting from adverse changes in the value of its asset holdings arising from movements in market rates or prices. The next chart illustrates the core risk categories under market risk. The predominant market risk drivers within KWAP are mainly Interest Rate Risk, Equity Risk, Currency Risk and Credit Spread Risk.

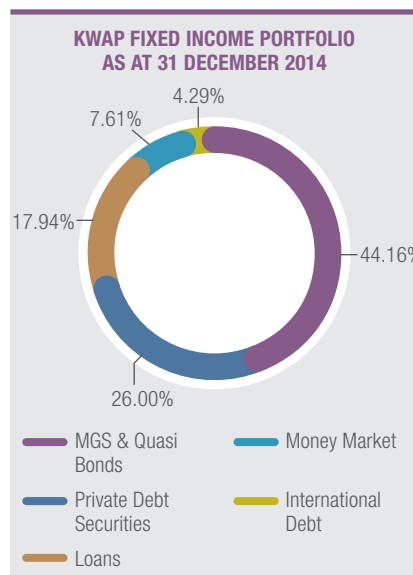
The predominant market risk drivers within KWAP are mainly



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

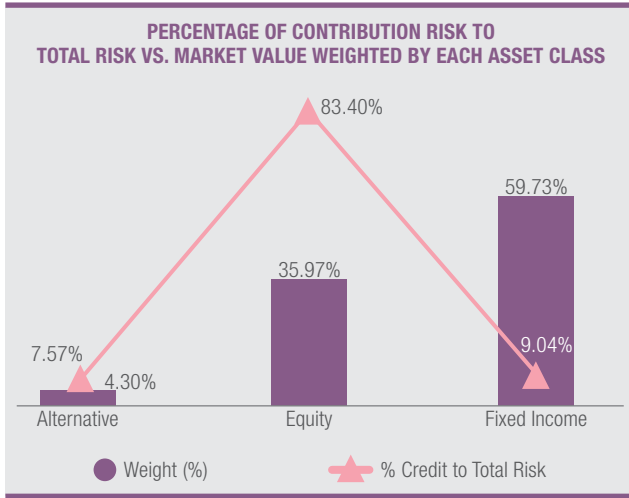
Management Action Trigger on the other hand, are triggers that warrant management review and reassessment of the accompanying risk exposures.

The diagram displays KWAP's fixed income exposure, of which 44.16% is invested in Malaysian Government Securities (MGS) and Quasi Government Bonds, 26.00% in Private Debt Securities (PDS), 17.94% in Loans and 7.61% in Money Market. The remainder 4.29% is in International Debt.



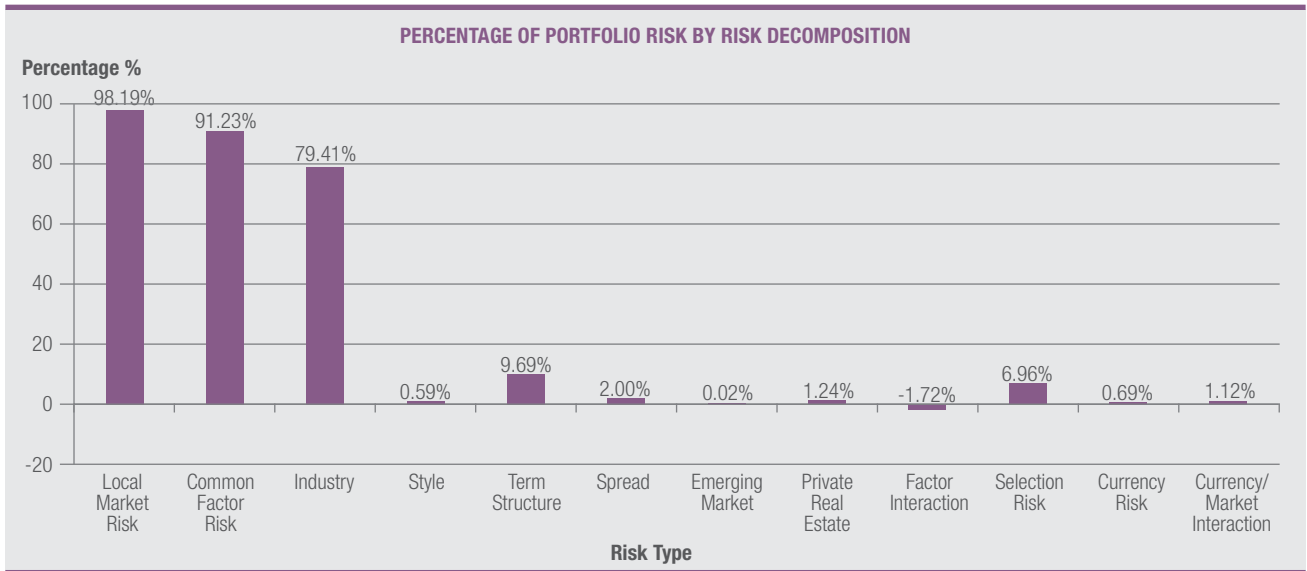
There are three (3) main asset classes that make up KWAP investments, of which 83.40% contribution to total risk is from equity, followed by 9.04% in fixed income portfolios and 7.56% in alternative investments (private equity and property).

CORPORATE GOVERNANCE



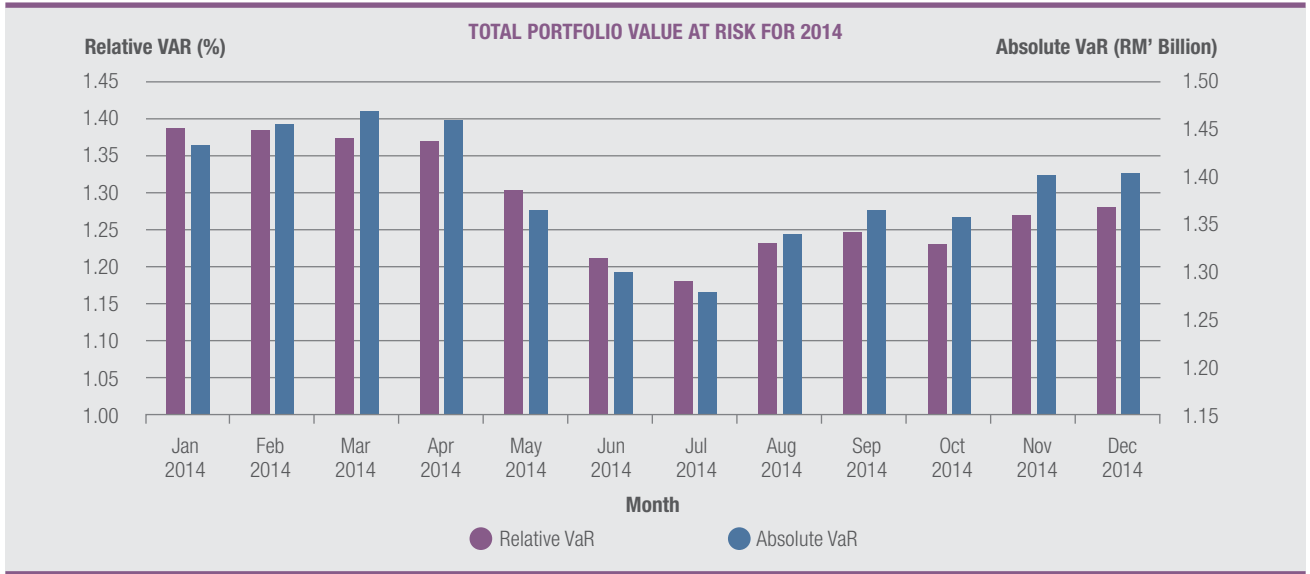
Industry, Style, Term Structure, Spread, Emerging Market, Private Real Estate and the diversification impact within these factors (factor interaction) and Selection Risk

The next diagram illustrates the risk decomposition as at end December 2014. The bulk of risk at 98.19% was attributed to market risk factors [Industry, Style, Term Structure, Spread, Emerging Market, Private Real Estate and the diversification impact within these factors (factor interaction) and Selection Risk]. The rest of the risks arose from the exposure in currency risk of 0.69% and the currency or market diversification impact of 1.12%.

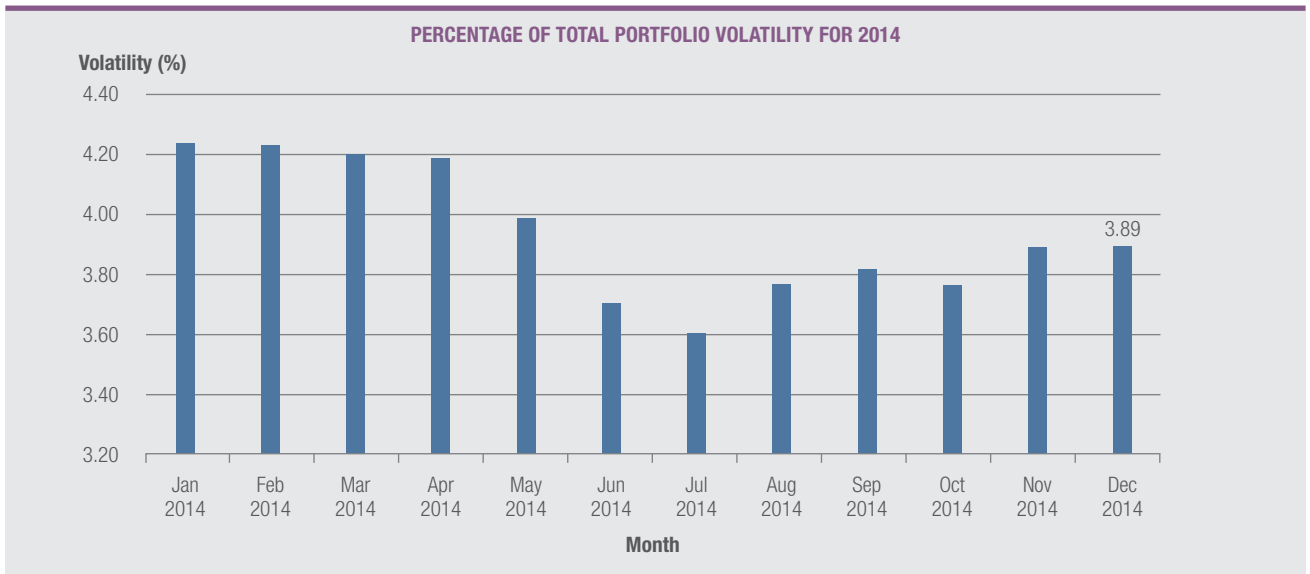


A key measure of market risk used in KWAP is Value-at-Risk (VaR). KWAP currently measures VaR as the worst possible loss that may occur at 5% probability, over a ten (10) days trading period. Overall, KWAP's VaR averaged at 1.29% of the fund's market value. In other words, for a 2 week period, there was a 95% probability that KWAP will not lose more than 1.29% of the fund's market value due to market risk factors.

MANAGING OUR RISKS

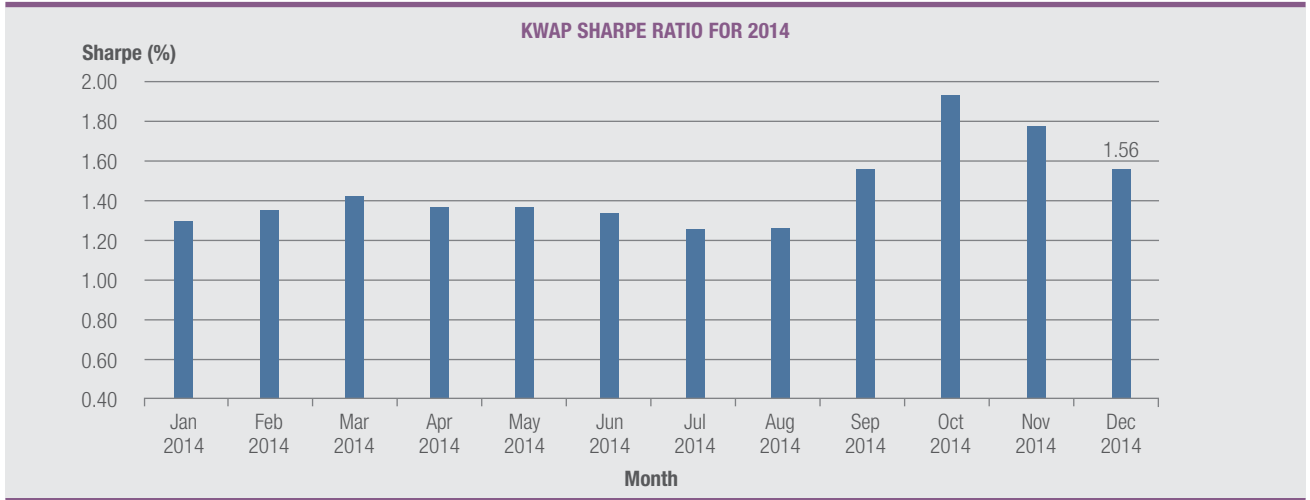


Based on the previous chart, KWAP also measures portfolio volatility, which is defined as the likely forecast variability of the portfolio over a one (1) year period, based on one (1) Standard Deviation or 68% probability. On average, volatility of KWAP portfolio was $\pm 3.94\%$. The model estimated that the portfolio can increase or decrease in value by 3.94% in one (1) year time. The higher the number, the more volatile the portfolio, hence the more risky it is.



CORPORATE GOVERNANCE

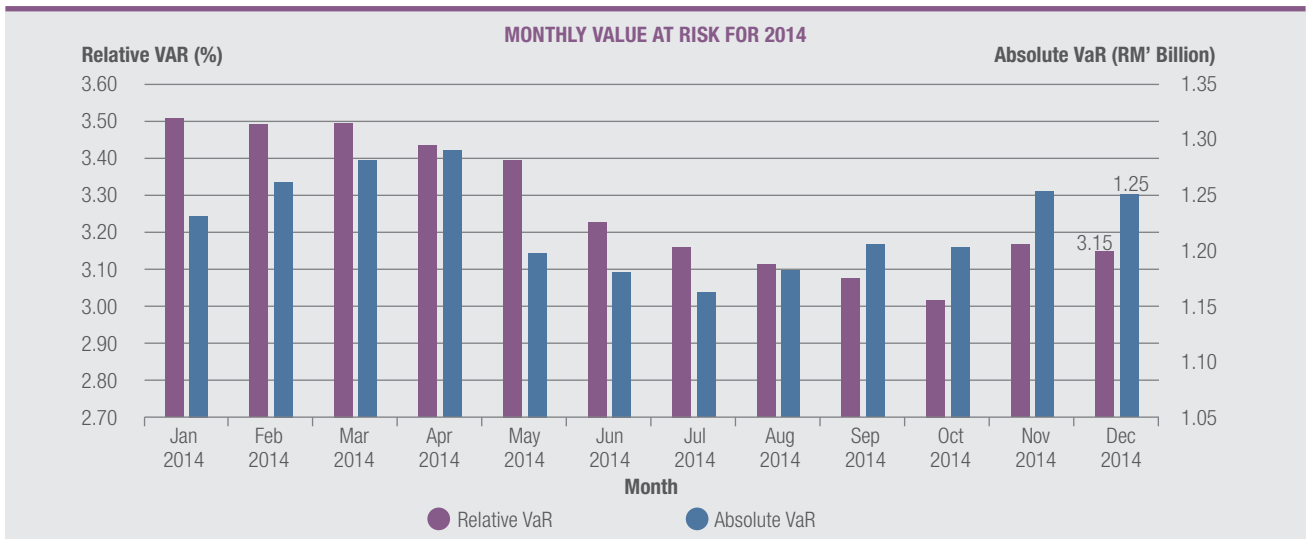
In addition, monitoring and understanding of portfolio volatility was enhanced by supplementing it with risk return measures such as Sharpe Ratio as shown in the next diagram. This ratio measures the excess return (per unit of risk) in an investment asset.



KWAP's Sharpe Ratio was at 1.56% at the end December 2014. Overall, KWAP's portfolio was able to add value by 156 basis points over the risk free rate, i.e. three (3) months KLIBOR.

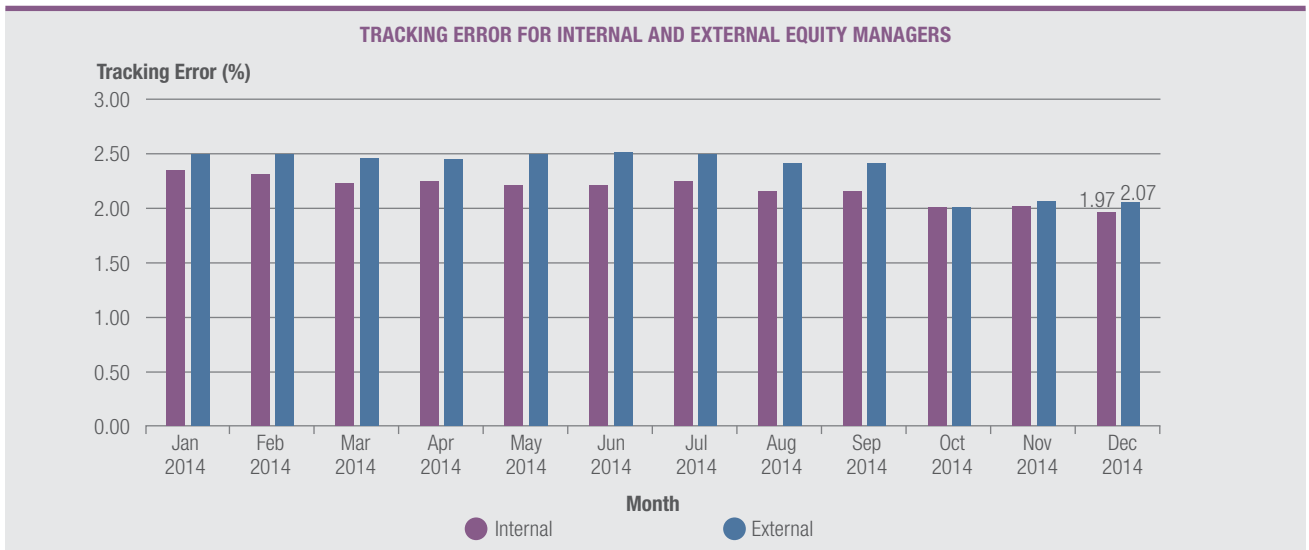
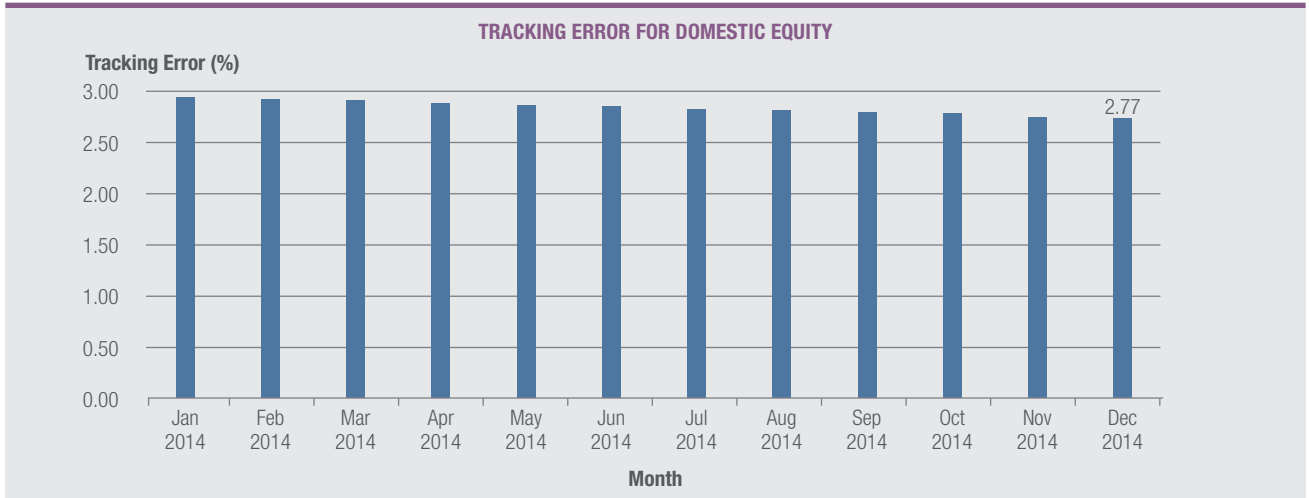
EQUITY RISK EXPOSURES

Equity portfolio represented 35.97% of the total fund at market value. Overall, KWAP's equity VaR was at 3.15% of the fund's equity portfolio, there is a potential loss of 3.15% of portfolio value over two (2) week period assuming a 95% confidence interval as shown in the next diagram.



MANAGING OUR RISKS

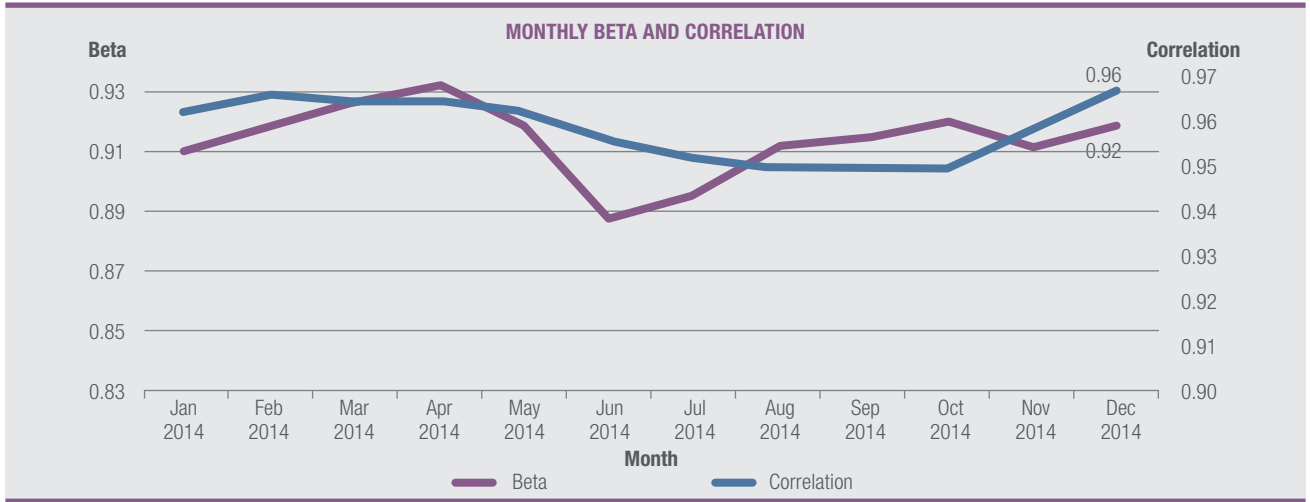
Tracking error (also known as active risk) is a measure of the deviation from the benchmark; for example, a passive index fund would have a tracking error close to zero (0), while an actively managed fund would normally have a higher tracking error. Tracking error for KWAP equity portfolio has been declining since the start of the year and stood at 2.77% end December 2014.



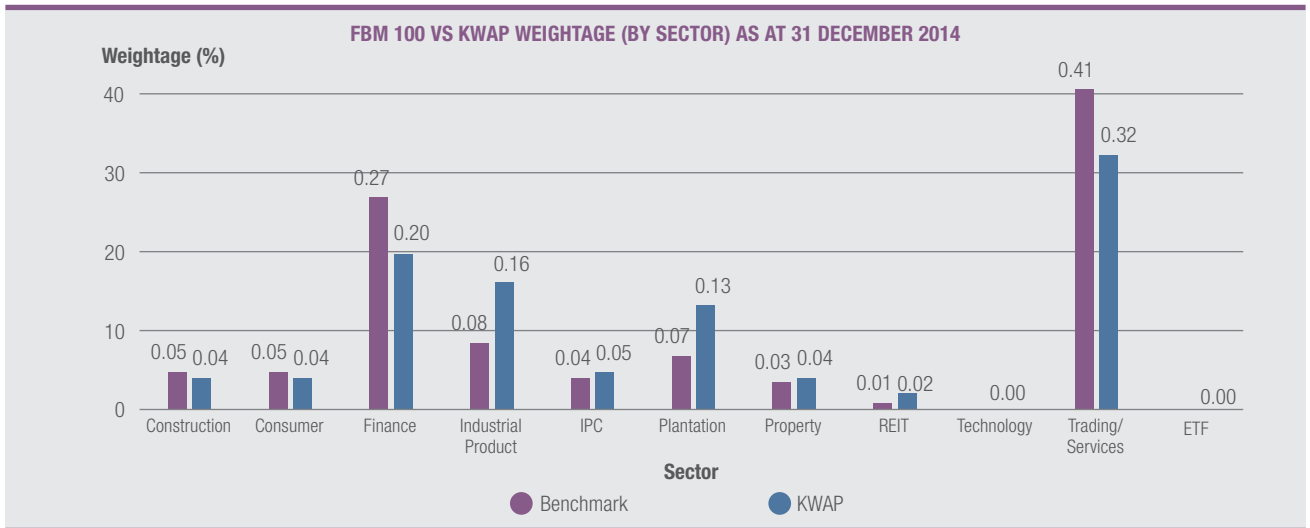
Correlation measure how close the portfolio moves are within benchmark while Beta estimates the quantum of such moves.

Correlation to the benchmark (FBM100) was relatively high for the entire year at an average of 0.96 while Beta was on average 0.92 as indicated in the next diagram. The correlation and beta which was close to one (1) indicates that KWAP has a defensive portfolio and was less volatile compared to the benchmark.

CORPORATE GOVERNANCE



The next diagram illustrates a snapshot of KWAP’s equity sector exposure versus the FBM100 index. As at end December 2014, our top three (3) key overweight sectors were Industrial Product, Plantation and Property, while top three (3) key sectors being underweight were Trading/Services, Finance and Consumer Product.



Stress Test on Equity

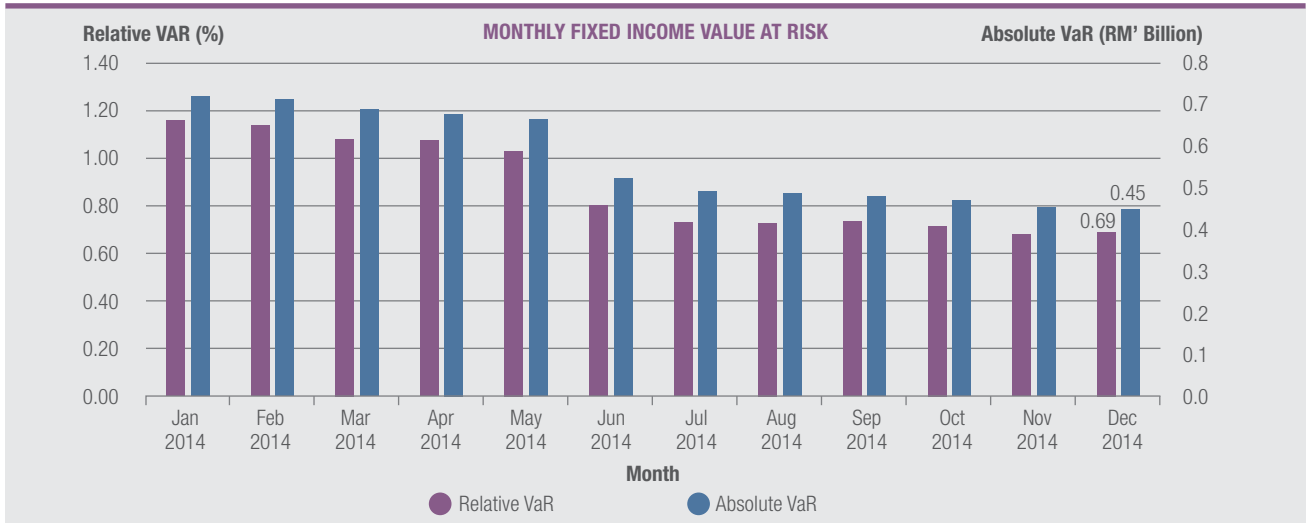
KWAP also periodically stress tests the portfolio on a variety of scenarios based on historical and forward looking basis. Results of which are reviewed, analysed and assessed to give insights into portfolio vulnerabilities.

MANAGING OUR RISKS

Among the top five (5) scenarios simulated in KWAP's Market Risk System, the most severe scenario was the Asian Financial Crisis of 1997 which gave a 48.15% loss of value. A more reasonable stress on the equity portfolio was a loss of 25.72% due to more recent historically volatile periods.

FIXED INCOME EXPOSURES

Fixed Income Portfolio [Malaysian Government Securities (MGS)/Government Investment Instrument (GII) and Private Debt Securities (PDS)] represented 59.66% of the total portfolio market value and Money Market at 4.58%. As of end December 2014, KWAP's Fixed Income VaR was 0.69% as shown in the next diagram.



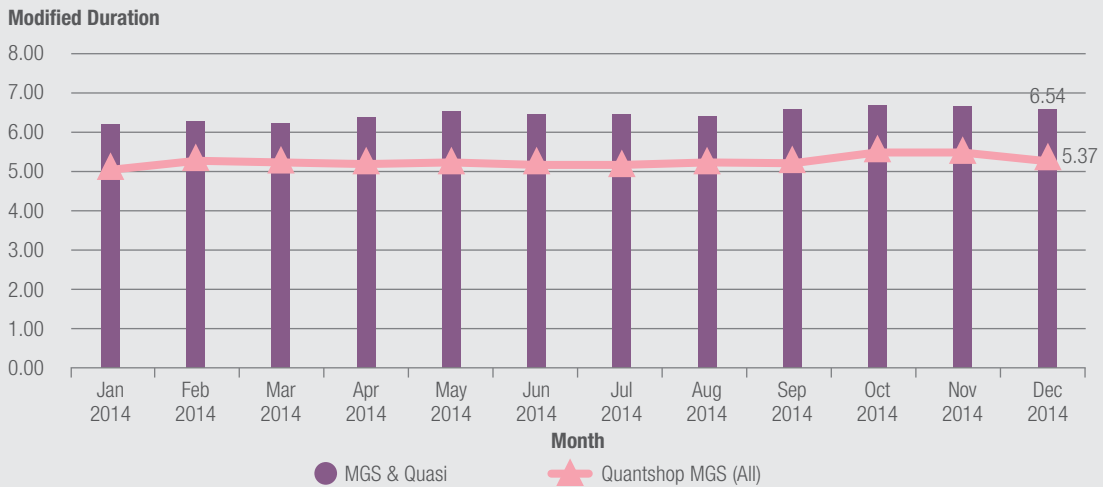
On average, KWAP's modified duration⁽¹⁾ in both MGS/GII and PDS surpasses the modified duration of their respective benchmarks at 6.54 versus the benchmark Quantshop MGS All Index of 5.37 and PDS benchmark of 5.24 versus Quantshop Corp (Medium) benchmark of 4.37.

This means that if the rate changes by 100 bps, the portfolio value will change approximately by 6.54% for MGS and 5.25% for PDS which is due to KWAP's portfolio which consists of securities of longer maturities that tend to be more sensitive to the interest rate movement compared to the benchmark. The higher duration is in line with our investment strategy and risk appetite as a long term investor.

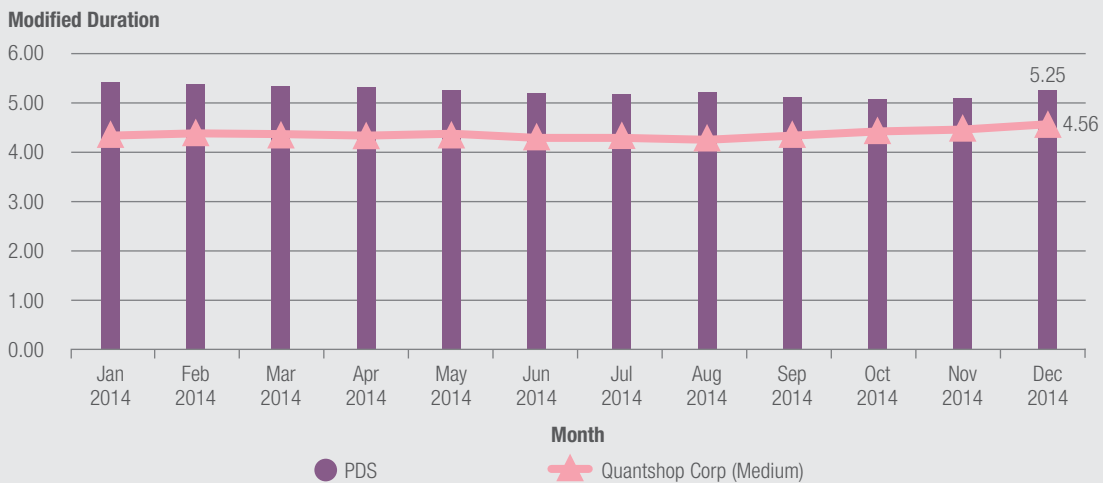
⁽¹⁾ Modified duration shows the effect of a 100-basis-points (1%) change in interest rates will have on the price of a fixed income security.

CORPORATE GOVERNANCE

INTERNAL VS BENCHMARK MODIFIED DURATION FOR MGS AND QUASI BOND AS AT 31 DECEMBER 2014



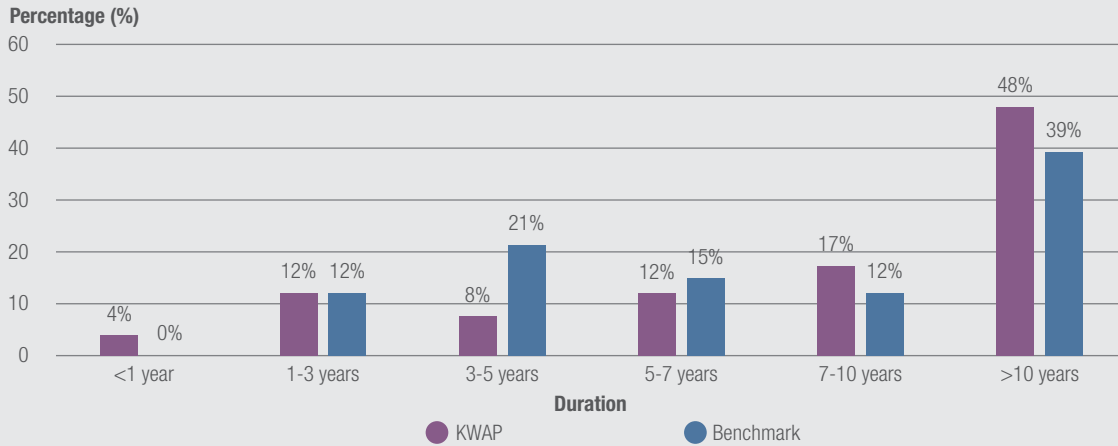
INTERNAL VS BENCHMARK MODIFIED DURATION FOR PDS AS AT 31 DECEMBER 2014

**MGS and Quasi Government Bonds**

Our MGS and Quasi-government bonds maturity profile is skewed towards long term maturities of more than seven years (>7 years), similar to the benchmark's remaining maturity profile. As a pension fund with long term liabilities, our risk appetite is gradually expanding into longer duration, but we also took cognizance of interest rates movement and adjust strategies dynamically.

MANAGING OUR RISKS

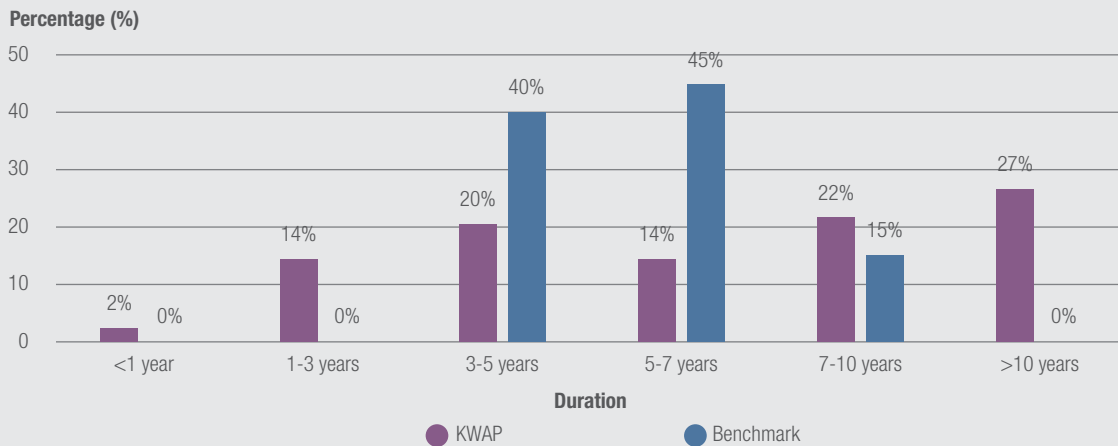
KWAP VS BENCHMARK FOR MGS AS AT DECEMBER 2014



Private Debt Securities (PDS)

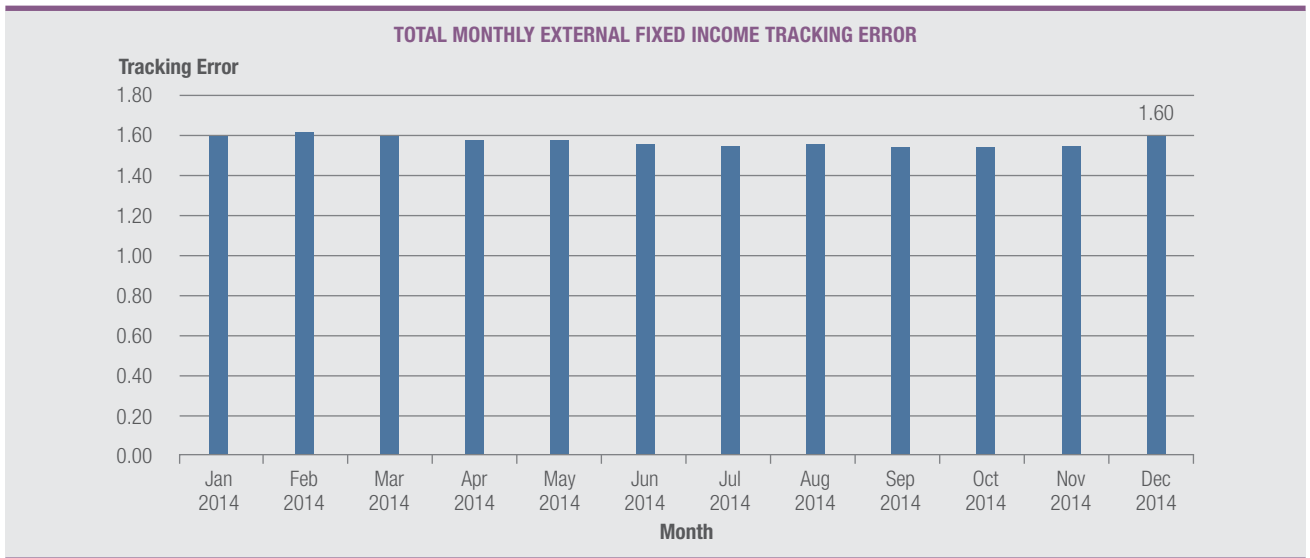
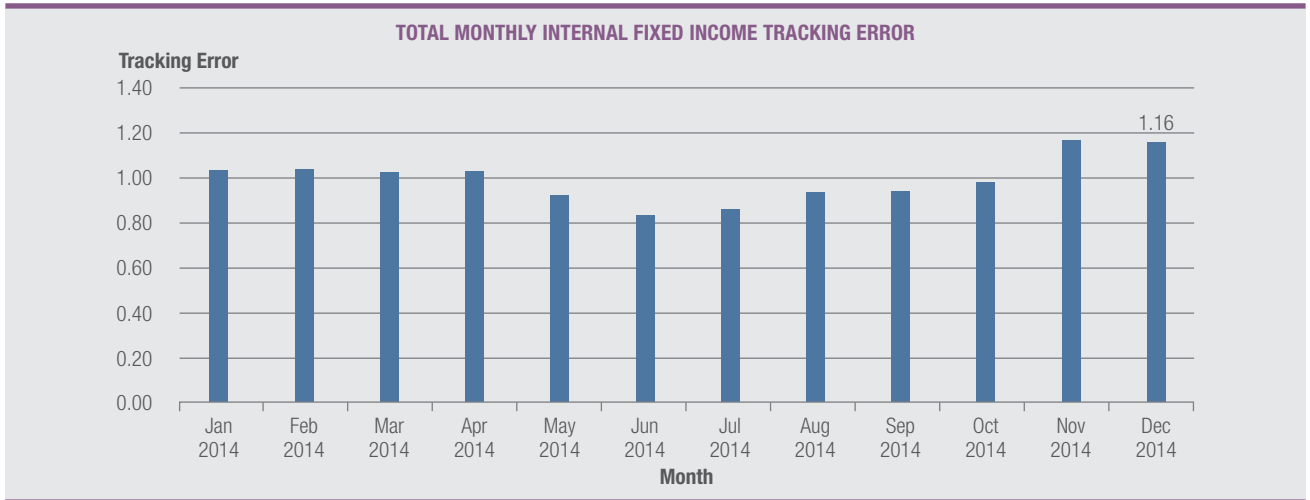
KWAP PDS maturity profile is skewed towards long term maturities of more than seven years (>7 years), as opposed to the benchmark's remaining maturity profile, which focuses on three to seven years (3-7 years) remaining maturity. This means that KWAP as a pension fund does have a different focus on the maturity profile of its holdings as compared to the benchmark of medium term holding.

KWAP VS BENCHMARK FOR PDS AS AT DECEMBER 2014



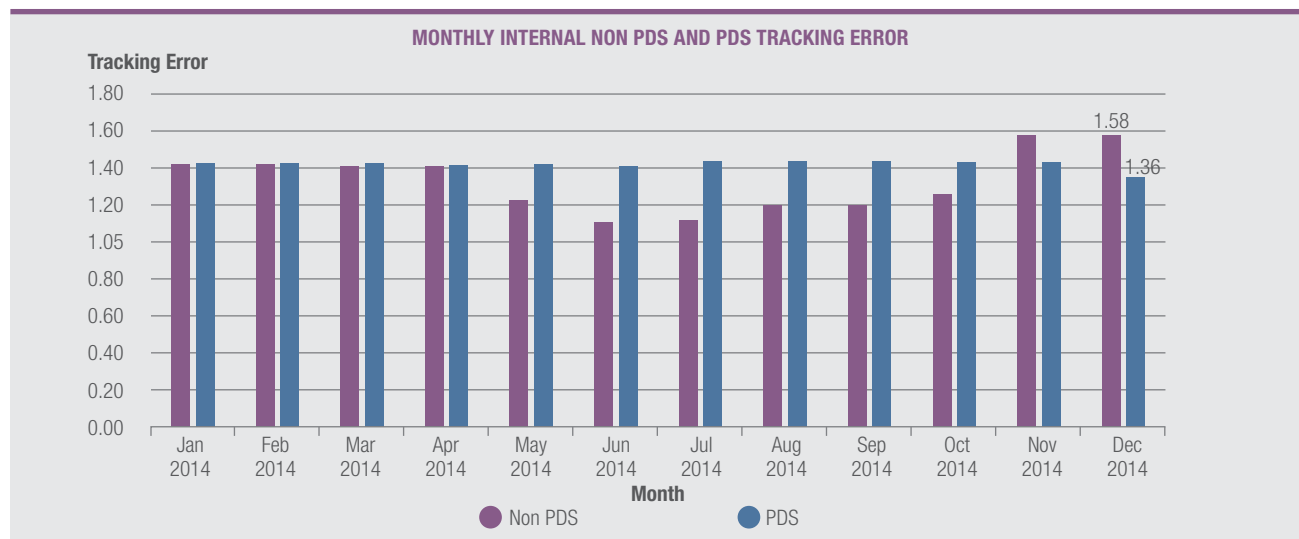
CORPORATE GOVERNANCE

The rolling three (3) year tracking errors of internal and external fixed income portfolios remain relatively stable at 1.16% and 1.60% as at the end of December 2014 respectively as shown in the diagrams below:



MANAGING OUR RISKS

The rolling three year (3-year) tracking errors of internal non PDS and PDS portfolios were 1.58% and 1.36% relatively as shown in the next diagram:



Stress Test on Fixed Income

KWAP also periodically stress tests the portfolio on the domestic Private Debt Security (PDS) and Malaysia Government Security (MGS) during the year 2014.

The worst scenario for MGS is a 1.61% loss of value due to central banks such as the European Central Bank and Bank of England further cut their interest rates and stimulate their economies with quantitative easing in January to March 2009. In the event that interest rate increases by 25bps, the portfolio may suffer a loss of 1.58%.

As for PDS, in the event that interest rate increases by 25bps and 50bps in parallel, the portfolio may suffer a loss of 1.43% to 2.86% respectively.

ALTERNATIVE INVESTMENTS

As at December 2014, KWAP invested approximately 4.30% in alternative investments such as property, direct private equity, infrastructure and private equity funds.

Property (International)

Our exposures in foreign properties are in Australia and the United Kingdom. The properties are invested mainly for the rental yield and are long term in nature; hence the risk is structural as opposed to transactional. Besides being exposed to movement in property prices, management of rental lease is important to maintain a steady income stream.

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

Taking into account KWAP's Private Equity (PE) strategies and target maturities, risk management of PE funds are typically concentrated in pre-appointment evaluation of the fund managers and their investment strategies. Post appointment activities concentrate on operational risk management and monitoring of the funds itself with potential red flags as to possible write offs or losses.

Derivative and Structured Product

A variety of derivative contracts were also utilised to manage the market risk exposures. In the year 2014, 0.73% of the total fund as at 31 December 2014 was invested in Range Accrual instrument. Furthermore, Cross Currency Swap and Forex (FX) Forward were transacted and used to hedge 49% of non-Ringgit exposure in international investments.

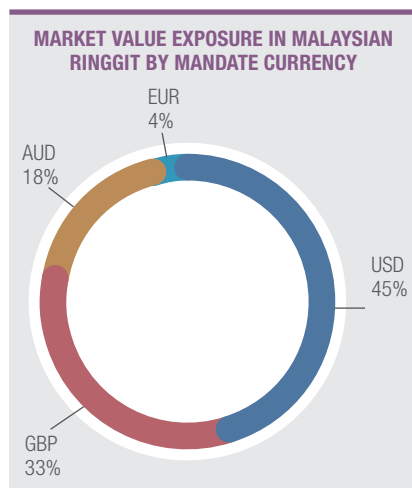
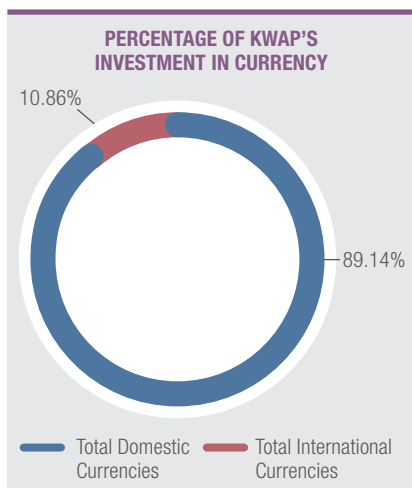
CORPORATE GOVERNANCE

Currency Risk

Currency exposure in international investments stood at 10.86% of total investment as at December 2014.

Top major currency exposures are American Dollar (USD), Pound Sterling (GBP), Australian Dollar (AUD) and Euro (EUR) as at December 2014. The foreign currency components are broken down into percentages as illustrated below:

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



To support our investment activities, constant updates are being made on the developments in risk modelling. Updates are also made via the market risk system where it enables enhanced analytics and scenario analysis to better assess strategies and risks in addition to aid decision making. The next table displays the risk attribution based on the market risk system multifactor model as at 31 December 2014. The primary driver of market risk is industry risk at 3.47% while currency risk after hedging is relatively small at 0.32%.

Risk Source	Portfolio VaR (in RM billion)	Portfolio Risk (in %)	Contribution to Total Risk (in %)
Total Risk	1.40	3.89	100
I) Local Market Risk	1.39	3.86	98
A. Common Factor Risk	1.34	3.72	91
i. Industry	1.25	3.47	79
ii. Style	0.11	0.30	1
iii. Term Structure	0.44	1.21	10
iv. Spread	0.20	0.55	2
v. Emerging Market	0.02	0.06	0
vi. Private Real Estate	0.16	0.43	-
B. Selection Risk	0.37	1.03	1
II) Currency Risk	0.12	0.32	7

STATEMENT ON GOVERNANCE

THE BOARD Throughout the years, KWAP Board has been committed in ensuring 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.

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 (CEO) 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 Director

As part of best practice, the roles of the Chairman and the CEO should be separated.

The Chairman is primarily responsible for ensuring Board effectiveness and conduct. 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 the employees.

In 2014, two (2) of KWAP's Board members, namely YBhg. Tan Sri Idrus bin Harun and YBhg. Datuk Wan Selamah binti Wan Sulaiman were retired on 11 September 2014 and 18 December 2014 respectively.

A brief profile of each Board member is presented on pages 156 to 161 of this Annual Report.

CORPORATE GOVERNANCE

Responsibilities and Accountabilities of the Board

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

The Board assumes a number of specific tasks such as overseeing the proper conduct of operations, identifying 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 dynamics 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 company's future leaders and human capital • Understands and manages the company's risks • Adopts a shareholders' perspective when making decisions • Balances valid stakeholder interests

STATEMENT ON GOVERNANCE

Board Meetings

Every year, 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.

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

During the financial year 2014, eight (8) 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.	YBhg. Tan Sri Dr. Mohd Irwan Serigar bin Abdullah <i>Chairman</i>	9/9
2.	YBhg. Tan Sri Idrus bin Harun <i>(*Retired on 11 September 2014)</i>	*7/7
3.	YBhg. Datuk Wan Selamah binti Wan Sulaiman <i>(*Retired on 18 December 2014)</i>	*9/9
4.	YBhg. Dato' Yeow Chin Kiong	4/9
5.	YBhg. Dato' Mat Noor bin Nawi	3/9
6.	YBhg. Dato' Siow Kim Lun	8/9
7.	YBhg. Dato' Muhammad bin Ibrahim	4/9
8.	YBhg. Dato' Azmi bin Abdullah	8/9
9.	YBhg. Dato' Dr. Gan Wee Beng	6/9
10.	YBhg. Datuk Azih bin Muda	8/8
11.	Encik Wan Kamaruzaman bin Wan Ahmad	9/9

Among the Board's key activities for 2014 are as follows, which are within its powers as specified by section 12(1) of Act 662:

NO.	SCOPE OF THE BOARD'S RESPONSIBILITIES AND ACCOUNTABILITIES AS PROVIDED BY THE ACT	BOARD'S DUTIES/ACTIVITIES FOR YEAR 2014
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 Revised Malaysian Financial Reporting Standards (MFRS) Implementation Plan for KWAP. Approved the Additional Accounting Policies on the Revised Malaysian Financial Reporting Standards (MFRS) Implementation Plan for KWAP. Approved KWAP's Expenditure Budget for Financial Year 2015.
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 Compensation and Benefits Package for Post Division of Public Service Department's (JPA-BPP) Seconded Employees to KWAP. Proposal on New Benefits for KWAP.

CORPORATE GOVERNANCE

NO.	SCOPE OF BOARD'S RESPONSIBILITIES AND ACCOUNTABILITIES AS PROVIDED BY THE ACT	BOARD'S DUTIES/ACTIVITIES FOR YEAR 2014
3.	To establish appropriate disciplinary authorities with respect to the conduct and discipline of the employees of KWAP;	No new procedure was approved in 2014. KWAP is currently adopting the Statutory Bodies (Discipline and Surcharge) Act 2000 to handle issues relating to staff's conduct and disciplines.
4.	To establish committees and procedure of such committees;	<ul style="list-style-type: none"> • Approved the Establishment of JPA-BPP Integration Committee.
5.	To regulate its internal procedures including procedures relating to operational matters;	<ul style="list-style-type: none"> • Approved the Revision of Domestic Private Debt Securities Portfolio Rating Limits. • Approved the Inclusion of New Chapter and Amendments of Investment Policy and Guidelines. • Approved the Formalisation of KWAP's Strategic Asset Allocation Transition, New Tactical Asset Allocation Band and Rebalancing Framework. • Approved the Chinese Wall Policy. • Approved a New Chapter of Investment Policy and Guidelines for the Domestic Government Bond Trading Portfolio. • Approved the Revised KWAP's Financial Policies and Guidelines. • Approved the IT Policy. • Approved the Revised Corporate Governance: Principles and Voting Guidelines. • Approved the Inclusion of New Provision on the Amendments of KWAP Act 2007.
6.	To prescribe the manner in which documents, cheques and instruments of any description shall be signed or executed on behalf of KWAP;	No new procedure was approved in 2014.
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 and External Fund Managers.

STATEMENT ON GOVERNANCE

THE INVESTMENT PANEL

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

Composition of the Investment Panel

The Investment Panel 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 or such other person as may be appointed by the Minister of Finance;
- (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 2014, due to the restructuring of Ministry of Finance's divisions, YBhg. Dato' Siti Zauyah binti Mohd Desa's position as KWAP's Investment Panel has been replaced by YBhg. Datuk Ahmad Badri Mohd Zahir effective 1 May 2014.

A brief profile of each Investment Panel member is presented on pages 162 to 165 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 2014, twelve (12) 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.	YBhg. Tan Sri Dr. Mohd Irwan Serigar bin Abdullah <i>Chairman</i>	12/12
2.	YBhg. Dato' Mohammed Azlan bin Hashim	9/12
3.	YBhg. Datuk Abdul Farid bin Alias	10/12
4.	YBhg. Dato' Siti Zauyah binti Mohd Desa <i>(*Resigned on 30 April 2014)</i>	*3/4
5.	Encik Cheah Tek Kuang	12/12
6.	Cik Che Zakiah binti Che Din	8/12
7.	YBhg. Datuk Mohd Badri bin Ahmad Zahir <i>(*Appointed on 1 May 2014)</i>	*8/8
8.	Encik Wan Kamaruzaman bin Wan Ahmad	12/12

Summary of Investment Panel Activities:

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

For Year 2014, the Investment Panel deliberated and discussed sixty six (66) investment proposals whereby sixty four (64) proposals were subsequently approved including approval via circulation.

CORPORATE GOVERNANCE

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

- (i) YBhg. Dato' Azmi bin Abdullah – Chairman
- (ii) YBhg. Tan Sri Idrus bin Harun – Member
(retired on 11 September 2014)
- (iii) YBhg. Dato' Siow Kim Lun - Member
- (iv) YBhg. Dato' Dr. Gan Wee Beng – Member

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

Four (4) Audit Committee meetings were held throughout year 2014.

Duties and Responsibilities of the Audit Committee

The following are the duties and responsibilities of the 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.

STATEMENT ON GOVERNANCE

The Retirement Fund (Incorporated)'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.	YBhg. Dato' Azmi bin Abdullah	4/4
2.	YBhg. Tan Sri Idrus bin Harun (*Retired on 11 September 2014)	*2/3
3.	YBhg. Dato' Siow Kim Lun	4/4
4.	YBhg. Dato' Dr. Gan Wee Beng	3/4

Summary of the Audit Committee Activities:

Among the major issues/proposals deliberated and approved by the Audit Committee were the Financial Statements of KWAP for Financial Year Ended 31 December 2013, Implementation of Malaysian Financial Reporting Standards (MFRS) at Kumpulan Wang Persaraan (Diperbadankan) and Internal Audit Review of several departments in KWAP.

RISK MANAGEMENT COMMITTEE

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

Membership

Currently, the Risk Management Committee comprises of 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) YBhg. Dato' Muhammad bin Ibrahim – Chairman
- (ii) YBhg. Dato' Siow Kim Lun – Member
- (iii) YBhg. Dato' Mohammed Azlan bin Hashim – Member
- (iv) YBhg. Dato' Dr. Gan Wee Beng – Member
- (v) Encik Wan Kamaruzaman bin Wan Ahmad – Member

Four (4) Risk Management Committee meetings were held throughout year 2014.

Duties and Responsibilities of the Risk Management Committee

The following are the duties and responsibilities of the 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 the 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 policies 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.

CORPORATE GOVERNANCE

Risk Management Committee Meeting Attendances:

NO.	NAME	ATTENDANCE
1.	YBhg. Dato' Muhammad bin Ibrahim - <i>Chairman</i>	3/4
2.	YBhg. Dato' Siow Kim Lun	4/4
3.	YBhg. Dato' Mohammed Azlan bin Hashim	2/4
4.	YBhg. Dato' Dr. Gan Wee Beng	4/4
5.	Encik Wan Kamaruzaman bin Wan Ahmad	4/4

Summary of the Risk Management Committee Activities:

Among major issues deliberated and approved by the Risk Management Committee during year 2014 were:

- Proposal on the Credit Risk Quantification
- Proposal on Liquidity Risk Management Framework
- Proposal on KWAP Risk Appetite Statement
- Report on Group Investment Exposure
- Compliance Report
- Notification on Foreign Exchange Forward, Interest Rate Swap (IRS) and Cross Currency Swap (CCS) Hedge Effectiveness
- Notification on Backtesting Result
- Notification on the Credit Risk Management Gap Analysis

REMUNERATION COMMITTEE

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

Membership

Currently, the Remuneration Committee comprises of 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:

- YBhg. Tan Sri Idrus bin Harun – Chairman
(Retired on 11 September 2014)
- YBhg. Dato' Siow Kim Lun – Member
(Appointed as new Chairman effective 5 November 2014)
- YBhg. Dato' Mohammed Azlan bin Hashim – Member
- Encik Cheah Tek Kuang – Member
- Encik Wan Kamaruzaman bin Wan Ahmad - Member

Four (4) Remuneration Committee meetings were held throughout year 2014.

Duties and Responsibilities of the Remuneration Committee

The following are the duties and responsibilities of the Remuneration Committee:

- To recommend the minimum requirements on the skills, experience, qualifications and other core competencies of employees;
- To recommend and review terms and conditions of employment and service of employees;
- To recommend and review code of conduct and discipline of employees;
- To recommend the mechanisms for the formal assessment on the effectiveness of employees;
- To recommend the promotion of employees;
- To recommend the relevant policy framework in determining the remuneration (monetary and non-monetary) of employees;

STATEMENT ON GOVERNANCE

- (vii) To recommend service agreement structure/principles for officers and servants including retirement/termination benefits;
- (viii) To review annually and recommend the overall remuneration policy of key management employees 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 the management's contribution for the year; and
- (x) To consider other issues as defined by the Board.

Remuneration Committee Meeting Attendances:

NO.	NAME	ATTENDANCE
1.	YBhg. Tan Sri Idrus bin Harun - <i>Chairman</i> (*Retired on 11 September 2014)	*3/3
2.	YBhg. Dato' Siow Kim Lun (Appointed as new <i>Chairman</i> effective 5 November 2014)	4/4
3.	YBhg. Dato' Mohammed Azlan bin Hashim	4/4
4.	Encik Cheah Tek Kuang	3/4
5.	Encik Wan Kamaruzaman bin Wan Ahmad	4/4

Summary of the Remuneration Committee Activities:

Among the proposals deliberated and endorsed by the Remuneration Committee during year 2014 were Payment of Bonus 2013 and Annual Increment 2014; and Proposal on New Benefits for KWAP.

TENDER BOARD

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

Membership

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

- (i) YBhg. Dato' Mat Noor bin Nawi – Chairman
- (ii) YBhg. Tan Sri Idrus bin Harun – Member
(Retired on 11 September 2014)
- (iii) YBhg. Dato' Yeow Chin Kiong – Member
- (iv) Encik Wan Kamaruzaman bin Wan Ahmad – Member

There was one (1) Tender Board meeting held during year 2014, to discuss on Proposal to Appoint Vendor to Supply, Install, Test and Commission Credit Risk Quantification System.

Duties and Responsibilities of the Tender Board

The following are among the duties and responsibilities of the 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, among others;
- (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 finds that the procurement procedures are not in accordance with the regulations or suspect that there are irregularities in the tender process;

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- (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 quotation limit; and
- (viii) To consider any other procurement issues as defined by the Board.

Tender Board Committee Meeting Attendances:

NO.	NAME	ATTENDANCE
1.	YBhg. Dato' Mat Noor bin Nawī - <i>Chairman</i>	1/1
2.	YBhg. Tan Sri Idrus bin Harun (<i>Retired on 11 September 2014</i>)	1/1
3.	YBhg. Dato' Yeow Chin Kiong	1/1
4.	Encik Wan Kamaruzaman bin Wan Ahmad	1/1

PSD-PD INTEGRATION COMMITTEE

The Public Service Department, Pension Division (PSD-PD) Integration Committee was established to provide board oversight for the takeover and transformation progress of the proposed takeover of PSD's pensions operations, payment and administration functions.

Membership

The PSD-PD Integration Committee comprises of four (4) Board members, i.e. a Chairman and three (3) other members who have been appointed by the Board:

- (i) YBhg. Dato' Azmi Abdullah – Chairman
- (ii) YBhg. Tan Sri Idrus bin Harun – Member
(Retired effective 11 September 2014)
- (iii) YBhg. Dato' Yeow Chin Kiong – Member
- (iv) YBhg. Datuk Azih Muda – Member

There were four (4) meetings held throughout year 2014.

Duties and Responsibilities of PSD-PD Integration Committee

The following are among the duties and responsibilities of JPA-BPP Integration Committee:

- (i) To provide guidance on the strategic direction of the project;
- (ii) To review financial budget, organisation structure and transformation program of the project and recommend to the Board for approval; and
- (iii) To provide concurrence for integration and transformation activities of the project.

PSD-PD Integration Committee Attendances:

NO.	NAME	ATTENDANCE
1.	YBhg. Dato' Azmi bin Abdullah - <i>Chairman</i>	4/4
2.	YBhg. Tan Sri Idrus bin Harun (<i>Retired effective on 11 September 2014</i>)	*3/3
3.	YBhg. Dato' Yeow Chin Kiong	2/4
4.	YBhg. Datuk Azih bin Muda	4/4

APPOINTMENT AND REMUNERATION OF THE BOARD AND INVESTMENT PANEL MEMBERS

The Board and Investment Panel members are appointed for a period not exceeding three (3) years, and on the expiry thereof are eligible for reappointment. The current term for all Board and Investment Panel members will expire on 28 February 2016. The remuneration of the Board and Investment Panel members is determined from time to time, subject to the approval of the Minister of Finance.

In 2014, the Board and Investment Panel members received a collective remuneration of RM346,117 and RM323,650 respectively.

STATEMENT ON INTERNAL CONTROL

RESPONSIBILITY
The Board recognises its overall responsibility in reviewing and maintaining a sound system of internal control and risk management practice 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:

- Identifying and evaluating the relevant risks in achieving KWAP's objectives and strategies;
- Formulating relevant policies and procedures to manage these risks;
- Designing, implementing and monitoring a sound system of internal control; and
- Reporting 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 ensures 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

CORPORATE GOVERNANCE

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 decide 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 are managed.

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

1. The existence 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.

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 and 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, guidelines and standard operating procedures (SOP) 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**

KWAP's Internal Audit Department had executed its audit engagements in the areas of Investments, Operations and Information Technology in accordance with the approved audit plan for year 2014. The outcome of the fieldwork and audit engagements conducted were incorporated in the audit report which highlighted the overall effectiveness on 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.

Amongst the tasks undertaken by the Internal Audit Department were as follows:

- a) Participated in KWAP's Disaster Recovery exercises as independent observers and assess whether the exercises had met its stated objectives;
- b) Reviewed Policies, Manual and Standard Operating Procedures and provided audit recommendations 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.

CORPORATE GOVERNANCE: PRINCIPLES AND VOTING GUIDELINES

KWAP's involvement in promoting good corporate governance achieved another milestone when the first edition of KWAP's Corporate Governance: Principles and Voting Guidelines (the Guidelines) was released in 2011.

In addition to be used as a guidance on matters pertaining to voting at Annual General Meetings (AGMs) and Extraordinary General Meetings (EGMs) of investee companies, the Guidelines which incorporate KWAP's principles on corporate governance, are to be used as a means to put forward KWAP's stand and belief in inculcating good corporate governance in the marketplace. Since then, KWAP has been committed in applying the Guidelines when dealing with corporate actions and governance practices of our investee companies.

Since 2011, the industry has seen the development of new and revised corporate governance guidelines including those Bursa Malaysia and Securities Commission. This illustrates the dynamism of corporate governance, a subject that is continuously evolving. Pursuant to that, KWAP undertook the initiative to revise the Guidelines.

In 2014, KWAP released a revised version of the Guidelines which embraced the prevailing industry's best practices and KWAP's experience in dealing with investee companies, particularly during AGMs and EGMs.

KWAP expect its investee companies to implement policies which will ensure the **creation of sustainable shareholder value in the long term**



Regular **UPDATES** on our prevailing stance on corporate governance practices and policies



The updates were mainly focused on:

- i. Enhanced expectations and responsibilities of KWAP investee companies' Board of Directors, emphasising higher level of commitment that is expected from them and changes towards the criteria for re-election.
- ii. Recommendations to enhance the overall governance of our investee companies via the setting up of board committees which include recommendations on the committees' roles and composition for several functional areas.

The Guidelines set out recommended corporate governance practices for entities that KWAP has interest in. For instance, the revised Guidelines feature recommendations for the investee companies to disclose their policies and implementation of the Environmental, Social and Governance aspects of their operations in their annual report and website. By virtue of being an institutional investor, KWAP embraces responsible investing and look beyond financial aspects in our investment selection process. KWAP expects its investee companies to implement policies which will ensure the creation of sustainable shareholder value in the long term.

With regular updates on our prevailing stance on corporate governance practices and policies, it is to our hope that it will benefit our investee companies in their decision making process, particularly pertaining to matters that require approval from shareholders.

MALAYSIAN CODE FOR INSTITUTIONAL INVESTORS

This year marks another key milestone for KWAP with regards to promoting good corporate governance among its investee companies and institutional investors.

In addition to conducting regular management visits to investee companies to engage with the management on company's recent issues and future business plans, KWAP also engaged with the Minority Shareholder Watchdog Group (MSWG) to explore further on possibilities of KWAP contributing to the nation's corporate governance sphere.

During the second half of 2013, Securities Commission (SC) and Minority Shareholder Watchdog Group (MSWG) issued a joint consultation paper on the Malaysian Code for Institutional Investors (the Code). The Code sets out six (6) principles together with the guidance for institutional investors on effective exercise of stewardship responsibilities towards the delivery of sustainable long term value to the institutional investors' ultimate beneficiaries or clients.

6 PRINCIPLES OF THE CODE

Principle 1

Disclosing Policies on Stewardship

Principle 2

Monitoring Investee Companies

Principle 3

Engaging Investee Companies

Principle 4

Managing Conflicts of Interest

Principle 5

Incorporating Sustainability Considerations

Principle 6

Publishing Voting Policy

SC and MSWG invited representatives from institutional investors and the corporate governance subject matter experts to contribute to the development of the Code. KWAP's Chief Executive Officer (CEO) was appointed to be one of the Steering Committee members and a representative from Corporate Strategy and Performance Department as one of the Working Group Committee members. The Code was officially launched on 27 June 2014.

Beyond playing an integral part on the formulation of the Code, KWAP also assumed its role as an advocate for good corporate governance by supporting the Malaysia-ASEAN Corporate Governance Index 2014 Awards Ceremony organised by MSWG in December 2014. The event recognises Malaysia's Top 100 PLCs for their corporate governance achievements for 2014. The award ceremony also acknowledged the companies that promote excellent environmental, social and governance practices.

KWAP's roles at the national level initiatives showcases KWAP's stand on ensuring good governance, transparency and performance amongst the domestic companies to create long term shareholder value and spurs further development of the capital market.

MANAGEMENT VISITS 2014



The year 2014 saw a great leap for KWAP in terms of championing Shareholder Activism initiatives. Shareholder Activism is a way in which shareholders can influence a corporation's behaviour by exercising their rights as owners.

For KWAP, we exercise our role as an institutional investor by having regular dialogues with the management of investee companies and discuss issues beyond financial performance. As such, the scope of the visits include:



Future strategy



Environmental, Social and Governance (ESG)



Key risk areas



Corporate Social Responsibility (CSR)



Quality of reporting



Financial performance (past performance and sustainability)

CORPORATE GOVERNANCE



These visits will further enhance KWAP's role as an institutional investor to understand the investee companies' businesses including the industries they are in and how the investee company will contribute to the betterment of the respective industry as a whole.

As an extension to the management visits conducted within Malaysia, KWAP also conducted a regional management visit to Indonesia after conducting a successful regional visit to Singapore in 2013. The regional visit is aimed to better understand the neighbouring country's economic prospect, industry contributing performances and areas of potential investment. Our senior management also visited several companies that KWAP has interests in as well as companies that have good track record within their respective industries. Being an asset management entity for the Government's pension fund, KWAP also visited the Indonesian pension funds to build network and conduct bilateral knowledge sharing.



MANAGEMENT VISITS 2014



In 2014, Corporate Strategy and Performance Department organised twenty three (23) management visits which includes fourteen (14) local companies as well as nine (9) regional companies that KWAP has interest in.

The visits were led by KWAP's Chief Executive Officer, Encik Wan Kamaruzaman bin Wan Ahmad and Chief Investment Officer, Puan Nik Amlizan binti Mohamed, as well as the senior management.

List of Domestic Management Visits Conducted in 2014

No.	Industry	Number of Companies
1.	Commercial Services	1
2.	Consumer Services	1
3.	Media	1
4.	Port and Logistics	1
5.	Power Generation	1
6.	Property	2
7.	Telecommunications	4
8.	Transport and Logistics	2
9.	Utilities	1

List of Regional Management Visits Conducted in 2014

No.	Industry	Number of Regulatory Body/Pension Fund
1.	Banking Institution	2
2.	Investment Firm	1
3.	Highway Corporation	1
4.	Plantation	1
5.	Real Estate Developer	1
6.	Indonesia Stock Exchange	1
7.	Social Security Program	1
8.	State Owned Enterprise for Pension	1

Our Leadership

SECTION 06

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OUR LEADERSHIP

BOARD: MEMBERS AND PROFILES

Tan Sri Dr Mohd Irwan Serigar bin Abdullah was reappointed 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 of Director of various agencies and government bodies such as Malaysia Airline System (MAS), Petroleum National Berhad (PETRONAS), Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) and Malaysia Deposit Insurance Corporation (PIDM). 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.

A professional portrait of Tan Sri Dr Mohd Irwan Serigar bin Abdullah. He is a middle-aged man with short, dark hair, wearing a dark grey suit jacket, a light blue and white striped shirt, and a blue tie with a subtle pattern. He is looking slightly to the right of the camera with a neutral expression. The background is a dark, solid color.

TAN SRI DR MOHD IRWAN SERIGAR ABDULLAH

Secretary General of Treasury, MOF
Chairman

OUR LEADERSHIP

Dato' Yeow Chin Kiong was reappointed 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' Mat Noor Nawi was reappointed 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 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, United States of America.

**DATO' YEOW CHIN KIONG**

Federal Government Representative

**DATO' MAT NOOR BIN NAWI**

Ministry of Finance Representative

BOARD: MEMBERS AND PROFILES

OUR LEADERSHIP

Dato' Muhammad bin Ibrahim was reappointed as a member of the Board on 1 March 2013. He is currently Deputy Governor, BNM. He is also a council member of the Malaysian Bankers Institute, an Associate Fellow at Institute of Bankers Malaysia and a member of BNM's Monetary Policy Committee. He is a trustee of Tun Ismail Ali Chair Council and an independent director of Petroliam Nasional Berhad.

He 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.

Dato' Siow Kim Lun was reappointed as a member of the Board on 1 March 2013. He is currently a member of the Board of Citibank Berhad, UMW Holdings Berhad, Eco World International Berhad, Sunway Construction Group 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' MUHAMMAD
BIN IBRAHIM**

BNM Representative



DATO' SIOW KIM LUN

Private Sector Representative

OUR LEADERSHIP

Dato' Azmi bin Abdullah, was reappointed as a member of the Board on 1 March 2013. He is currently an Independent Non-Executive Director of Bank Muamalat Malaysia Berhad. 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 Amanah Raya Berhad, Transnational Insurance Brokers Sdn. Bhd. and ECS Solution Sdn. Bhd.

Dato' Azmi is also 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 for more than 4 years 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 was appointed to the Board on 1 March 2013. He is currently the Advisor, CIMB Group, a position he has held since 2012. Prior to that, he was the CIMB Group Deputy CEO responsible for risk management and an Executive Director of CIMB Bank. 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.

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, United States of America.



DATO' AZMI BIN ABDULLAH

Private Sector Representative



DATO' DR GAN WEE BENG

Private Sector Representative

OUR LEADERSHIP

**BOARD:
MEMBERS AND PROFILES**

Datuk Azih Muda was appointed to the Board on 20 December 2013. He is currently the President of CEUPACS. He is also the President of Amalgamated National Union of Local Authorities Employees (Anulae).

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. He then briefly served Kemuncak Facilities Management Sdn. Bhd. and Izoma (M) Sdn. Bhd., both as Executive Director of Finance. Encik Wan Kamaruzaman holds a Bachelor of Economics majoring in Analytical Economic (Hons) from the University of Malaya.

**DATUK AZIH BIN MUDA**

Contributor Representative

**ENCIK WAN KAMARUZAMAN
BIN WAN AHMAD**Chief Executive Officer
Ex-Officio

OUR LEADERSHIP

Tan Sri Idrus bin Harun was reappointed as a member of the Board on 1 March 2013. He was the Solicitor General of Malaysia until his retirement on 11 September 2014.

Datuk Wan Selamah binti Wan Sulaiman was appointed as a member of the Board on 1 March 2013. She was previously the Accountant General in the Accountant General's Department of Malaysia until her retirement on 18 December 2014.



TAN SRI IDRUS BIN HARUN

Federal Government Representative
(*Retired on 11 September 2014)



**DATUK WAN SELAMAH
BINTI WAN SULAIMAN**

Federal Government Representative
(*Retired on 18 December 2014)

OUR LEADERSHIP

INVESTMENT PANEL: MEMBERS AND PROFILES

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

Datuk Ahmad Badri Mohd Zahir was appointed as Investment Panel of KWAP on 1 May 2014. Currently, he is the Secretary of Strategic Investment Division, Ministry of Finance. He has served the Ministry for 25 years in various capacities since 1989. He was also the Director's Advisor at the Asian Development Bank, Manila from 1997 to 2000. He currently sits on the boards of Perbadanan Kemajuan Negeri Selangor, Amanah Raya Reit Malaysia, Syarikat Danajamin Nasional Berhad, Islamic Corporation for the Development of the Private Sector, Kumpulan Wang Simpanan Pekerja, Kuala Lumpur International Airport Berhad, Danahfra Nasional Berhad, Corporate Debt Restructuring Committee (CDRC) – BNM and Johor Corporation.

He graduated with Masters in Business Administration from University of Hull, United Kingdom. He holds a Degree in Land and Property Management from MARA University of Technology (UiTM), Shah Alam, Malaysia which qualified him as a Trained and Qualified Valuer. He also holds a Diploma in Land and Property Management from MARA University of Technology (UiTM), Shah Alam, Malaysia and a Diploma in Public Administration from National Institute of Public Administration (INTAN), Kuala Lumpur.



TAN SRI DR MOHD IRWAN SERIGAR ABDULLAH

Secretary General of Treasury, Ministry of Finance
Chairman



DATUK AHMAD BADRI BIN MOHD ZAHIR

MOF Representative
(*Appointed on 1 May 2014)

OUR LEADERSHIP

Dato' Mohammed Azlan bin Hashim was reappointed 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.

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 Schroders 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.



**DATO' MOHAMMED
AZLAN BIN HASHIM**

Private Sector Representative



**DATUK ABDUL FARID
BIN ALIAS**

Private Sector Representative

OUR LEADERSHIP

INVESTMENT PANEL: MEMBERS AND PROFILES

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, AmlInvestment Bank Bhd and AmlIslamic 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, 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.

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, BNM. 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.



ENCIK CHEAH TEK KUANG
Private Sector Representative



**CIK CHE ZAKIAH
BINTI CHE DIN**
BNM Representative

OUR LEADERSHIP

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

Dato' Siti Zauyah Md Desa was appointed as Investment Panel of KWAP on 1 March 2013. She was the Secretary Government Investment Division of Ministry of Finance before she resigned from KWAP; Investment Panel due to job reassignment.



**ENCIK WAN KAMARUZAMAN
BIN WAN AHMAD**

Chief Executive Officer
Secretary



**DATO' SITI ZAUYAH
BINTI MD DESA**

MOF Representative
(*Resigned on 30 April 2014)

BOARD COMMITTEES: MEMBERS AND PROFILES

AUDIT COMMITTEE



from left to right

Dato' Azmi bin Abdullah (Chairman), Tan 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

OUR LEADERSHIP

REMUNERATION COMMITTEE



from left to right

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

TENDER BOARD



from left to right

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

EXECUTIVE COMMITTEE: MEMBERS AND PROFILES



from left to right

- | | | |
|---|--|--|
| <p>1. Nik Amlizan binti Mohamed
Chief Investment Officer</p> <p>2. Zalman bin Ismail
Director of Alternative Investment Department</p> <p>3. Wan Kamaruzaman bin Wan Ahmad
Chief Executive Officer</p> <p>4. Azmeen bin Adnan
Director of Fixed Income Department</p> | <p>5. Ismail bin Zakaria
Director of Corporate Strategy and Performance Department</p> <p>6. Tursina binti Yaacob
Director of Research Department</p> <p>7. Nazaiful Affendi bin Zainal Abidin
Director of Portfolio Strategy Department</p> <p>8. Khairul Azwa bin Kamalul Bahrin
Director of Risk Management and Compliance Department</p> | <p>9. Md. Saffi bin Nadzir
Director of Contribution Department</p> <p>10. Ambalagam R. Marappan
Director of Accounts and Management Services Department</p> <p>11. Tai Kim Fong
Director of Information Technology Department</p> <p>12. Siti Ilmiah binti Ramli
Director of Human Resource Department</p> |
|---|--|--|

INVESTMENT COMMITTEE AND ENTERPRISE RISK MANAGEMENT COMMITTEE: MEMBERS AND PROFILES

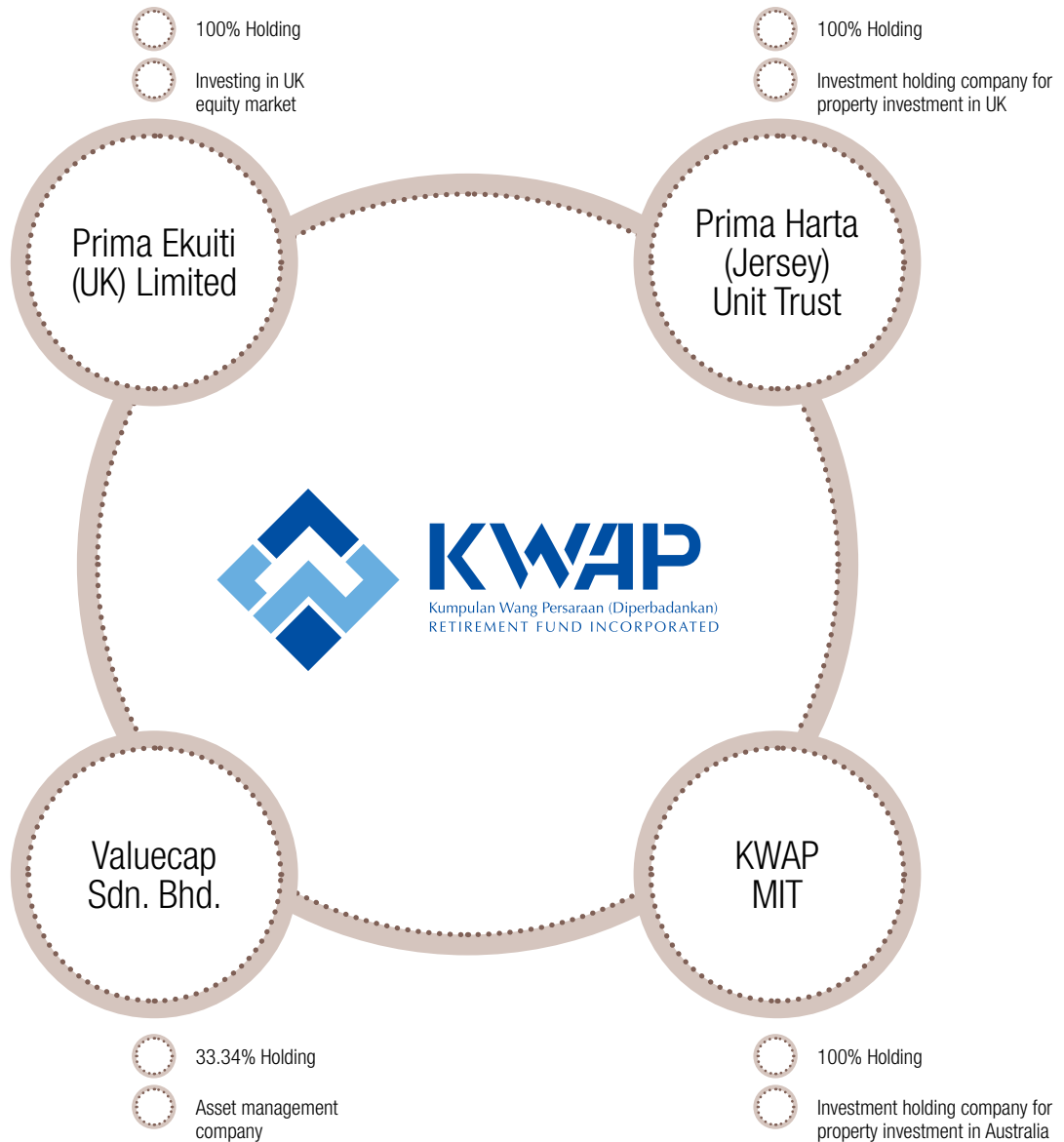
INVESTMENT COMMITTEE

1. Wan Kamaruzaman bin Wan Ahmad
2. Nik Amlizan binti Mohamed
3. Zalman bin Ismail
4. Khairul Azwa bin Kamalul Bahrin
5. Nazaiful Affendi bin Zainal Abidin
6. Azmeen bin Adnan
7. Tursina binti Yaacob

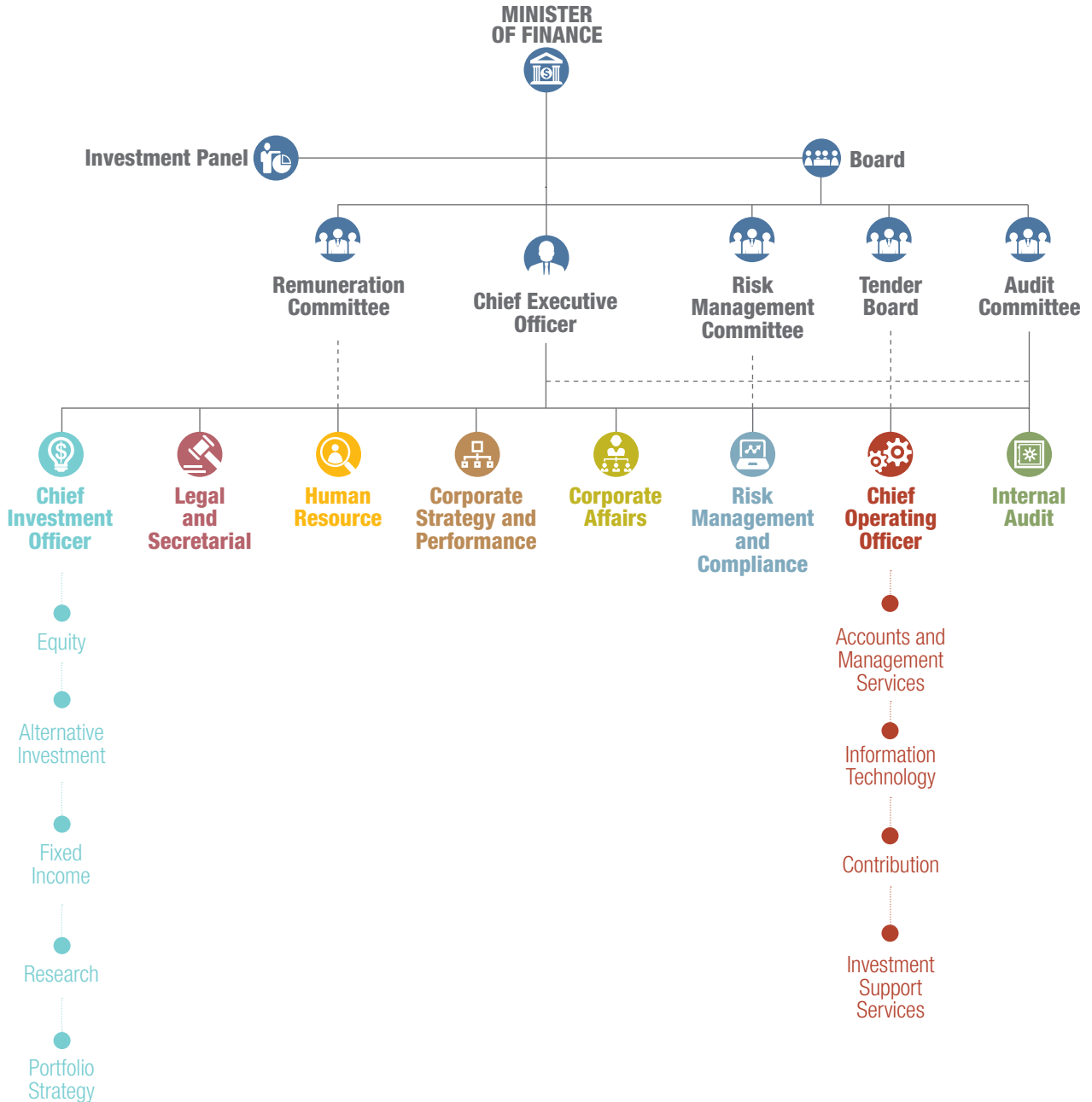
ENTERPRISE RISK MANAGEMENT COMMITTEE

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

CORPORATE ORGANISATION CHART



CORPORATE ORGANISATION CHART



SENIOR MANAGEMENT



**Nik Amlizan
binti
Mohamed**

JOB DESIGNATION:

Chief Investment Officer

DEPARTMENT:

All Investment Departments

RESPONSIBILITY:

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

WORKING EXPERIENCE:

Has twenty three (23) years of experience that includes twenty one (21) years 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. She was Head of Equity for seven (7) years before being appointed as Chief Investment Officer.

Participated as a speaker in local and international conferences.

EDUCATION BACKGROUND:

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

COMMITTEE MEMBERSHIP/APPOINTMENT:

Alternate Board Member of Valuecap Sdn. Bhd.

Board Member of Valuecap Asset Management Sdn. Bhd.

Board Member of Prima Ekuiti (UK) Limited

Investment Committee Member of iVCAP Management Sdn. Bhd.

Investment Committee Member of Metropolitan



**Zalman
bin
Ismail**

JOB DESIGNATION:

Director

DEPARTMENT:

Alternative Investment Department

RESPONSIBILITY:

Responsibilities include maximising long term returns through investments in private equity, infrastructure and property both domestic and international.

WORKING EXPERIENCE:

Has twenty (20) years of experience in credit rating, equity research, corporate finance and business development of telecommunication, 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:

Board Member of Jambatan Kedua Sdn. Bhd.

Board Member of Munchy Food Industries Sdn. Bhd.

Alternate Director of Malakoff Corporation Berhad

SENIOR MANAGEMENT



**Azmeen
bin
Adnan**

JOB DESIGNATION:

Director

DEPARTMENT:

Fixed Income Department

RESPONSIBILITY:

Responsibilities include developing investment strategy and objectives for fixed income instruments.

WORKING EXPERIENCE:

He has nineteen (19) years of experience in the banking and the asset management industry having covered the areas of investment, treasury, sales and product development. His previous tenures includes being attached to the Treasury Departments of Kenanga Investment Bank, KAF Investment Bank, PM Securities and RHB Investment Bank. Prior to his current position, Azmeen was the Chief Executive Officer of Maybank Islamic Asset Management Sdn. Bhd.

EDUCATION BACKGROUND:

BSc in Business Administration, University of Denver in Colorado, USA

COMMITTEE MEMBERSHIP/APPOINTMENT:

Member of Persatuan Pasaran Kewangan Malaysia.



**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 seventeen (17) 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

OUR LEADERSHIP

**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 eighteen (18) 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

**JOB DESIGNATION:**

Director

DEPARTMENT:

Risk Management and Compliance Department

RESPONSIBILITY:

Responsibilities include Enterprise Risk Management encompassing investment risk, operational risk, business continuity and compliance.

WORKING EXPERIENCE:

He has over twenty three (23) 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

SENIOR MANAGEMENT

**JOB DESIGNATION:**

Director

DEPARTMENT:

Corporate Strategy and Performance Department

RESPONSIBILITY:

Responsible to direct and oversee four distinct business areas – corporate finance on strategic investment and tax planning, business architecture on business process reengineering, quality management system and system implementation and investment performance analytics and reporting and corporate planning on business planning, shareholder engagement and special projects.

WORKING EXPERIENCE:

Has over sixteen (16) years of experience in financial and conglomerate industry, specialising in business transformation. Prior to KWAP, he has served at Sime Darby Berhad.

EDUCATION BACKGROUND:

Bachelor of Commerce (Accounting & Finance), University of New South Wales

COMMITTEE MEMBERSHIP/APPOINTMENT:

None

**JOB DESIGNATION:**

Director

DEPARTMENT:

Human Resource Department

RESPONSIBILITY:

Responsibilities include developing, implementing and managing human resource policies and strategy that contribute to the achievement of KWAP's business goals and objectives.

WORKING EXPERIENCE:

Director of Human Resource Department. Has over twenty (20) years of experience as a Legal practitioner in a non profit organisation and human resource practitioner in local and foreign organisations in Malaysia.

EDUCATION BACKGROUND:

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

Certificate in Legal Practice (CLP)

COMMITTEE MEMBERSHIP/APPOINTMENT:

None

OUR LEADERSHIP



**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, procurement and accounting activities and its timely reporting to the relevant stakeholders.

WORKING EXPERIENCE:

He has over thirty three (33) 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)



**Tai
Kim
Fong**

JOB DESIGNATION:

Director

DEPARTMENT:

Information Technology Department

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 six (26) 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).

COBIT Foundation.

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

COMMITTEE MEMBERSHIP/APPOINTMENT:

None

SENIOR MANAGEMENT

**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 twenty six (26) years experience as an accountant. Prior to joining KWAP, he served in several government departments and Statutory Bodies.

EDUCATION BACKGROUND:

MBA, Universiti Utara Malaysia

Bachelor's Degree in Accounting, Universiti Teknologi MARA

COMMITTEE MEMBERSHIP/APPOINTMENT:

Chartered Accountant with the Malaysian Institute of Accountants

KEY PERSONNEL

OUR LEADERSHIP

NAME	POSITION	ACADEMIC QUALIFICATION
A. Fadil bin Abdul Majid	Vice President	Chartered Accountant, Malaysian Institute of Accountant (MIA) B.A. (Hons) Accounting, International Islamic University Malaysia
Abdul Razak bin Jabar	Vice President	Bachelor of Information Technology (Information Systems), Charles Sturt University, Australia
Addy Zulkify bin Suhut	Vice President	MBA (Finance), International Islamic University Malaysia B.Sc Economics, University of London, UK
Ahmad Zahir bin Mohd Tabri	Vice President	Bachelor Science of Business Administration (Management Science), University of Illinois at Urbana-Champaign, USA
Afizah binti Mustafa	Vice President	Chartered Accountant, Malaysian Institute of Accountant (MIA) MBA, Universiti Utara Malaysia B.Acct (Hons), Universiti Utara Malaysia
Dr. Amirah binti 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, Malaysia
Azizan bin Abdul Rahman	Vice President	Bachelor Science in Business Administration, University of Hartford, UK
Azlida Mazni binti Arshad	Vice President	LLB (Hons) International Islamic University Malaysia
Kamariah binti Ghazali	Vice President	Master in Accountancy, Oklahoma City, US Bachelor Degree in Accountancy (Hons), UiTM, Malaysia
Mazrina binti Mohd Mokhtar	Vice President	LLB Law, Polytechnic of East London, UK
Md Hayrani bin Mireso	Vice President	Chartered Accountant, Malaysian Institute of Accountant (MIA) MBA (Finance), International Islamic University Malaysia B.A. (Hons) Accounting, Universiti Kebangsaan Malaysia
Mohamad Shafik bin Badaruddin	Vice President	MBA (Finance), Universiti Putra Malaysia B.A. (Hons) Syariah & Economics, University of Malaya
Mohd Faizal Mohd Yusof	Vice President	CPA Australia Bachelor of Business (Accountancy), Royal Melbourne Institute of Technology (RMIT)
Mohd Isa bin Ibrahim	Vice President	MBA Applied Finance & Investment, Universiti Kebangsaan Malaysia BBA Finance, Universiti Teknologi MARA, Malaysia
Mohd Zul-Etfi bin Md Noh	Vice President	Certified PRINCE2 Certified Information Technology Information Library Bachelor in Computer Science, Major Software Engineering, Universiti Putra Malaysia
Muhamad Hafiz bin Abas	Vice President	Master in Business Administration (Finance), International Islamic University Malaysia Bachelor of Science in Business Administration (Finance & Economics), New York University, USA

KEY PERSONNEL

OUR LEADERSHIP

NAME	POSITION	ACADEMIC QUALIFICATION
Mushida binti Muhammad	Vice President	Bachelor of Science in Business Administration (Accounting), The California State University, USA
Muzafar Ibrahim bin Abdul Muttalip	Vice President	Certificate of Company Secretarial Practice IUB Chartered Accountant, Malaysian Institute of Accountants (MIA) Bachelor of Accountancy (Hons), MARA Institute of Technology, Malaysia
Najihah binti Mohamad Norwi	Vice President	CPA Australia Bachelor of Business (Accounting and Finance), Monash University, Australia
Ng Soh Khin	Vice President	Certified member of PMP Bachelor of Computer Science, University Putra Malaysia
Norani binti Mustapha	Vice President	Master in Real Estate, Univesity Malaya Bachelor Science (Hons) in Estate Management, Northumbria University at New Castle, UK
Nozaimi bin Mohd Nasir	Vice President	Bachelor of Accountancy, University of Exeter, UK
Norjehan binti Sahak	Vice President	Bachelor Sc. Human Resource Development, Universiti Putra Malaysia
Nor Faridah binti Mohd Amin	Vice President	Bachelor in Business Administration (Hons) Marketing, University of Technology, MARA, Shah Alam
Saifulbahri bin Hassan	Vice President	Master in Management, International Islamic University Malaysia Bachelor of Arts (Economics), University of Missouri-Kansas City, USA
Sendi Anak Tan	Vice President	B. Sc. Economics, London School of Economics, UK
Shariz bin Puteh	Vice President	Bachelor of Arts (Accounting & Finance), Essex University, UK
Sufian bin Abdullah	Vice President	Bachelor of Architecture (Hons) RIBA Part II, Canterbury School of Architecture, UK Bachelor of Arts (Hons) RIBA Part I, Canterbury School of Architecture, UK
Tan Mee Choo	Vice President	B.A. (Hons) Accountancy, University of Malaya
Zulazuan bin Pilus	Vice President	LLB (Hons) International Islamic University Malaysia

Sharing Our Values

SECTION 07

- 180** Corporate Social Responsibility
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- 200** Voices of KWAP

CORPORATE SOCIAL RESPONSIBILITY

KWAP views Corporate Social Responsibility (CSR) as the organisation's take on responsibility and the impact that it has on society and the surrounding environment.

At KWAP, it is a fundamental commitment to behave ethically when marking its contribution towards the national economic development, while thorough consideration is taken for its employees, their families and the local community at large.

As a socially responsible organisation, KWAP ensures that its CSR initiatives serve the four main areas - the workplace, the marketplace, the community and the environment while carrying its CSR tagline "Sharing Our Values".

The CSR program for year 2014 featured a broad spectrum of initiatives which covered all the important elements within KWAP and its stakeholders. Our focus in making a difference is evident through the various initiatives we get involved in which enables us to give back to the different group of people we work with around us. These included the health and wellbeing of its people, sharing of knowledge and expertise with the public and various other charitable efforts as KWAP's way in giving back to the society.



the **workplace**



the **marketplace**



the **community**



the **environment**

SHARING OUR VALUES

WORLD CELEBRATION

KWAP supports world celebration days organised by the United Nation's Observance and World Health Organisation. As part of its responsibility towards creating a healthier environment and in conjunction with No Tobacco Day by World Health Organisation, KWAP encourages its employees to quit smoking by creating an awareness through its e-Publications on the benefits of living smoke-free. For Mother's Day & Father's Day, awareness posters were spurred to all employees while e-Publications were disseminated to remind employees of the celebration and encouraged all employees to show appreciation to their loved ones during the very special day.

**RESPONSIBILITY TO THE****W O R K P L A C E****HEALTH, SAFETY & STRESS WEEK
CAMPAIGN**

Committed to improving working conditions and protecting people from accidents and ill health, Human Resources Department (HRD) organised a one-week campaign on health, safety and stress in month of February.

The campaign kicked off with "healthy breakfast" giveaway where the team distributed cereals to all employees. In the afternoon, employees were invited to attend a talk entitled "Breathe Deeply

& Laugh Loudly" by a Yoga Therapy, Hypnotherapy and Pain Management Clinic Doctor. During the one hour session, attendees were coached with the right breathing techniques and laughter exercise.

On the second day, a lunch talk called "Move It, Eat It & Burn It" was held. The guest speaker is a professional fitness trainer for 6 years specialising in health & fitness management, physical education and coaching. He shared with the employees the comprehensive dietary advice and daily food plan as well as simple office exercises demonstration.

On the third day, a free basic health screening for employees was conducted. The campaign continued with a program co-organised with Corporate Planning & Development Department called "Get

Healthy with Kevin Zahri". The celebrity fitness guru made a special appearance at KWAP to give a nutritional talk and some tips on how to lose 5 kgs in 5 weeks. He then conducted an hour of group circuit training with the employees.

On day four, the focus of the campaign was to increase the safety awareness among employees. A safety talk was conducted by a certified Chemical Health Risk Assessor and Certified Assessor for JKKP (Jabatan Keselamatan dan Kesihatan Pekerja). The topic revolved on "Safety Starts With Me" as a concept for all employees to follow.

The closing of the Health, Safety and Stress Week campaign was held with the announcement of quiz winners where the prizes were presented by KWAP Chief Executive Officer (CEO), Encik Wan Kamaruzaman bin Wan Ahmad.

CORPORATE SOCIAL RESPONSIBILITY

KWAP HEALTHY LIFESTYLE CAMPAIGN

Fit & Fab Challenge

KWAP aspires to have healthy and well balanced individuals serving the organisation to ensure that the performance of its employees are optimised. Hence, KWAP continued to organise its very own weight loss and healthy diet competition, Fit & Fab Challenge 2014 for the fourth consecutive year.

Throughout the three (3) months program, twenty (20) employees with Body Mass Index (BMI) of over twenty five (25) had to undergo structured programs to guide them on the right nutrition and types of exercises they needed to adopt in order to be able to lose weight. Participants were provided with manuals, guides and food intake diaries, educated on the correct diet regiment, received one-on-one session with the dietitian to get advice on their diet, nutrition habits and to improve their overall health. The CSR team also organised weekly body combat and circuit training session tailored for maximum weight loss. All winners and finalists were well rewarded for their achievements, but what matters most was the ultimate target to achieve a brand new look and live healthier lifestyles.

KWAP Healthy Lifestyle Campaign

KWAP Healthy Lifestyle Campaign is a biannually initiative aims to foster KWAP employees to live a healthy lifestyle and maintaining the work-life balance.

The first round of the campaign was held during the HRD's Health and Safety Week in February, where we invited Kevin Zahri to KWAP for the "Get Healthy with Kevin Zahri" session. In the second round of the KWAP Healthy Lifestyle Campaign, employees were introduced to an hour training of the newly developed training method-Freeletics by the Founder of FREELETICS KL Team. They shared the experience and their quest to lose weight and improve health through the practice of Freeletics where some have managed to lose 30 kgs.



IHYA' RAMADHAN

Talk by Ustaz Kazim Elias and Donation Drive

During the holy month of Ramadhan, a prominent local Islamic preacher, Ustaz Mohammad Kazim Elias was invited to give a talk titled *Muhasabah Ramadhan* to glorify the blessed month of Ramadhan. The program was aimed to enlighten and improve the understanding of fasting in Ramadhan. The program, which was co-organised with KWAP's Sports and Recreation Club (SPARC) was open to all tenants of the building, with over 200 people attending. KWAP together with SPARC also managed to raise over RM3,000 cash donation for Al Barakah Islamic School, an Islamic education centre founded by Ustaz Mohammad Kazim Elias himself. The cash donation was handed over by KWAP CEO, Encik Wan Kamaruzaman Wan Ahmad at the end of the event.

SHARING OUR VALUES

Hijabista @ KWAP

Raya shopping was made convenient and hassle-free when KWAP CSR and SPARC co-organised a shopping bazaar “Hijabista @ KWAP” during the fasting month in July. The program is also an initiative to support local online entrepreneurs to expand their market by providing an avenue for them to promote their products offline. The event saw participation of five (5) online fashion entrepreneurs, namely Kaftania, Elya Shazleen, Waffiya by Dolls Scarves, Sinderelli and Violet Closet selling various attire such as headscarves, trendy muslimah tops, dresses, jubah, baju kurung as well as t-shirts with motivational quotes for men. The shoppers also received fashion tips on office wear with hijab and also demonstrations of various styles in donning the hijabs. All items were sold at a special price given exclusively to the shoppers at the bazaar.

**WORLD KINDNESS DAY**

To boost workplace happiness, KWAP celebrated The World Kindness Day on 13 November 2014. On the special day, employees were encouraged to express their appreciation to fellow colleagues by placing small gifts such as candies, chocolate bars or cookies with positive messages in The Kindness Box which was placed on each floor. To spread the good vibes at workplace, an article on 99 ideas of Random Acts of Kindness was also circulated to employees.

CORPORATE SOCIAL RESPONSIBILITY

GUEST SPEAKER AT A RETIREMENT PLANNING COURSE

In August, KWAP was invited by Majlis Bandaraya Petaling Jaya (MBPJ) to be a guest speaker for a two-day retirement planning program for the employees of MBPJ who will be retiring soon. Encik Mohd Isa bin Ibrahim from the Equity Department went to Langkawi to give an insightful talk to the participants. The topics included financial retirement planning, health aspect and life during retirement. This was the second time that KWAP had participated in the program with MBPJ. We were delighted to be able to share our knowledge and experience on financial planning in general to the participants.



RESPONSIBILITY TO THE MARKETPLACE

SEMINAR PERANCANGAN KEWANGAN UNTUK MASA HADAPAN

In an effort to promote financial literacy in the marketplace, KWAP organised *Seminar Perancangan Kewangan Untuk Masa Hadapan*, a one day program aimed at educating young executives on the importance of starting financial planning early. It was also a platform to initiate their financial road map towards retirement.



147

participants from
14 ministries and
10 government
departments and
agencies

Hundred forty seven (147) participants from fourteen (14) ministries and ten (10) government departments and agencies namely, Ministry of Science, Technology & Innovation (MOSTI); Ministry of Health, Ministry of Federal Territory; Ministry of Education; Economic Planning Unit (EPU); Malaysian Inland Revenue Board (LHDN) and Accountant General's Department of Malaysia, signed up for this inaugural CSR event.

Deputy Secretary General of the Treasury (Policy) Ministry of Finance, Dato' Mat Noor bin Nawawi, was the guest of honour and had officiated the program. In his opening speech, Dato' Mat Noor advised participants to be prudent in their spending and live within their means to avoid being trapped in many financial difficulties such as bankruptcy due to serious debt management problem.



SHARING OUR VALUES

TYPES OF CAUSE MARKETPLACE

Transactional



Events



Pledges Drives



Engagement



The program also featured KWAP's very own investment team members, Encik Nozaimi bin Mohd Nasir and Encik Mohd Isa bin Ibrahim, both from Equity Department. Experienced financial planning consultant from Agensi Kaunseling dan Pengurusan Kredit (AKPK), presented the topic on personal financial management. The participants were also given a lecture on the essentials of financial planning, savings strategy, money skills process, and steps to financial success.

Bank Negara Malaysia gave an interesting talk on how to avoid financial scams and our rights as a consumer of financial services. The seminar ended with a healthy lifestyle session by a consultant from KPJ Healthcare Berhad who highlighted the importance of healthy eating.



FINANCIAL PLANNING RETIREMENT SEMINAR

The annual Financial Planning for Retirement Seminar was again conducted in December. Due to the overwhelming response from the employers, the session was conducted outside KWAP's office to accommodate more participants.

Around hundred (100) participants from fourteen (14) ministries and government agencies, namely, Ministry of Finance, Ministry of Health, Ministry of Rural and Regional Development, Royal Customs Malaysia, Economic Planning Unit (EPU) and Accountant General's Department of Malaysia attended this annual CSR event which first started in 2008.

The seminar featured both internal and external speakers and the module was specially designed to suit the targeted audience - employees in the public sector. Topics discussed during the seminar included Building Your Retirement Budget, Growing Your Nest Egg with a Sensible Investment Plan, by KWAP's very own speaker, Puan Azura binti Abdullah and Encik Md Haryani bin Mireso, both from the Fixed Income Department. Bank Negara Malaysia was also invited to the seminar to give talk on rights as a consumer on financial services and tips to avoid financial scams. The seminar ended with a lighter yet important topic, presented by a well-known motivational speaker, Tuan Haji Hushim bin Haji Salleh with the topic, Life After Retirement Planning, Your Lifestyle (Persediaan dan Penyesuaian Gaya Hidup Selepas Bersara).

CORPORATE SOCIAL RESPONSIBILITY

VISITS TO OLD FOLKS HOME

The CSR team organised two visits to the old folks home in 2014. The first visit was held in June where a group of KWAP employees, led by KWAP's CEO, Encik Wan Kamaruzaman bin Wan Ahmad. KWAP visited Rumah Jagaan dan Rawatan Orang Tua Al-Ikhlas, a self-funded old folks home located in Puchong, Selangor. During the visit, KWAP donated basic necessities and healthcare supplies. Each resident also received a gift pack and cash donation amounted RM3,100 that was generously donated by the caring KWAP employees were given to the caretaker of the home.



RESPONSIBILITY TO THE COMMUNITY

In December, KWAP paid another visit to Rumah Ehsan Kuala Kubu Bharu, located in Hulu Selangor, where KWAP employees had the opportunity to spend some quality time with the residents. Though the time spent at the home was short, it was filled with joy and ignited the spirit of compassion towards the elderly. During the visit, KWAP also donated basic necessities and healthcare supplies, including wheel chairs. Each resident also received a gift pack which was handed out by our employees. To recognise the dedication and priceless contributions made by the staff of Rumah Ehsan in taking care of the elderly, KWAP hosted lunch to end the program.



This charity visit continued to be a heart-warming experience for KWAP employees with hope that the visit would be able to lift the spirit of the residents and ease the burden of the home management.

SHARING OUR VALUES

RAMADHAN TREAT FOR ORPHANS

In the spirit of giving during the Holy month of Ramadhan, KWAP visited Asrama Kebajikan Anak-Anak Yatim Kg. Sekendi, an orphanage in Sabak Bernam. The visit was an initiative to reach out to the less fortunate, especially those in the rural area. Through this visit, it enables KWAP to have a better understanding on their needs and to observe their general wellbeing.

The group, led by KWAP CEO, Encik Wan Kamaruzaman Wan Ahmad, was greeted by the founder and caretaker of the orphanage, Ustaz Halimi bin Hayat.

Apart from the basic necessities, cash donation of RM3,110 from KWAP's generous employees were donated to the orphans and the caretaker. The children were also treated with their favourite KFC meal for Iftar. KWAP made another visit to the home the week after to present the children with new baju raya for the upcoming Hari Raya Aidilfitri celebration.

I'M READY FOR SCHOOL

In December, KWAP organised the "I'm Ready For School" program with the hope to assist the orphans with basic school necessities and at the same time ease the burden of the orphanage's management in their yearly school preparation.



Pusat Jagaan Kesayangan (RUKESA), an orphanage located in Petaling Jaya, was selected for this program. The KWAP CSR Team handed over the basic school necessities to the orphans. KWAP also contributed books collected from the 'Books & Beyond' campaign.

KWAP will continue to give support to the less fortunate people as part of our commitment to the community.

KWAP BOOK CHARITY DRIVE: BOOKS & BEYOND

Another way to reach out to the community is through KWAP's Book Charity Drive program where the objective is to help improve literacy among children in rural areas through developing a good reading habit at an early age. Therefore, KWAP provided learning materials and story books to selected schools in support of students with educational needs.

The books, pre-loved and brand new, were generously donated by KWAP employees. Over three hundred (300) books were collected through the effort. The books were then donated to Sekolah Kebangsaan Salak in Sepang and Pusat Jagaan Rumah Kesayangan (RUKESA) in Petaling Jaya, Selangor.

BURSA BULL CHARGE

As a caring corporate citizen, KWAP took part in the newly introduced corporate run, The Bursa Bull Charge, a charity run organised by Bursa Malaysia which was held on 21 October 2014. In the name of charity, KWAP sent ten (10) employees to participate in the 5 km and 2.5 km run. KWAP CEO, Encik Wan Kamaruzaman Wan Ahmad also participated in the CEO Race and ran for 1.5 km together with other ninety three (93) captains of the industry, displaying high spirits and goodwill throughout the charity run. The heavy rain did not deter the spirit of the runners who successfully completed the run which covered the heart of Kuala Lumpur, starting and ending at the Bursa Malaysia building on Bukit Kewangan. KWAP proudly finished fourth in the government category.

CORPORATE SOCIAL RESPONSIBILITY



FUN KIDS WITH KWAP: ENGLISH WORKSHOP

KWAP continues its CSR initiative to encourage the use of English Language among primary school students by organising "Fun Kids With KWAP: English Workshop" for the Year 5 students of Sekolah Kebangsaan Salak in Sepang. This marked KWAP's fourth visit to the school since the project started in 2011.

The program was designed with many financial literacy elements in its activities. Using English as the main language, students worked in teams to complete several games with the assistance of KWAP employees as facilitators. The games and activities featured simple money concepts that are appropriate for young children. It helps the school children to learn the relationships between earning, spending and saving.

SHARING OUR VALUES

The program concluded with the results announcement and prize giving ceremony. It was an exciting experience for both KWAP and the students.

KWAP ADOPT-A-LIBRARY

Another educational program was introduced by KWAP in 2014 called “KWAP Adopt-A-Library” where the main objective is to ensure that students have a good variety of books to encourage good reading habits.

The library of Sekolah Kebangsaan Salak in Sepang was chosen for this pilot program due to KWAP’s long established relationship with the school.

To create a more welcoming look to the school’s library, KWAP also put up specially-designed motivational posters, donated bookshelves and magazine racks to the school’s library.

KWAP YOUTH EMPOWERMENT PROGRAM

The youth population are invaluable asset of the nation. They are vital source of the country’s future growth. With this in mind, a program created specifically for the youth, “KWAP Youth Empowerment. The Door To Your Dream Career” was launched at UiTM Shah Alam.

The long-term vision of the Program is to prepare capable, creative and competent youths; and expose them with leadership roles to render a meaningful contribution towards the nation’s economy, social, political and cultural sphere.

The program received participation from three hundred (300) students from the Faculty of Accountancy, the Faculty of Business and Management and the Faculty of Computer Science.

It featured two segments; Booth Exhibition and Inspiring Talks From The Practitioners which run simultaneously. The Booth Exhibition showcased KWAP’s background and achievements with information on career potential prepared by HRD. Fun activities were carried out at the booth such as Quizzes on KWAP, CV Contest, Best CV’s Profile Picture Contest, Personality Test and Communication Skills Test to attract interest.

A Career Guide Counter was also set up for students to get first hand career insights.

The Inspiring Talks from the Practitioners segment was a knowledge sharing session by KWAP’s speakers, aimed to motivate the students to achieve success upon entering the workforce and climbing the career ladder. Director of Corporate Strategy and Performance, Encik Ismail bin Zakaria began the session by giving an introduction on KWAP and shared perspective on his dream career. The Director of Human Resources, Pn. Siti Ilmiah binti Ramli related her own experience on the topic “Ask The Expert: Finding A Career, What’s Out There”. Puan Hanim binti Mohd Safri from Human Resources Department took the floor with her topic “Ask The Expert: Finding Your Mr/Mrs. Right”.



The session continued with, “Achieving The Dream Career: My Story My Lessons”, by Encik Saifulbahri bin Hassan from Alternative Investment Department. Puan Najihah binti Mohd Norwi also shared her own experience with students followed by “Empower Yourself Through Strong Personality Traits” by Encik Mohd Faizal bin Mohd Yusof from Corporate Strategy & Performance Department. The session ended with a presentation by Encik Abdul Razak bin Jabar from Information Technology Department.

CORPORATE SOCIAL RESPONSIBILITY

The Green Project: Paper-less Meetings

KWAP initiated the paper-less meetings project where the focus was to transform the way the organisation reduces its use of paper by replacing paper with electronic content. It is also aimed to reduce the consumption of paper and printing cost. Our mission is to create a paperless office that encourages efficient office workflow while saving the environment along the way. Not only will the switch to a paperless office increase workplace productivity by reducing man hour cost for meeting preparations, it will also allow the reduction in storage areas and time spent searching for paper documentation.

RESPONSIBILITY TO THE

ENVIRONMENT



Encourage employees to live an earth-friendly lifestyle



Electricity save up



Paper Reduce

The project kicked off in 2014 with the implementation take place at the Legal and Secretarial Department where the KWAP Investment Committee and Investment Panel meeting papers were prepared, reviewed, amended, submitted and distributed using the Microsoft SharePoint, a web application framework and platform developed by Microsoft that integrates intranet, content management, and document management.

The Green Project: 3R - Reduce, Reuse, Recycle

KWAP has a long-standing belief in respecting the environment and caring for anyone related to our organisation. As such, in 2014, KWAP has initiated paper recycling program; resulting in cost savings in paper consumption.

Energy Conversation and Earth Hour

In delivering this commitment towards saving the environment and conserving energy, KWAP has been supporting the Earth Hour since its inception in 2007.



Awareness e-posters on Earth Hour were circulated to all employees.

KWAP also consistently practice several energy conservation and efficiency initiatives, including switching off lights during lunch hour and ensure that all electrical systems run efficiently at all times.

KWAP will continue to come up with more Go Green initiatives in the future in order to help conserve the environment for the generations to come.

KWAP SAFETY & HEALTH COMMITTEE

KWAP Safety and Health Committee was established to maintain a safe and healthy workplace. Its establishment was also to fulfil the requirement as per the Occupational Safety and Health Act 1994.



The committee appointed members to sit in its sub committees consisting of the Emergency Response Team (ERT), Inspection and Investigation Team (IIT), Communications and Promotions Team (CPT) as well as the Policy and Procedures Team (PPT).

Several activities were carried out to ensure that KWAP complies with the OSHA requirements. Based on priority, the ERT team had appointed floor wardens and first aiders for every floor, purchased first aid kits, wheel chair and stretcher which were also made available at the office to ensure that we are well equipped for any incidents.

The next crucial activity which was carried out was a two-day Basic First Aid and CPR training, attended by KWAP first



aiders. The objective of this training is to ensure the first aiders are able to provide immediate basic level emergency medical aid during any incidents and accidents at the workplace.

The evacuation exercise was also carried out in October 2014 where all KWAP employees were ordered to evacuate the Menara Yayasan Tun Razak building.

The committee appointed members to sit in its sub committees consisting

(ERT)

Emergency Response Team



(IIT)

Inspection and Investigation Team



(CPT)

Communications and Promotions Team



(PPT)

Policy and Procedures Team



It was a successful drill where all KWAP employees gathered at the assembly point within a set time. This is done to prepare all KWAP employees for real disasters.

Other than carrying out activities, the CPT also disseminates information periodically through its sub-site on KWAP's intranet portal. Posters were also placed strategically in KWAP to ensure that all employees are well informed. Awareness campaigns on MERC COV, Ebola, Dengue and Cholera were also carried out in 2014.

KWAP SPORTS & RECREATIONAL CLUB

SPORTS BUREAU

OBJECTIVE OF 2014 PROGRAMS

To encourage participation and involvement among KWAP employees who are SPARC members in sports activities to promote a healthy lifestyle.

ACTIVITIES HELD IN 2014

KWAP Sports Carnival

The most anticipated event was the KWAP Sports Carnival where employees were divided into three groups to compete against each other in indoor, outdoor and also traditional games. This year, the sports carnival was held in the last quarter of 2014 where five favourite sports competitions were held as per schedule below:

No.	Sports	Date
1.	Batu Seremban & Congkak	9 October 2014
2.	Dart	28, 29 & 30 October 2014
3.	Futsal	31 October 2014
4.	Ping Pong	4, 5 & 6 November 2014
5.	Carrom	11, 12 & 13 November 2014

The sports event was well received by KWAP employees especially with new faces joining KWAP, creating more competition amongst employees.

Ministry of Finance Sports Carnival (PSKK)

As part of KWAP's support to the Ministry of Finance, the Sports Bureau also managed the yearly participation of KWAP in Ministry of Finance's 40th Sports Carnival, together with the Corporate Affairs Department. The carnival took place from 4 December to 14 December 2014. The event saw KWAP's participation in Marching, Dart, Futsal and Golf against other agencies under the Ministry of Finance.

Friendly Matches

The Sports Bureau also organised three friendly matches of Dart, Futsal and Bowling with the Post Pension Division of the Public Services Department in December.

GOING FORWARD IN 2015

The Bureau is committed to continue organising more sports activities throughout the year 2015 with the objective to encourage a work-life balance environment in the work place.

SHARING OUR VALUES

IMAGES OF ACTIVITIES



PSKK



DART



FUTSAL



KWAP SPORTS & RECREATIONAL CLUB

RECREATION BUREAU

OBJECTIVE OF 2014 PROGRAMS

Organise recreational events for KWAP employees who are SPARC members through several activities involving special interest groups as well as family outings.

ACTIVITIES HELD IN 2014

KWAP Hikers

This year the Recreation Bureau made the biggest achievement for KWAP where, it co-organized a Hiking Expedition to conquer Mount Kinabalu, Sabah together with the Corporate Affairs Department. A series of training sessions were held during the first quarter of the year in preparation for the big event. The finale took place during the Labour Day weekend where eighteen (18) of KWAP employees, led by KWAP CEO, Encik Wan Kamaruzaman bin Wan Ahmad reached the top of the summit.

Trip to Farm In The City

A trip to the Farm in the City was organised with KWAP employees and their family members. Over two hundred (200) participants joined the half day event to the petting zoo in Seri Kembangan on 13 December 2014. Both parents and children who participated enjoyed the trip where they were allowed to feed the animals and play *Longkang* Fishing together.

Water Rafting

The water rafting activity took place on 27th November 2014 at Sungai Slim, Perak where twenty (20) employees participated. The adventurous water activity which uses an inflatable raft to navigate the river took the participants approximately 1.5 to 2.0 hours to reach a distance of approximately 7 km.

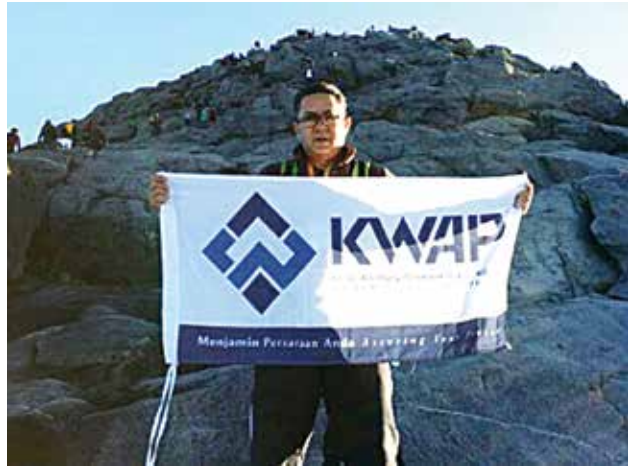
GOING FORWARD IN 2015

The Bureau will continue to organise more outdoor activities throughout the year 2015, with the aim to encourage employees to have a fun filled year full of adventures aside from the day to day office work.

SHARING OUR VALUES

IMAGES OF ACTIVITIES

MOUNT KINABALU



FARM IN THE CITY



WATER RAFTING



KWAP SPORTS & RECREATIONAL CLUB

WELFARE BUREAU

OBJECTIVE OF 2014 PROGRAMS

Social and employee welfare and to encourage employees to bond by participating in its activities.

ACTIVITIES HELD IN 2014

1. Spiritual Activities

- a. Organised Islamic *tahlil* in remembrance of KWAP's late Chief Investment Officer Allahyarham Encik Ahmad Norhisham bin Hassan and prayers for the success and safety of KWAP Hiker's climb to the Mount Kinabalu and also for the safety of KWAP employers performing their pilgrimage in Makkah.
- b. Enliven the Holy Month of Ramadhan by sending out "Ramadhan Countdown" through email to remind Muslims on the arrival of Ramadhan. Organised talks by Pencetus Ummah finalist Rahmat Ikhsan bin Mohd Sofyan and a talk titled *Muhasabah Diri* by a freelance preacher, Ustaz Kazim Elias. Conducted a donation drive with its proceeds contributed to the Al Barakah Islamic School founded by Ustaz Kazim himself.

- c. Commemorated the new Islamic year by organising a talk titled "Hijra and Spiritual Development" by a freelance preacher, Ustaz Ahmad Husni bin Abdul Rahman.

2. Welfare Activities

- a. Visit to Farm in the city in Seri Kembangan for KWAP's employees and family members was co-organised with the Recreation Bureau to encourage and instil the importance of the animal welfare and care.

GOING FORWARD IN 2015

The Bureau will continue to organise more social and welfare activities throughout the year 2015, with the aim to encourage more participation.

IMAGES OF ACTIVITIES



USTAZ KAZIM ELIAS



USTAZ AHMAD HUSNI



RAHMAT IKHSAN - PENCETUS UMMAH

KWAP SPORTS & RECREATIONAL CLUB

EDUCATION BUREAU

OBJECTIVE OF 2014 PROGRAMS

Educate KWAP employees who are SPARC members through several channels on essential skills that are not related to their day to day job.

ACTIVITIES HELD IN 2014

1. **Guitar Classes**

A once a week class was held during the third quarter of 2014 where these classes were conducted by three (3) internal talents for twenty (20) employees who signed up as participants.

2. **Hijabista Tutorial**

In collaboration with the Corporate Affairs Department, a tutorial session was held during the CSR: Ihya' Ramadhan Month in July 2014 where hijab stylists were invited to share knowledge on wearing and styling the right hijab. The event also provided an avenue for KWAP employees to purchase suitable hijabs based on the consultation and tutorial session held.

3. **Knowledge Sharing Tip**

Tips on Parenting, Decorating as well as Cooking was shared among employees in order to educate them on useful skills in a day to day life.

GOING FORWARD IN 2015

The Bureau will continue to organise more knowledge sharing activities and educational sessions throughout the year 2015, with the aim to encourage employees to learn other essential skills and turning KWAP employees into more wholesome individuals.

SHARING OUR VALUES

IMAGES OF ACTIVITIES



HIJABISTA TUTORIAL



GUITAR CLASS



SHARING OUR VALUES



VOICES OF KWAP

Nozaimi Mohd Nasir, Equity Department

Age

42

Working Experience

18
years

Education

BA in Accountancy Studies,
Exeter University, UK

Q1

In brief, tell us about your role in KWAP.

I lead the Equity Department's Domestic Equity team.

Q2

Enlighten us on what you enjoy most about your role in KWAP.

The multiple role that I have to play throughout my day to day life in KWAP – an analyst, an economist, a strategist, a fund manager, a motivator, a human resource manager all at once. All these keep me wanting to learn and re-learn all the time.

Q3

Share your key career lessons that you have captured throughout your tenure at KWAP.

I have learned that a deeply thought strategy, planned and executed by a well-coordinated and highly motivated team can deliver wonders. No matter what the circumstances are, all that we need is to make up our mind, stick to the plan and persevere. In the end, what is really satisfying is not what we get, but it is what we could give back in return.



Manavaalan Ramasamy, Research Department

Age

25

Working Experience

03
years

Education

Bachelor of Commerce,
University of Melbourne

Q1

In brief, tell us about your role in KWAP.

My role is to gather information, assess and evaluate the companies and sectors under my coverage. I then produce a fair and objective investment recommendation, which will be used to maximise returns for the organisation.

Q2

Enlighten us on what you enjoy most about your role in KWAP.

As an inquisitive person, having a role that rewards one's curiosity is a dream come true. Unearthing investment opportunities requires that you cast your net far and wide, but the excitement and rush that accompanies discovering an undervalued asset is a powerful motivator.

Q3

Share your key career lessons that you have captured throughout your tenure at KWAP.

Be humble, and always be willing to learn. Keep an open mind, and listen to all views and ideas, even those you may disagree with. Do not hesitate to ask questions - it helps that KWAPians are ever willing to teach and share!

SHARING OUR VALUES

**Lina Sharyzat binti Abu Bakar**, Risk Management and Compliance Department

Age

36

Working Experience

08
years

Education

- Master of Finance, Curtin University of Technology, Australia
- BSc. (Finance), University of Tulsa, Oklahoma, USA

Q1

In brief, tell us about your role in KWAP.

Involved in analysing and managing risk management issues by identifying, measuring and making decisions on operational and enterprise risks for KWAP.

Q2

Enlighten us on what you enjoy most about your role in KWAP.

My role gives me opportunity to work and meet with great team of KWAPians while able to support and share views and concerns. I also have privileges to recognise problems, potential hazards while knowing how to resolve them.

Q3

Share your key career lessons that you have captured throughout your tenure at KWAP.

To believe in myself, regardless of feeling nervous and out of my side of comfort zone.

I always challenge myself to try my very best, especially when there is doubt. It is okay to be wrong and learn from it!

**Choy Shien Ing**, Fixed Income Department

Age

31

Working Experience

05
years

Education

MEng in Mechanical Engineering, Imperial College London, UK

Q1

In brief, tell us about your role in KWAP.

I currently manage both the investment and trading of local government bond portfolio for the Fixed Income Department.

Q2

Enlighten us on what you enjoy most about your role in KWAP.

What I find best at KWAP is having the trust of the superiors to carry out my job as well as freedom to express my views during discussions and meetings.

Q3

Share your key career lessons that you have captured throughout your tenure at KWAP.

One of the essential things that I have learned is to be patient. Know the priorities of the tasks given and carry out them accordingly.

Corporate Events

SECTION 08

203 Corporate Calendar 2014

CORPORATE CALENDAR 2014



JANUARY

10
JANUARY

KWAP CEO Mandate

FEBRUARY

14
FEBRUARY

KWAP CSR

Lunch Treat with Children at
Rumah Kanak-Kanak Tengku Budriah



26

FEBRUARY

KWAP CSR

Get Healthy with
Kevin Zahri

MARCH



28 TO **02**

FEBRUARY

KWAP Board Retreat

MARCH

20
MARCH

SPARC AGM and KWAP Fit and Fab Launch

29 TO **01**
MARCH TO APRIL

UKEC Graduan's The Malaysian Career Fair



CORPORATE EVENTS

APRIL**11
APRIL**

KWAP Annual Dinner



11 APRIL

MAY**03 TO 05 MAY**

KWAP Expedition to Mount Kinabalu

**15
MAY**KWAP Leadership Series with
YBhg. Datuk Maznah Hamid**24 TO 25 MAY**

KWAP Team Building

**28
MAY**

KWAP Dress Code Guidelines Briefing

**CORPORATE
CALENDAR 2014**

03 MAY



15 MAY



24 MAY



20 JUNE

JUNE**04
JUNE**

KWAP CSR

*Seminar Perancangan Kewangan
Untuk Masa Hadapan***20
JUNE**

KWAP CSR

Visit to Old Folks Home,
Rumah Orang Tua Al-Ikhlas**25
JUNE**

EPF Visit to KWAP

**27
JUNE**

KWAP Fit & Fab Closing Ceremony

CORPORATE EVENTS



05 AUGUST

AUGUST

05
AUGUSTDeputy Minister of Finance
YB. Datuk Chua Tee Yong Visit to KWAP

09 JULY



15 AUGUST

15
AUGUSTHR Engagement Week Talk by
YBhg. Datuk Dr. Sheikh Muszaphar
Shukor

14 JULY

14
JULY

KWAP CSR

Visit to Rumah Kebajikan
Anak-Anak Yatim Kg. Sekendi19
AUGUSTMinister of Finance Indonesia
Visit to KWAP25
AUGUSTKWAP Financial Result
Announcement 2013

JULY

23
JULY

KWAP CSR

Hijabista@KWAP

09
JULY

KWAP CSR

Ihya' Ramadhan Program
with Ustaz Kazim Elias

25 AUGUST

SEPTEMBER

03 TO 04
SEPTEMBER

KWAP Safety and Health Committee
First Aid in Workplace and CPR Training

05
SEPTEMBER

- Breakfast with CEO
- Board Appreciation Dinner



23 SEPTEMBER

08

SEPTEMBER

Risk Management and Integrity Week

11

SEPTEMBER

The 5th Annual Malaysia
Roundtable Talk by KWAP CEO

23

SEPTEMBER

Karnival Hari 1Persara

CORPORATE CALENDAR 2014



11 OCTOBER

24

SEPTEMBER

KWAP CSR

- KWAP Youth Empowerment Program
- Karnival Hari 1Persara

29

SEPTEMBER

The Asian Fixed Income Summit



11 SEPTEMBER

OCTOBER

11

OCTOBER

KWAP CSR

Fun Kids with KWAP at SK Salak

17

OCTOBER

- Signing Ceremony between KWAP, Munchy's and Tremendous Asia Partners Group
- KWAP Dana Yang Berkat Recitation by KWAP Young Talent

CORPORATE EVENTS

OCTOBER

21
OCTOBER
KWAP CSR

Bursa Bull Charge Run

24
OCTOBER

KWAP Aspiration Series with
Mr. Jonathan Yabut



24 OCTOBER

NOVEMBER

12
NOVEMBER

KWAP Leadership Series with Minister
of Youth and Sports YB. Encik Khairy
Jamaluddin

24
NOVEMBER

KWAP CSR
Freeletics Session



21 OCTOBER



12 NOVEMBER



24 NOVEMBER

DECEMBER

**04
DECEMBER**

Public Service Pension Fund Tanzania
Visit to KWAP

**07
DECEMBER**

Pesta Sukan Kementerian Kewangan

**08
DECEMBER**

Public Service Pension Fund Taiwan
Visit to KWAP



CORPORATE CALENDAR 2014



**09
DECEMBER**
MSWG

ASEAN Corporate Governance Index
Finding and Recognition 2014

**10
DECEMBER**
KWAP CSR

Financial Planning Seminar for Retirement

**12
DECEMBER**

KWAP Gift Exchange

CORPORATE EVENTS



16 DECEMBER



24 DECEMBER

16 DECEMBER

KWAP CSR

- KWAP Adopt-A-Library
- Up Close and Personal with YBhg. Dato' Fazley Yaakub

17 DECEMBER

KWAP CSR

Visit Old Folks Home at Rumah Ehsan Kuala Kubu Bharu



17 DECEMBER

24 DECEMBER

KWAP CSR

I'm Ready for School

30 DECEMBER

Department of Pension Sri Lanka Visit to KWAP

Financial Statements

SECTION 09

- 211** Auditor General's Certification
- 213** Statement by the Chairman and a Member of the Board of Kumpulan Wang Persaraan (Diperbadankan)
- 214** Statutory Declaration by the Officer Primarily Responsible for the Financial Management of Kumpulan Wang Persaraan (Diperbadankan) 2014
- 215** Balance Sheet
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- 217** Statement of Changes in Reserves
- 218** Cash Flow Statement
- 220** Notes to the Financial Statements

AUDITOR GENERAL'S CERTIFICATION



REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE RETIREMENT FUND (INCORPORATED) FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014 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 the 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

AUDITOR GENERAL'S CERTIFICATION

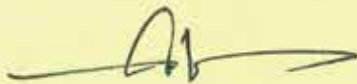
appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as 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 2014 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 DATO' SETIA HAJI AMBRIN BIN BUANG)
AUDITOR GENERAL
MALAYSIA

PUTRAJAYA
8 APRIL 2015

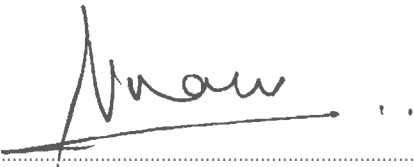


STATEMENT BY THE CHAIRMAN

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 2014 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
Date : 24 MARCH 2015
Venue : Putrajaya

Signed on behalf of the Board,



Name : **Dato' Azmi bin Abdullah**
Title : Member of the Board
Date : 24 MARCH 2015
Venue : Putrajaya

STATUTORY DECLARATION

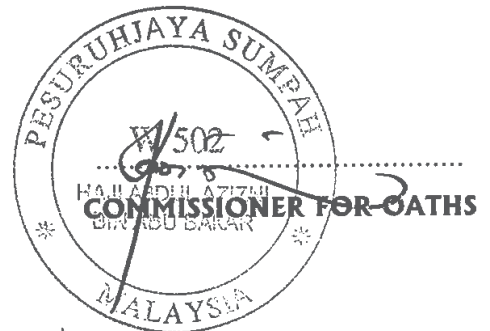
by the Officer Primarily Responsible for the Financial Management of Kumpulan Wang Persaraan (Diperbadankan) 2014

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, Statement Changes In 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 24 MARCH 2015)



Before me,



Level 16, Menara Tokio Marine life,
189 Jalan Tun Razak, 50400 Kuala Lumpur

BALANCE SHEET

as at 31 December 2014

	Note	GROUP		KWAP	
		2014 (RM'000)	2013 (RM'000)	2014 (RM'000)	2013 (RM'000)
Non-Current Assets					
Property And Equipment	4	4,977,294	4,114,350	7,054	6,932
Investments	5	100,678,668	88,250,203	100,678,668	88,250,203
Investment In Subsidiaries	6	-	-	2,681,131	3,626,347
Investment In Associates	7	114,931	996,473	86,670	16,670
		105,770,893	93,361,026	103,453,523	91,900,152
Current Assets					
Loans To Subsidiaries And Associates	8	10,000	-	643,253	579,007
Trade Debtors	9	1,296,564	2,184,152	1,326,836	2,219,579
Other Debtors	10	78,682	153,358	75,438	147,021
Deposits And Prepayments	11	28,141	15,494	22,559	9,904
Cash And Cash Equivalents	12	4,412,942	5,359,885	4,320,266	5,230,709
		5,826,329	7,712,889	6,388,352	8,186,220
Current Liabilities					
Trade Creditors	13	472,699	159,920	371,347	135,669
Other Creditors	14	64,503	94,077	4,695	2,539
Accrued Expenditures	15	56,573	47,838	33,693	32,703
		593,775	301,835	409,735	170,911
Net Current Assets					
		5,232,554	7,411,054	5,978,617	8,015,309
		111,003,447	100,772,080	109,432,140	99,915,461
Financed by:					
Allocation Of Statutory Funds	16	24,101,944	22,601,944	24,101,944	22,601,944
Pension Contributions	17	40,671,410	37,801,065	40,671,410	37,801,065
Deferred Income	18	-	63	-	63
Reserves		44,379,461	40,367,687	44,658,786	39,512,389
		109,152,815	100,770,759	109,432,140	99,915,461
Non-Current Liabilities					
Lease Incentive		-	1,321	-	-
Borrowings	19	1,850,632	-	-	-
		111,003,447	100,772,080	109,432,140	99,915,461

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 2014

	Note	GROUP		KWAP	
		2014 (RM'000)	2013 (RM'000)	2014 (RM'000)	2013 (RM'000)
Gross Investment Income	20	5,737,291	5,148,289	6,474,527	6,661,772
(Allowance For Diminution)/Write-Back Of Allowance For Diminution		(709,051)	348,545	(709,051)	348,545
Impairment Of Investments		(840,873)	(345,007)	(840,873)	(345,007)
Write-Off Of Investments		-	(4,966)	-	(4,966)
Net Investment Income		4,187,367	5,146,861	4,924,603	6,660,344
Non-Investment Income		51,001	8,172	31,724	4,999
		4,238,368	5,155,033	4,956,327	6,665,343
Operating Expenditures	21	(307,400)	(254,288)	(120,907)	(94,981)
Operating Profit		3,930,968	4,900,745	4,835,420	6,570,362
Taxation		(738)	(59)	-	-
Operating Profit After Tax		3,930,230	4,900,686	4,835,420	6,570,362
Share Of Profit Of Equity Accounted Associate, Net Of Tax		74,401	250,404	-	-
Net Income		4,004,631	5,151,090	4,835,420	6,570,362

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 2014

	GROUP				Total (RM'000)
	Accumulated Surplus (RM'000)	Foreign Exchange Translation Reserve (RM'000)	Revaluation Reserve (RM'000)	Non- Controlling Interest (RM'000)	
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 Distributions	(113,929)	-	-	-	(113,929)
Revaluation Charge For The Year	-	-	(113,915)	-	(113,915)
Unrealised Gain On Foreign Exchange	-	548,619	-	-	548,619
Reserves On Consolidation Of Associates	-	-	-	(1,529)	(1,529)
Balance As At 31 December 2013	39,698,760	570,959	92,890	5,078	40,367,687
Balance As At 1 January 2014	39,698,760	570,959	92,890	5,078	40,367,687
Prior Year Adjustment	98	-	-	(98)	-
Net Income For Current Year	4,004,631	-	-	-	4,004,631
Current Year Distributions	(105,091)	-	-	-	(105,091)
Revaluation Charge For The Year	-	-	(92,890)	-	(92,890)
Unrealised Gain On Foreign Exchange	-	208,418	-	-	208,418
Reserves On Consolidation Of Associates	-	-	-	(3,294)	(3,294)
Balance As At 31 December 2014	43,598,398	779,377	-	1,686	44,379,461

	KWAP				Total (RM'000)
	Accumulated Surplus (RM'000)	Foreign Exchange Translation Reserve (RM'000)	Revaluation Reserve (RM'000)	Non- Controlling Interest (RM'000)	
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
Balance As At 1 January 2014	39,061,961	450,428	-	-	39,512,389
Net Income For Current Year	4,835,420	-	-	-	4,835,420
Unrealised Gain On Foreign Exchange	-	310,977	-	-	310,977
Balance As At 31 December 2014	43,897,381	761,405	-	-	44,658,786

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 2014

	Note	GROUP		KWAP	
		2014 (RM'000)	2013 (RM'000)	2014 (RM'000)	2013 (RM'000)
CASH FLOW FROM OPERATING ACTIVITIES					
Operating Profit Before Tax		4,005,369	5,151,149	4,835,420	6,570,362
Adjustment For:					
Depreciation Of Property And Equipment		116,503	84,074	2,225	2,018
Impairment Loss On Property		-	35,770	-	-
Amortisation Of Deferred Income		(63)	(297)	(63)	(297)
Tax Claim On Dividends		-	(35,612)	-	(35,612)
Share Of Profit In Associates		(74,401)	(250,404)	-	-
Gain On Disposal Of Shares		(1,016,529)	(744,913)	(1,016,529)	(744,913)
Income From Private Equity Fund		(4,033)	(28,132)	(4,033)	(28,132)
Profit On Sale Of Private Debt Securities		(15,267)	(54,285)	(15,267)	(54,285)
Profit On Sale Of Government Debt Securities		(69,383)	(69,046)	(69,383)	(69,046)
Taxation Expenses		(738)	(59)	-	-
Interest Income		(2,717,602)	(2,477,825)	(2,758,397)	(2,525,133)
Dividend Income		(1,084,093)	(1,115,119)	(2,010,122)	(1,673,557)
Accretion Of Discount On Investments		22,275	391	22,275	391
Allowance For Diminution In Value Of Investments		711,252	(342,658)	711,252	(342,658)
Unrealised Gains On Foreign Currency Exchange		16,578	270,343	137,432	197,959
Impairment Of Investment		746,762	345,007	793,188	345,007
Loss/(Gain) On Disposal Of Property And Equipment		8	(20)	8	(20)
Operating Profit Before Changes In Working Capital		636,638	768,364	628,006	1,642,084
Changes In Working Capital:					
Decrease/(Increase) In Trade Debtors		887,588	(275,696)	892,745	(1,307,597)
Decrease/(Increase) In Other Debtors		74,678	(6,740)	71,583	223
(Increase)/Decrease In Deposits And Prepayments		(12,647)	8,887	(12,655)	12,706
Increase/(Decrease) In Trade Creditors		312,780	(128,695)	235,678	(149,657)
(Decrease)/Increase In Other Payables		(29,575)	71,763	2,156	752
Increase In Accrued Expenditure		8,735	17,704	990	8,696
Net Cash Generated From Operating Activities		1,878,197	455,587	1,818,503	207,207

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

FINANCIAL STATEMENTS

	Note	GROUP		KWAP	
		2014 (RM'000)	2013 (RM'000)	2014 (RM'000)	2013 (RM'000)
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds From Sale Of Shares		14,816,198	23,672,161	14,816,198	23,672,161
Repayment Of Loans		1,676,025	241,507	1,676,025	241,507
Proceeds From Sale Of Private Debt Securities		2,748,656	3,567,353	2,748,656	3,567,353
Proceeds From Sale Of Government Debt Securities		10,121,424	10,060,833	10,121,424	10,060,833
Proceeds From Sale Of Private Equity Fund		98,322	104,470	98,322	104,470
Proceeds From Disposal Of Property And Equipment		-	20	-	20
Purchase Of Property And Equipment		(947,745)	(2,266,214)	(2,355)	(1,396)
Purchase Of Shares		(21,890,653)	(26,287,525)	(21,890,653)	(26,287,525)
Issuance Of Loans		(272,811)	(3,114,518)	(272,811)	(3,114,518)
Purchase Of Private Debt Securities		(5,141,244)	(3,547,782)	(5,141,244)	(3,547,782)
Purchase Of Government Debt Securities		(13,958,817)	(13,532,276)	(13,958,817)	(13,532,276)
Purchase Of Private Equity Fund		(390,729)	(223,576)	(390,729)	(223,576)
Purchase Of Other Investments		(464,500)	-	(464,500)	-
Interest Received		2,717,602	2,477,825	2,758,397	2,525,133
Dividend Received		1,084,093	1,115,119	1,084,093	1,115,119
Tax Claim On Dividends		-	35,612	-	35,612
(Increase)/Decrease In Investment In Subsidiaries And Associates		(70,000)	-	871,733	(2,257,451)
Repayment Of Loans From Subsidiaries		-	-	527,824	-
Loans To Subsidiaries And Associates		(10,000)	-	(606,881)	-
Dividend Received From Associates		926,027	558,438	926,027	558,438
Net Cash (Used) In Investing Activities		(8,958,152)	(7,138,553)	(7,099,291)	(7,083,878)
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		2,884,993	2,702,436	2,884,993	2,702,436
Repayment Of Pension Contribution		(14,648)	(11,595)	(14,648)	(11,595)
Borrowings		1,850,632	-	-	-
Payment Of Distributions From Subsidiaries		(105,091)	(113,929)	-	-
Lease Incentive		(1,321)	(1,044)	-	-
Net Cash Generated From Financing Activities		6,114,565	4,075,868	4,370,345	4,190,841
Net Decrease In Cash And Cash Equivalents		(965,390)	(2,607,098)	(910,443)	(2,685,830)
Effect Of Changes In Foreign Currency		18,447	(20,931)	-	-
Cash And Cash Equivalents As At 1 January		5,359,885	7,987,914	5,230,709	7,916,539
Cash And Cash Equivalents As At 31 December	12	4,412,942	5,359,885	4,320,266	5,230,709

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 2014

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 foreign currency risk. A key measure of market risks in KWAP is Value-at-Risk (VaR) and scenario/stress testing. KWAP's VaR essentially measures the worst possible loss that may occur calculated at a five percent (5%) probability rate over a ten-day trading period, while scenario/stress testing measures the sensitivity of the investment market value using hypothetical and/or historical scenarios.

2.2 Credit Risk

KWAP ensures credit risk is under control by the 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 provide sufficient provision of funds to meet the projected commitments of 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 currency 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, Prima Harta (Jersey) Unit Trust and Prima Harta 2 (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 of 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, its subsidiaries and associates. All material transactions and balances between group companies are eliminated and the consolidated Financial Statements reflect only the external transactions of KWAP.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

3.2.2 Investment In Associates

Associates are enterprises in which KWAP has significant influence but not control, generally where KWAP has a long term equity interest and voting rights 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, Tap Crunch Sdn. Bhd. and Tap Crunch International Sdn. Bhd. are categorised as investment in associates according to this definition. Investment in associates are recognised using the equity method of accounting in accordance with MASB 12.

Investment of 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.

3.3 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 executed 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 including property management fees for the property or equipment are recognised in the Income Statement as incurred.

FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 PROPERTY AND EQUIPMENT (CONTINUED)****3.3.4 Depreciation**

Work in progress and non-watercolour based paintings are not depreciated. Depreciation is provided on a straight line basis with 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) Land and Buildings	2.50% per annum
(b) Office Renovation	16.67% per annum
(c) Investment Property – Low Value Pool	18.75% per annum
(d) Computers	20.00% per annum
(e) Office Furniture	20.00% per annum
(f) Gymnasium Equipment	20.00% per annum
(g) Office Equipment	20.00% per annum
(h) Paintings	20.00% per annum
(i) Vehicles	20.00% per annum
(j) Computer Software	33.33% per annum
(k) Electronic Equipment	33.33% 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.

3.3.5 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 disposals proceed, 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 measured 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 amount of recoverable value 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 IMPAIRMENT OF ASSETS (CONTINUED)

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 INVESTMENT IN SECURITIES

Investment in securities 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 the Financial Statements at the lower of cost and market value at each financial year end. Cost value is determined based on the 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 investments 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 investments will be made to the Income Statement with the adjustment amount being limited to the balance of allowance for diminution in value previously recognised. The provision for allowance for diminution in value of investments is also undertaken post impairment of investments.
- (c) **Accounting For Sale Of Investments In Quoted Shares**
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 the 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 INVESTMENT IN SECURITIES (CONTINUED)

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

3.6 FOREIGN CURRENCY

3.6.1 Functional And Presentation Currency

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

3.6.2 Foreign Currency Translation

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 FOREIGN CURRENCY (CONTINUED)

3.6.3 Group Companies

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

- (a) Assets and liabilities for each Balance Sheet presented are translated at the closing exchange rate at the date of the Balance Sheet;
- (b) Income and expenditure for each Income Statement presented are translated at the average exchange rate; 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 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 contributes 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

4. PROPERTY AND EQUIPMENT

GROUP	Land & Buildings (RM'000)	Office Renovation (RM'000)	Computers (RM'000)	Office Furniture (RM'000)	Gymnasium Equipment (RM'000)	Office Equipment (RM'000)	Paintings (RM'000)	Vehicles (RM'000)	Computer Software (RM'000)	Work In Progress (RM'000)	Total (RM'000)
Cost											
At 1 January 2014	4,237,010	4,754	4,022	2,138	169	1,502	381	367	4,054	1,327	4,255,724
Additions	977,098	-	902	44	-	35	50	86	1,629	3,165	983,009
Adjustments/Disposals	-	-	(81)	(485)	-	(61)	-	(60)	-	(3,542)	(4,229)
At 31 December 2014	5,214,108	4,754	4,843	1,697	169	1,476	431	393	5,683	950	5,234,504
Accumulated Depreciation											
At 1 January 2014	129,590	4,131	3,070	1,773	4	772	-	125	1,909	-	141,374
Current Year Charge	114,278	183	328	133	34	242	18	73	1,214	-	116,503
Adjustments/Disposals	-	-	(80)	(484)	-	(60)	17	(60)	-	-	(667)
At 31 December 2014	243,868	4,314	3,318	1,422	38	954	35	138	3,123	-	257,210
Carrying Amounts											
At 31 December 2014	4,970,240	440	1,525	275	131	522	396	255	2,560	950	4,977,294
Cost											
At 1 January 2013	1,988,708	4,688	3,695	2,405	-	1,453	-	310	3,825	1,077	2,006,161
Additions	2,248,302	136	375	118	169	52	-	144	325	1,250	2,250,871
Adjustments/Disposals	-	(70)	(48)	(4)	-	(3)	-	(87)	(96)	(1,000)	(1,308)
At 31 December 2013	4,237,010	4,754	4,022	2,519	169	1,502	-	367	4,054	1,327	4,255,724
Accumulated Depreciation											
At 1 January 2013	47,534	3,679	2,852	1,468	-	553	-	179	1,168	-	57,433
Current Year Charge	82,056	452	265	305	4	219	-	32	741	-	84,074
Adjustments/Disposals	-	-	(47)	-	-	-	-	(86)	-	-	(133)
At 31 December 2013	129,590	4,131	3,070	1,773	4	772	-	125	1,909	-	141,374
Carrying Amounts											
At 31 December 2013	4,107,420	623	952	746	165	730	-	242	2,145	1,327	4,114,350

FINANCIAL STATEMENTS

4. PROPERTY AND EQUIPMENT (CONTINUED)

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

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

The investment property by KWAP MIT 2 is the 179 Turbot Street in Brisbane, Australia. The depreciation charged for investment property 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 depreciation charged for investment property under KWAP MIT 3 is at 2.50% per annum on a reducing balance method.

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

The investment property by Prima Harta 2 is the Intu Uxbridge in West London, United Kingdom. The depreciation charges for investment property under Prima Harta 2 is at 2.5% per annum on a straight line basis.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

4. PROPERTY AND EQUIPMENT (CONTINUED)

KWAP	Office Renovation (RM'000)	Computers (RM'000)	Office Furniture (RM'000)	Gymnasium Equipment (RM'000)	Office Equipment (RM'000)	Paintings (RM'000)	Vehicles (RM'000)	Computer Software (RM'000)	Work In Progress (RM'000)	Total (RM'000)
Cost										
At 1 January 2014	4,754	4,022	2,138	169	1,502	381	367	4,054	1,329	18,716
Additions	-	902	44	-	35	50	86	1,629	3,165	5,911
Adjustments/Disposals	-	(81)	(485)	-	(61)	-	(60)	-	(3,544)	(4,231)
At 31 December 2014	4,754	4,843	1,697	169	1,476	431	393	5,683	950	20,396
Accumulated Depreciation										
At 1 January 2014	4,131	3,070	1,773	4	772	-	125	1,909	-	11,784
Current Year Charge	183	328	133	34	242	18	73	1,214	-	2,225
Adjustments/Disposals	-	(80)	(484)	-	(60)	17	(60)	-	-	(667)
At 31 December 2014	4,314	3,318	1,422	38	954	35	138	3,123	-	13,342
Carrying Amounts										
At 31 December 2014	440	1,525	275	131	522	396	255	2,560	950	7,054
Cost										
At 1 January 2013	4,688	3,695	2,405	-	1,453	-	310	3,825	1,077	17,453
Additions	136	375	118	169	52	-	144	325	1,252	2,571
Adjustments/Disposals	(70)	(48)	(4)	-	(3)	-	(87)	(96)	(1,000)	(1,308)
At 31 December 2013	4,754	4,022	2,519	169	1,502	-	367	4,054	1,329	18,716
Accumulated Depreciation										
At 1 January 2013	3,679	2,852	1,468	-	553	-	179	1,168	-	9,899
Current Year Charge	452	265	305	4	219	-	32	741	-	2,018
Adjustments/Disposals	-	(47)	-	-	-	-	(86)	-	-	(133)
At 31 December 2013	4,131	3,070	1,773	4	772	-	125	1,909	-	11,784
Carrying Amounts										
At 31 December 2013	623	952	746	165	730	-	242	2,145	1,329	6,932

FINANCIAL STATEMENTS

5. INVESTMENTS

GROUP AND KWAP	2014		2013	
	Cost/Book Value (RM'000)	Market Value (RM'000)	Cost/Book Value (RM'000)	Market Value (RM'000)
Quoted Shares	40,143,589	39,731,211	32,008,925	31,654,979
Allowance For Diminution	(847,330)		(82,663)	
Impairment Of Investments	(1,128,712)		(335,524)	
	38,167,547		31,590,738	
Unquoted Shares	393,136	-	393,136	-
Government Debt Securities	30,705,903	30,362,447	26,725,635	25,013,198
Amortisation of Premium	(90,338)		(75,018)	
	30,615,565		26,650,617	
Private Debt Securities	18,531,130	18,681,933	16,079,595	15,587,641
Accretion Of Discount	(12,392)		(5,437)	
	18,518,738		16,074,158	
Participation In Private Equity Fund	734,109	-	406,683	-
Allowance For Diminution	(13,927)		(67,342)	
Impairment Of Investment	(9,482)		(9,483)	
	710,700		329,858	
Loans	11,808,482	-	13,211,696	-
Other Investments*	464,500	-	-	-
	100,678,668		88,250,203	

* Other Investment was KWAP's initial investment in the subsidiary KWAP Managed Investment Trust 4 (KWAP MIT 4) on 22 October 2014, whereby the main activity is the management of property investment trust in Sydney, Australia. KWAP MIT 4 will issue its first financial statement in 2015.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

5. INVESTMENTS (CONTINUED)

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	2014 (RM'000)	2013 (RM'000)
Maturity Within 12 months	4,714,140	1,281,634
Maturity After 12 months	44,754,305	39,245,166
	49,468,445	40,526,800

6. INVESTMENT IN SUBSIDIARIES

Summary of investment in subsidiaries:

	Note	GROUP		KWAP	
		2014 (RM'000)	2013 (RM'000)	2014 (RM'000)	2013 (RM'000)
KWAP Managed Investment Trust (KWAP MIT)	6.1	-	-	342,175	349,196
KWAP Managed Investment Trust 2 (KWAP MIT 2)	6.2	-	-	232,360	538,320
KWAP Managed Investment Trust 3 (KWAP MIT 3)	6.3	-	-	221,328	518,290
Prima Ekuiti (UK) Limited (Prima Ekuiti)	6.4	-	-	272	271
Prima Harta (Jersey) Unit Trust (Prima Harta)	6.5	-	-	922,739	2,220,270
Prima Harta 2 (Jersey) Unit Trust (Prima Harta 2)	6.6	-	-	962,257	-
		-	-	2,681,131	3,626,347

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

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

	KWAP	
	2014 (RM'000)	2013 (RM'000)
Unit Holding		
At Cost:		
At 1 January	349,196	379,301
	349,196	379,301
Foreign Exchange Differences	(7,021)	(30,105)
At 31 December	342,175	349,196

Details of investment in KWAP MIT are as follow:

Name	Country Incorporated	Effective Ownership Interest		Principal Activities	KWAP Unit Holding	
		2014 %	2013 %		AUD1.00 per unit 01/01/2014	AUD1.00 per unit 31/12/2014
KWAP Managed Investment Trust	Australia	100	100	Management Of Investment Trust	119,416,001	119,416,001
Investment Trust By KWAP MIT						
737 Bourke Street Trust	Australia	100	100	Property Rental	120,538,000	120,538,000
20 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 2014, the total units held by KWAP in KWAP MIT was 119,416,001 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. There was a third party loan from OCBC Limited to KWAP MIT which amounted to AUD180 million.

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for the year ended 31 December 2014

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

6.2 INVESTMENT IN KWAP MANAGED INVESTMENT TRUST 2 (KWAP MIT 2)

	KWAP	
	2014 (RM'000)	2013 (RM'000)
Unit Holding		
At Cost:		
At 1 January	538,320	-
Add:		
Subscription Of Additional Units	-	556,501
Less:		
Reduction In Unit Costs	(302,850)	-
	235,470	556,501
Foreign Exchange Differences	(3,110)	(18,181)
At 31 December	232,360	538,320

Details of investment in KWAP MIT 2 are as follow:

Name	Country Incorporated	Effective Ownership Interest		Principal Activities	KWAP Unit Holding	
		2014 %	2013 %		AUD1.00 per unit 01/01/2014	AUD0.44 per unit 31/12/2014
KWAP Managed Investment Trust 2	Australia	100	100	Management Of Investment Trust	184,091,606	184,091,606
Investment Trust By KWAP MIT 2						
179 Turbot Street Trust	Australia	100	100	Property Rental	184,091,606	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 1 January 2014, the total units held by KWAP in KWAP MIT 2 amounted to 184,091,606 units of AUD1.00 per unit and the total units held by KWAP MIT 2 in 179 Turbot Street Trust amounted to 184,091,606 units of AUD1.00 per unit. On 1 March 2014 there was a reduction in the price per unit of KWAP MIT 2 to AUD0.44 per unit due to the issuance of loan to KWAP MIT 2 of AUD103 million.

As at 31 December 2014, the total units held by KWAP in KWAP MIT 2 was 184,091,606 units of AUD0.44 per unit and total units held by KWAP MIT 2 in the subtrust being 179 Turbot Street Trust amounted to 184,091,606 units of AUD 0.44 per unit.

FINANCIAL STATEMENTS

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

	KWAP	
	2014 (RM'000)	2013 (RM'000)
Unit Holding		
At Cost:		
At 1 January	518,290	-
Add:		
Subscription Of Additional Units	-	535,346
Less:		
Reduction In Unit Costs	(294,030)	-
	224,260	535,346
Foreign Exchange Differences	(2,932)	(17,056)
At 31 December	221,328	518,290

Details of investment in KWAP MIT 3 are as follow:

Name	Country Incorporated	Effective Ownership Interest		Principal Activities	KWAP Unit Holding	
		2014 %	2013 %		AUD1.00 per unit 01/01/2014	AUD0.44 per unit 31/12/2014
KWAP Managed Investment Trust 3	Australia	100	100	Management Of Investment Trust	177,241,500	177,241,500
Investment Trust By KWAP MIT 3						
747 Collins Street Trust	Australia	100	100	Property Rental	177,241,500	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.

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for the year ended 31 December 2014

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

As at 1 January 2014, the total units held by KWAP in KWAP MIT 3 amounted to 177,241,500 units of AUD1.00 per unit and the total units held by KWAP MIT 3 in 747 Collins Street Trust amounted to 177,241,500 units of AUD1.00 per unit. On 1 March 2014 there was a reduction in the price per unit of KWAP MIT 3 to AUD0.44 per unit due to the issuance of loan to KWAP MIT 3 of AUD100 million.

As at 31 December 2014, the total units held by KWAP in KWAP MIT 3 was 177,241,500 units of AUD0.44 per unit and total units held by KWAP MIT 3 in the subtrust being 747 Collins Street Trust amounted to 177,241,500 units of AUD0.44 per unit.

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

Unit Holding	KWAP	
	2014 (RM'000)	2013 (RM'000)
At Cost:		
At 1 January	271	247
	271	247
Foreign Exchange Differences	1	24
At 31 December	272	271

Details of investment in Prima Ekuiti are follow:

Name	Country Incorporated	Effective Ownership Interest		Principal Activities	KWAP Unit Holding	
		2014 %	2013 %		GBP1.00 per unit 01/01/2014	GBP1.00 per unit 31/12/2014
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 the United Kingdom and European 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 2014, the total ordinary shares held by KWAP in Prima Ekuiti was 50,000 of GBP1.00 per share.

FINANCIAL STATEMENTS

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

	KWAP	
	2014 (RM'000)	2013 (RM'000)
Unit Holding		
At Cost:		
At 1 January	2,220,270	989,348
Add:		
Subscription Of Additional Units	-	982,789
Less:		
Reduction In Unit Costs	(1,309,882)	-
	910,388	1,972,137
Foreign Exchange Differences	12,351	248,133
At 31 December	922,739	2,220,270

Details of investment in Prima Harta are as follows:

Name	Country Incorporated	Effective Ownership Interest		Principal Activities	KWAP Unit Holding	
		2014 %	2013 %		GBP1.00 per unit 01/01/2014	GBP0.26 per unit 31/12/2014
Prima Harta (Jersey) United Trust	Jersey	100	100	Management of Investment Trust	409,550,010	655,550,010
Investment Trust by Prima Harta						
Prima Harta (Jersey) Limited*	Jersey	100	100	Holding Entity	10,000,010	100,001
10 Gresham Street Unit Trust**	Jersey	100	100	Propert Rental	190,100,000	200,000,000
88 Wood Street Trust***	Jersey	100	100	Propert Rental	209,450,000	243,354,362

* Prima Harta (Jersey) Limited is at GBP1.00 per unit.

** 10 Gresham Street Unit Trust is at GBPO.41 per unit.

*** 88 Wood Street Trust is at GBPO.49 per unit.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

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 2014, 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 Wood Street Trust amounted to 10,000,010 units of GBP1.00 per unit and 190,100,000 units of GBP1.00 per unit and 209,450,000 units of GBP1.00 per unit respectively. On 19 June 2014, there was a reduction in the price per unit of Prima Harta to GBP0.26 per unit due to the issuance of a third party loan from ANZ Bank to Prima Harta of GBP246 million.

As at 31 December 2014, the total units held by KWAP in Prima Harta amounted to 655,550,010 units of GBP0.26 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 100,001 units of GBP1.00 per unit, 200,000,000 units of GBP0.41 per unit and 243,354,362 units of GBP0.49 per unit respectively.

6.6 INVESTMENT IN PRIMA HARTA 2 (JERSEY) UNIT TRUST (PRIMA HARTA 2)

	KWAP	
	2014 (RM'000)	2013 (RM'000)
Unit Holding		
Subscription Of Units	965,029	-
Foreign Exchange Differences	(2,772)	-
At 31 December	962,257	-

FINANCIAL STATEMENTS

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)**6.6 INVESTMENT IN PRIMA HARTA 2 (JERSEY) UNIT TRUST (PRIMA HARTA 2) (CONTINUED)**

Details of investment in Prima Harta 2 are as follows:

Name	Country Incorporated	Effective Ownership Interest		Principal Activities	KWAP Unit Holding	
		2014 %	2013 %		GBP1.00 per unit 01/01/2014	GBP1.00 per unit 31/12/2014
Prima Harta 2 (Jersey) United Trust	Jersey	100	-	Management of Investment Trust	-	176,667,970
Investment Trust by Prima Harta 2						
Prima Harta 2 (Jersey) Limited*	Jersey	100	-	Holding Entity	-	5,302
Prima Harta Retail (Jersey) Unit Trust	Jersey	100	-	Property Rental	-	176,137,866

* Prima Harta 2 (Jersey) Limited is at GBP0.01 per unit.

KWAP's initial investment in Prima Harta 2 was on 5 June 2014 whereby the main activity of Prima Harta 2 is the management of property investment trusts in West London, United Kingdom.

As at 31 December 2014, the total units held by KWAP in Prima Harta 2 was 176,667,970 units of GBP1.00 per unit and total units held by Prima Harta 2 in the subtrusts being Prima Harta 2 (Jersey) Limited and Prima Harta Retail (Jersey) Unit Trust amounted to 5,302 units of GBP0.01 per unit and 176,137,866 units of GBP1.00 per unit respectively.

7. INVESTMENT IN ASSOCIATES

Summary of investment in associates:

	Note	GROUP		KWAP	
		2014 (RM'000)	2013 (RM'000)	2014 (RM'000)	2013 (RM'000)
ValueCap Sdn. Bhd.	7.1	44,933	996,473	16,670	16,670
Tap Crunch Sdn. Bhd.	7.2	69,999	-	70,000	-
Tap Crunch International Sdn. Bhd.	7.3	(1)	-	-	-
		114,931	996,473	86,670	16,670

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

7. INVESTMENT IN ASSOCIATES (CONTINUED)

7.1 PERCENTAGE HOLDING AND FINANCIALS OF VALUECAP SDN. BHD.

	GROUP		KWAP	
	2014 (RM'000)	2013 (RM'000)	2014 (RM'000)	2013 (RM'000)
At Cost:				
Unquoted Shares	16,670	16,670	16,670	16,670
Share Of Post-Acquisition Profit	2,844,626	2,773,856	-	-
Share Of Post-Acquisition Asset Revaluation Reserve	-	92,890	-	-
Share Of Post-Acquisition Non-Controlling Interest	1,686	5,079	-	-
	2,862,982	2,888,495	16,670	16,670
Less: Total Dividend Received	(2,818,049)	(1,892,022)	-	-
Share Of Net Asset	44,933	996,473	16,670	16,670

Summary of financial information of ValueCap Sdn. Bhd., unadjusted by percentage ownership held by the KWAP:

2014	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	370,487	223,332	230,352	36,032

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	740,621	6,141,531	3,163,866

FINANCIAL STATEMENTS

7. INVESTMENT IN ASSOCIATES (CONTINUED)

7.2 PERCENTAGE HOLDING AND FINANCIALS OF TAP CRUNCH SDN. BHD.

	GROUP		KWAP	
	2014 (RM'000)	2013 (RM'000)	2014 (RM'000)	2013 (RM'000)
At Cost:				
Unquoted Shares	70,000	-	70,000	-
Share Of Post-Acquisition Profit	(1)	-	-	-
Share Of Post-Acquisition Asset Revaluation Reserve	-	-	-	-
Share Of Post-Acquisition Non-Controlling Interest	-	-	-	-
	69,999	-	70,000	-
Less: Total Dividend Received	-	-	-	-
Share Of Net Asset	69,999	-	70,000	-

Summary of financial information of Tap Crunch Sdn. Bhd., unadjusted by percentage ownership held by the KWAP:

2014	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)
Tap Crunch Sdn. Bhd.	Malaysia	50	Holding Entity	-	(2)	90,000	20,003

7.3 PERCENTAGE HOLDING AND FINANCIALS OF TAP CRUNCH INTERNATIONAL SDN. BHD.

	GROUP		KWAP	
	2014 (RM'000)	2013 (RM'000)	2014 (RM'000)	2013 (RM'000)
At Cost:				
Unquoted Shares*	-	-	-	-
Share Of Post-Acquisition Profit	(1)	-	-	-
Share Of Post-Acquisition Asset Revaluation Reserve	-	-	-	-
Share Of Post-Acquisition Non-Controlling Interest	-	-	-	-
	(1)	-	-	-
Less: Total Dividend Received	-	-	-	-
Share Of Net Asset	(1)	-	-	-

* Included is the unquoted shares of RM5.00 being the initial investment.

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for the year ended 31 December 2014

7. INVESTMENT IN ASSOCIATES (CONTINUED)

7.3 PERCENTAGE HOLDING AND FINANCIALS OF TAP CRUNCH INTERNATIONAL SDN. BHD. (CONTINUED)

Summary of financial information of Tap Crunch International Sdn. Bhd., unadjusted by percentage ownership held by the KWAP:

2014	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)
Tap Crunch International Sdn. Bhd.	Malaysia	50	Holding Entity	-	(2)	-	(2)

8. LOANS TO SUBSIDIARIES AND ASSOCIATES

	GROUP		KWAP	
	2014 (RM'000)	2013 (RM'000)	2014 (RM'000)	2013 (RM'000)
At Cost:				
At 1 January	-	-	579,007	628,923
Add:				
Issuance Of Loan To Subsidiary (KWAP MIT 2)	-	-	302,851	-
Issuance Of Loan To Subsidiary (KWAP MIT 3)	-	-	294,030	-
Advance To Associate (Tap Crunch Sdn. Bhd.)	10,000	-	10,000	-
Less:				
Repayment Of Loan (KWAP MIT)	-	-	(527,824)	-
	10,000	-	658,064	628,923
Unrealised Loss On Foreign Exchange	-	-	(14,811)	(49,916)
At 31 December	10,000	-	643,253	579,007

Loans to subsidiaries being KWAP Managed Investment Trust (KWAP MIT), KWAP Managed Investment Trust 2 (KWAP MIT 2) and KWAP Managed Investment Trust 3 (KWAP MIT 3) were denominated in Australian Dollars (AUD), unsecured, subject to interest at rates ranging from 5.00% to 8.00% (2013: 7.75% to 8.00%) per annum and annual review as well as repayable on demand.

Advance to associate being Tap Crunch Sdn. Bhd. was denominated in Ringgit Malaysia, unsecured and interest free.

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9. TRADE DEBTORS

	GROUP		KWAP	
	2014 (RM'000)	2013 (RM'000)	2014 (RM'000)	2013 (RM'000)
Sales Of Shares	67,892	58,661	67,892	58,661
Dividend Income	74,525	1,066,951	95,681	1,103,901
Income From External Equity Fund Managers	420,875	358,010	420,875	358,010
Interest On Government Debt Securities	289,015	256,359	289,015	256,359
Income From External Fixed Income Fund Managers	127,227	103,785	127,227	103,785
Interest On Private Debt Securities	171,070	165,428	171,070	165,428
Interest On Loans	120,091	144,279	128,444	144,279
Interest On Short Term Money Market	13,030	20,172	13,030	20,172
Interest On Fixed Deposit	13,602	8,984	13,602	8,984
Rental Income	(763)	1,523	-	-
	1,296,564	2,184,152	1,326,836	2,219,579

10. OTHER DEBTORS

	GROUP		KWAP	
	2014 (RM'000)	2013 (RM'000)	2014 (RM'000)	2013 (RM'000)
Income Tax Receivables	68,229	139,761	68,184	139,761
Investment Receivables*	10,433	13,591	7,254	7,254
Miscellaneous	20	6	-	6
	78,682	153,358	75,438	147,021

* Investment Receivables include 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. On 1 August 2014 and 23 January 2015, KWAP have instructed the solicitor to proceed with the demand for the judgement sum including the interest and costs.

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for the year ended 31 December 2014

11. DEPOSITS AND PREPAYMENTS

	GROUP		KWAP	
	2014 (RM'000)	2013 (RM'000)	2014 (RM'000)	2013 (RM'000)
Interest On Government Debt Securities	20,215	8,666	20,215	8,666
Interest On Private Debt Securities	82	248	82	248
Other Advances	120	80	120	80
Other Prepayments	3,178	777	2,004	777
Other Deposits	3,447	3,423	138	133
Property Related Prepayments:				
Property Expenses	1,099	2,300	-	-
	28,141	15,494	22,559	9,904

12. CASH AND CASH EQUIVALENTS

	GROUP		KWAP	
	2014 (RM'000)	2013 (RM'000)	2014 (RM'000)	2013 (RM'000)
Cash And Bank Balance	181,339	250,628	181,399	250,628
Deposits With Financial Institutions:				
Commercial Bank	2,327,440	2,837,311	2,327,440	2,837,311
Islamic Bank	443,871	970,822	443,871	970,822
Development Bank	500,000	700,000	500,000	700,000
Investment Bank	867,556	471,948	867,556	471,948
Cash And Bank Balance Of Subsidiaries	92,676	129,176	-	-
	4,412,942	5,359,885	4,320,266	5,230,709

FINANCIAL STATEMENTS

13. TRADE CREDITORS

	GROUP		KWAP	
	2014 (RM'000)	2013 (RM'000)	2014 (RM'000)	2013 (RM'000)
Fund Managers	371,347	101,826	371,347	135,669
Property Related Payables:				
Trade Creditors	101,352	57,237	-	-
Rental Incentive	-	857	-	-
	472,699	159,920	371,347	135,669

14. OTHER CREDITORS

	GROUP		KWAP	
	2014 (RM'000)	2013 (RM'000)	2014 (RM'000)	2013 (RM'000)
Advance Rental	-	83,975	-	-
Goods And Services Tax Payable	2,115	6,043	-	-
Value Added Tax Payable	6,008	-	-	-
Amount Due To Subsidiary	-	-	3,581	1,756
Others	56,380	4,059	1,114	783
	64,503	94,077	4,695	2,539

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for the year ended 31 December 2014

15. ACCRUED EXPENDITURES

	GROUP		KWAP	
	2014 (RM'000)	2013 (RM'000)	2014 (RM'000)	2013 (RM'000)
Provision For Bonus	18,800	16,087	18,800	16,087
Provision For Services	22,834	18,527	1,918	3,392
Provision For External Fund Manager Fees	10,432	11,572	10,432	11,572
Provision For Custodian Fees	2,139	1,652	2,139	1,652
Provision For Tax	436	-	404	-
Property Related Expenditures:				
Other Expenditures	1,932	-	-	-
	56,573	47,838	33,693	32,703

16. ALLOCATION OF STATUTORY FUNDS

	GROUP		KWAP	
	2014 (RM'000)	2013 (RM'000)	2014 (RM'000)	2013 (RM'000)
At 1 January	22,601,944	21,101,944	22,601,944	21,101,944
Add: Allocation For Current Year	1,500,000	1,500,000	1,500,000	1,500,000
At 31 December	24,101,944	22,601,944	24,101,944	22,601,944

FINANCIAL STATEMENTS

17. PENSION CONTRIBUTIONS

	GROUP		KWAP	
	2014 (RM'000)	2013 (RM'000)	2014 (RM'000)	2013 (RM'000)
Contributions From Statutory Bodies, Local Authorities And Other Agencies	10,010,946	8,990,017	10,010,946	8,990,017
Contributions From Government's Share, Gratuities And Other Deductions	30,660,464	28,811,048	30,660,464	28,811,048
	40,671,410	37,801,065	40,671,410	37,801,065

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 Contributions	Receipts	Balance	Accumulated Contributions	Receipts	Balance
	01/01/2014 (RM'000)	2014 (RM'000)	31/12/2014 (RM'000)	01/01/2013 (RM'000)	2013 (RM'000)	31/12/2013 (RM'000)
Statutory Bodies	7,103,235	822,204	7,925,439	6,352,506	750,729	7,103,235
Local Authorities	1,799,358	194,910	1,944,268	1,625,059	174,299	1,799,358
Other Agencies	90,005	4,922	94,927	85,494	4,511	90,005
	8,992,598	1,022,036	10,014,634	8,063,059	929,539	8,992,598
Less:						
Repayment Of Claims	(2,581)	(1,107)	(3,688)	(2,509)	(72)	(2,581)
	8,990,017	1,020,929	10,010,946	8,060,550	929,467	8,990,017

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

17. PENSION CONTRIBUTIONS (CONTINUED)

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	2014	31/12/2014	Contributions	2013	31/12/2013
	01/01/2014	(RM'000)	(RM'000)	01/01/2013	(RM'000)	(RM'000)
	(RM'000)			(RM'000)		
KWSP	22,725,648	1,238,214	23,963,862	21,412,488	1,313,160	22,725,648
KWSG	146,648	16	146,664	146,648	-	146,648
KWSG - Sabah	12,479	-	12,479	12,479	-	12,479
LTAT	5,088,814	562,925	5,651,739	4,665,719	423,095	5,088,814
SESCO	45,309	-	45,309	45,309	-	45,309
JPA	867,360	60,892	928,252	831,179	36,181	867,360
Others	37,491	910	38,401	37,030	461	37,491
	28,923,749	1,862,957	30,786,706	27,150,852	1,772,897	28,923,749
Less:						
Repayment Of Claims	(112,701)	(13,541)	(126,242)	(101,178)	(11,523)	(112,701)
	28,811,048	1,849,416	30,660,464	27,049,674	1,761,374	28,811,048

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	
	2014	2013	2014	2013
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Deferred Income	63	360	63	360
Less: Amortisation Of Deferred Income	(63)	(297)	(63)	(297)
Deferred Income After Amortisation	-	63	-	63

FINANCIAL STATEMENTS

19. BORROWINGS

	GROUP		KWAP	
	2014 (RM'000)	2013 (RM'000)	2014 (RM'000)	2013 (RM'000)
KWAP Managed Investment Trust (KWAP MIT)*	528,979	-	-	-
Prima Harta (Jersey) Unit Trust (Prima Harta)*	1,321,653	-	-	-
	1,850,632	-	-	-

* The borrowings of subsidiaries are disclosed in Note 6.1 and 6.5.

20. GROSS INVESTMENT INCOME

	GROUP		KWAP	
	2014 (RM'000)	2013 (RM'000)	2014 (RM'000)	2013 (RM'000)
Gain On Disposal Of Shares	1,016,529	744,913	1,016,529	744,913
Share Dividends	1,082,659	1,144,049	2,008,688	2,709,357
Income From External Fund Managers	542,877	475,822	542,877	480,115
Interest On Government Debt Securities	1,150,630	966,091	1,150,630	966,091
Profit On Sale Of Government Debt Securities	69,383	69,046	69,383	69,046
Profit On Sale Of Private Debt Securities	15,267	54,285	15,267	54,285
Interest On Private Debt Securities	736,572	757,171	736,572	757,171
Amortisation Of Investment Premium	(45,738)	(56,456)	(45,738)	(56,456)
Income From Private Equity Fund Investments	4,033	28,132	4,033	28,132
Interest On Loans	642,846	524,748	642,846	524,748
Interest On Loans To Subsidiaries	-	-	40,795	47,308
Interest On Deposits	187,456	229,471	187,456	229,471
Interest On Bank Balances	98	344	98	344
Other Investment Income	105,091	-	105,091	107,247
Property Rental Income	229,588	210,673	-	-
	5,737,291	5,148,289	6,474,527	6,661,772

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

21. OPERATING EXPENDITURES

	GROUP		KWAP	
	2014 (RM'000)	2013 (RM'000)	2014 (RM'000)	2013 (RM'000)
Salaries And Allowances	45,497	36,269	42,499	34,273
Contributions To EPF	7,658	5,575	7,658	5,575
Contributions To SOCSO	132	107	132	107
Supplies And Services*	100,221	68,638	64,280	52,782
Management Aid	461	246	461	246
Depreciation On Property And Equipment	116,503	84,074	2,225	2,018
(Gain)/Loss On Disposal Of Fixed Assets	8	(20)	8	(20)
Withholding Tax	3,644	-	3,644	-
Property Related - Operating Expenditures	33,276	23,629	-	-
Property Impairment	-	35,770	-	-
	307,400	254,288	120,907	94,981

* Supplies And Services include dissolution costs for a Private Equity investment amounting to RM527,810. KWAP was expecting for the dissolution proceeds in 2015 and 2016.

Total number of KWAP's employees stood at 256 employees as at 31 December 2014 (2013: 207).

FINANCIAL STATEMENTS

22. CAPITAL COMMITMENT

GROUP AND KWAP	2014 (RM'000)	2013 (RM'000)
Contracted	950	1,328
Work In Progress	(950)	(1,328)
Contracted But Not Accounted For In The Financial Statements	-	-

23. COMPARATIVE FIGURES

Certain comparative figures were restated to reflect the changes in the audited financial statements as follows:

2013	As Previously Reported		As Restated	
	GROUP (RM'000)	KWAP (RM'000)	GROUP (RM'000)	KWAP (RM'000)
Income Statement				
Non-Investment Income	3,198	25	8,172	4,998
Operating Expenditures	(249,314)	(90,007)	(254,288)	(94,981)
Note 20 - Operating Expenditures				
Gain On Foreign Currency Exchange	(4,974)	(4,974)	-	-

Appendix

SECTION 10

253 Glossary of Terms

GLOSSARY OF TERMS

AC
Audit Committee

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

BNM
Bank Negara Malaysia

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

BCP
Business Continuity Plan

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

BCM
Business Continuity Management

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

GCS
Gross 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.

GLOSSARY OF TERMS

ESG

Environment, Social & Corporate Governance

Environmental, social and governance (ESG) refers to the three main areas of concern that have developed as central factors in measuring the sustainability and ethical impact of an investment in a company or business. Within these areas are a broad set of concerns increasingly included in the non-financial factors that figure in the valuation of equity, real-estate, corporate, and fixed-income investments. ESG is the catch-all term for the criteria used in what has become known as socially responsible investing. Socially responsible investing is among several related concepts and approaches that influence and, in some cases govern, how asset managers invest portfolios.

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

APPENDIX

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-today 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**

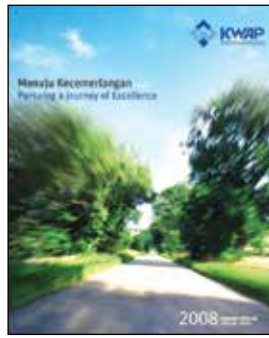
A risk metric used to estimate the quantum of loss to a portfolio over a given probability value with a pre defined period.



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



2007 Annual Report



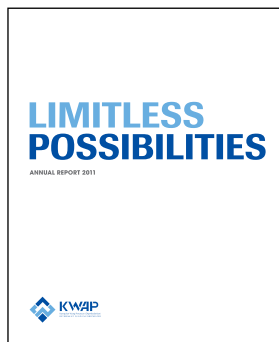
2008 Annual Report



2009 Annual Report



2010 Annual Report



2011 Annual Report



2012 Annual Report



2013 Annual Report

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