





ANNUAL REPORT 2015

COVER RATIONALE



DELIVERING A SUSTAINABLE FUTURE

As the world continues to change, as operating conditions and stakeholder expectations transform, our approach to investing evolves with this change. As a result, we have worked to thoughtfully incorporate responsible investing factors in our investment decision-making processes.

We also believe that by being a responsible investor, we can achieve greater social impact, which are the returns generated for pensioners across the nation.

DANA YANG BERKAT

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

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

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

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

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

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

5 – 15, Februari, 2007 A. SAMAD SAID

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SECTION 01 CORPORATE OVERVIEW

CORPORATE PROFILE

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On 1 March 2007, KWAP was established under the Retirement Fund Act 2007 (Act 662) replacing the repealed Pensions Trust Fund Act 1991 (Act 454).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.

AIM

To assist the Federal Government in applying the Retirement Fund (the Fund) towards the cost of payment of any pension, gratuity or other benefits under any written law for officers of the public services and employees of Statutory Bodies and Local Authorities in such manner and at such manner and at such times as shall be authorised by the Minister of Finance.

OBJECTIVE

To manage the Fund towards achieving optimum returns on investments. Income generated by the Fund will be utilised to assist the Federal Government in financing the country's pension liability.

FUNCTION

The functions of KWAP are as follows:

- Management of contributions from the Federal Government, Statutory Bodies, Local Authorities and other Agencies;
- 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); and
- Management and payment of pension.

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

MANAGE 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.

SET 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.

PENSION MANAGEMENT AND PAYMENT

Act as an agent of the Federal Government for the purpose of pension payment, gratuity or other benefits granted under any written law from the consolidated Fund in such manner as may be agreed between the Federal Government and KWAP.

CORPORATE PROFILE

ECTION 01 ORPORATE OVERVIEW



ASSURING YOUR PENSION

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SECTION 01 CORPORATE OVERVIEW

CORPORATE PROFILE

KWAP IN MALAYSIA'S PENSION SYSTEM

	Policy Setting	Member Contribution Collection	Investment Policy & Guidelines	Investment Management	Members Administration	Benefit Payments
	Set policy for pension/ provident fund	Manage collection of individual members' contributions	Set investment policy and monitor performance	Execute investments management	Manage members' accounts	Manage financial administration and payment
Pensionable Civil Service	 Treasury Financial impact calculation Approves policies EPU Develop & review policy 				Appointed agent by Federal	Government
	PSD Develops and reviews policy					
Armed Forces	MINDEF Develops and reviews policy	Government	ontribution from personnel and LTAT refund to KWA	P	 Veterans Affairs (MINDEF) Communicates with retirees Benefits calculation Communication with active members Administration of members account balance 	 Disbursement of withdrawals Transfers of refunds to KWAP
Private Sector and Non- pensionable Civil Service	EPF Provides policy input					
	Legend: Treasury : Treasury	y Ministry of Finan	co.	MINDEF : Ministry	u of Defence	

Treasury: Treasury, Ministry of FinancePSD: Public Services Department

MINDEF: Ministry of Defence**LTAT**: Armed Forces Fund Board**EPF**: Employees Provident Fund

Section 0 Corporat Overvie

ک YEAR **2007**

STAKEHOLDERS

- Incorporated on 1 March 2007
- Introduced Balanced Scorecard to create a performance driven culture
- Formulated core values

OPERATIONAL

- Relocated to new office in Kuala Lumpur
- Developed key policies or procedures such as Board Charter, Financial Procedures and Investment Policy and Guidelines

LEARNING & GROWTH

• Launched Leadership Series, Golden Hour Series and corporate website

т YEAR **2008**

STAKEHOLDERS

• Redefined core values and formulated vision and mission

OPERATIONAL

- 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

LEARNING & GROWTH

 Collaborated with selected rural school as first Corporate Social Responsibility (CSR) initiative

YEAR **2009**

CORPORATE

MILESTONES

STAKEHOLDERS

• Collaborated with Ministry of Finance and Public Services 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

OPERATIONAL

- Completed the new trading room benchmarked against other asset management houses, which was launched by the Minister of Finance II, 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 (ORE) reporting
- Established Investment Settlement Department and Custodian Department to enhance segregation of duties and internal controls

LEARNING & GROWTH

- Initiated regular contribution of articles to a major business publication to promote greater understanding of investment related subjects as part of CSR
- Initiated annual Financial Planning for Retirement Seminar for Government employees approaching retirement age as part of CSR
- Introduced Certified Financial Analyst (CFA) Financial Assistance Scheme for investment employees

SECTION 0⁻ CORPORAT

<u>ү</u> YEAR **2010**

CORPORATE

STAKEHOLDERS

- The Cabinet approved the proposed role of KWAP in assisting the Federal Government funding its pension liability
- First announcement of financial results and launch of new website by the Minister of Finance II, Dato' Seri Ahmad Husni bin Mohamad Hanadzlah

FINANCIAL

- Expanded international investments and outsourced to external fund managers to manage international equity and fixed income
- Acquired first international property in Melbourne, Australia

OPERATIONAL

- Outsourced global custodian services
- Developed Internal Credit Rating Scoring Model
- Implemented Enterprise Risk Management System
- Developed Business Continuity Plan and tested Disaster Recovery Plan

LEARNING & GROWTH

- Conducted study visit to California Public Employee's Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS)
- 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 as part of CSR

ک YEAR **2011**

STAKEHOLDERS

 Post Cabinet review and conducted discussions with the Ministry of Finance and Public Services Department on implementation of Cabinet's decisions on the approved role of KWAP in assisting the Federal Government in funding its pension liability

FINANCIAL

- Expanded investment in global sukuk
- · Acquired second international property in Sydney, Australia
- Subscribed to the first Islamic foreign denominated currency bond and hedged it via Islamic cross currency swap

OPERATIONAL

- 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
- Established Whistle Blowing Policy
- Established Strategic Risk Management Framework
- Established Credit Manual to govern fixed income credit evaluation process
- Implemented KWAP's Corporate Governance: Principles and Voting Guidelines

LEARNING & GROWTH

- Hosted the 2011 Asian Pension Fund Roundtable organised by Pacific Pension Institute with 2 KWAP representatives participated as speakers
- Three employee development programs implemented namely Talent Exchange Program, Individual Development Plan and Performance Improvement Program

OTHER ACHIEVEMENTS

- KWAP CEO, Dato' Azian binti Mohd Noh named as 25 Most Influential Women in Asset Management in the Asia-Pacific Region by the AsianInvestor
- Internal fund manager, Mohamed Izwan Moriff bin Mohamed Shariff, nominated as one of the most astute investors in Malaysian Ringgit Bonds 2011 by The Asset Benchmark Research

Section 0 Corporat Overviev

ک YEAR **2012**

FINANCIAL

- Invested RM1.5 billion in Perpetual Sukuk, first issuance in the world
- International investments increased to 6.58% exceeding 6% target
- Acquired first property in London, UK

OPERATIONAL

- Operationalised Prima Ekuiti (UK) Limited for investment in UK equity market
- Expanded internal equity investment for Asia Pacific ex Japan
- 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)

LEARNING & GROWTH

- Rolled out Employee Education Assistance Scheme
- Conducted e-learning program with World Bank
- Senior management participated as speaker at International Data Corporation's ASEAN Security Conference and 4th Annual Southeast Asia Institutional Investment Forum
- Participated as a member for the Corporate Governance Working Committee [along side Employees Provident Fund (EPF), Khazanah Nasional Berhad, Permodalan Nasional Berhad (PNB), and Lembaga Tabung Angkatan Tentera (LTAT)]

ک YEAR **2013**

CORPORATE MILESTONES

STAKEHOLDERS

- Initiated works for proposed takeover of Post Service Division, Public Services Department
- Engaged with Ministry of Finance to address the sustainability of Government's contributions to KWAP

FINANCIAL

- International asset allocation increased to 9.45%
- · Invested in 4 international private equity funds
- Purchased 3 properties abroad, 1 in UK and 2 in Australia
- Invested in Malaysian Sovereign Dollar Bond

OPERATIONAL

- Introduced Foreign Exchange Policy and Hedging Guidelines
- Set up capabilities for internal investment 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)
- Established an initial fund to invest in small capital domestic stocks
- Developed foundation to achieve KWAP's Long Term Investment Objectives:
 - Conceptualised KWAP's Investment Beliefs
 - Established KWAP's Investment Risk Framework
 - Implemented the Risk Performance Strategy System (RPSS)

LEARNING & GROWTH

• Launched KWAP Young Talent Program

SECTION OF CORPORATI

ک YEAR **2014**

CORPORATE MILESTONES

FINANCIAL

- Increased Strategic Asset Allocation for International Investment 10.9%
- Invested in new property sectors such as retail in UK and logistics in Australia
- Invested in 6 new private equity funds and 1 direct investment
- Expanded domestic small capital portfolio to EFM

OPERATIONAL

- Received 4-star rating for "Anugerah Kecemerlangan Pengurusan Kewangan Berdasarkan Indeks Akauntabiliti Tahun 2013"
- Increased allocation for small capital portfolio to 1.5% and domestic Shariah portfolio to 15%
- Appointed 3 EFMs to manage domestic sukuk portfolio
- Commenced Financial Reporting Standards (FRS) Implementation (Phase 1) by establishing policies and procedures to implement FRS 1 39 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 led initiative to introduce Malaysian Code for Institutional Investors
- Undertook re-certification for ISO 9001:2008 with the addition of 3 certified new areas including MGS Quasi, Private Equity Fund and International Equity

LEARNING & GROWTH

- Established and developed KWAP's Leadership Competency Model
- Participated in the UKEC Graduan Career Fair with 11 candidates reported for duty
- Enhanced employee's benefits: Introduction of Cost of Living Allowance (COLA) and housing allowance for employees at associate level and below
- 3 employees under Education Assistance Scheme (EAS) graduated from INCEIF's Chartered Islamic Finance Professional (CIFP) program

YEAR 2015

STAKEHOLDERS

- Amended Retirement Fund Act approved and gazeted
- Completed takeover of PSD's Pension Service Division functions
- Outsourced 3 ESG mandates to EFM and set up internally managed ESG mandate
- Collaborated with Malaysia Financial Planning Council (MFPC) to organise Financial Planning conference and talks to ministries and government bodies

FINANCIAL

• Commenced Financial Reporting Standards (FRS) implementation by establishing related policies and procedures; and processes

OPERATIONAL

- Entered into maiden domestic property investment via the acquisition of building and property development lands
- CEO appointed as Institutional Investor Council's (IIC) first Chairman and as a member of FTSE ESG Advisory Committee (London)
- CEO accepted special recognition award from MSWG for contribution towards enhancing corporate governance practices in Malaysia
- Became member of Institute of Integrity Malaysia, corporate member of International Corporate Governance Network (ICGN) and Asian Corporate Governance Association (ACGA)
- Introduced Employee Handbook on Code of Ethics and Conduct and introduced No Gifts Policy

LEARNING & GROWTH

- Participated in UKEC Graduan Career Fair with 9 candidates reported for duty
- Co-organised *Pesta Sukan Kementerian Kewangan* (PSKK) with Securities Commission for Ministry of Finance and its agencies
- Established the Business Leadership Program in collaboration with ICLIF
- Participated as speaker at industry-level seminars and conferences such as Khazanah Research Institute Talk, Mobility Forum organised by Computerworld Malaysia, BMS-GenCorp Careers Advice Evening (UK), CIO Summit Malaysia 2015 and Seminar Perancangan Kewangan
- Participated in MOF's Flood Relief Mission in East Coast 2015 as part of CSR

5-YEAR FINANCIAL RESULTS SUMMARY

	2011	2012	2013	2014	2015	Average
						2011-2015
Fund Size at Cost (RM Billion)	78.93	88.73	99.92	109.43	118.37	
Growth Per Annum (%)	11.9	12.4	12.6	9.5	8.17	10.93
Income and Expenses (RM)						
Gross Investment Income (Billion)	4.66	5.75	6.66	6.47	6.24	5.96
Operating Expenses (Million)	43.77	62.82	94.98	120.91	193.62	103.22
Net Investment Income (Billion)	4.30	5.69	6.57	4.84	3.71	5.02
Income and Expenses (%)						
Gross Return on Investment (Gross ROI)	6.30	6.84	7.05	6.15	5.40	6.35
Accounting Rate of Return (Net ROI)	5.75	6.79	6.97	4.58	3.26	5.47
Operating Expenditure to Gross Income	0.94	1.09	1.42	1.87	3.10	1.68
Operating Expenditure to Average Fund	0.06	0.08	0.10	0.12	0.17	0.10
Return and Risk (%)						
Time Weighted Rate of Return	5.30	8.63	10.03	4.03	5.39	NA
Volatility	2.99	2.86	3.15	2.38	3.14	NA
Contribution (RM Billion)						
Pension Contribution	2.52	2.67	2.70	2.87	2.78	
Federal Contribution	1.50	1.50	1.50	1.50	0.50	
Investment Portfolio Composition at cost (RM Billion)						
Domestic						
Equity	23.73	27.37	29.00	35.85	39.06	
Private Debt Securities and Loan	16.42	25.72	28.63	28.78	31.40	
Malaysian Government Securities and Quasi Bonds	18.04	22.01	25.55	29.49	29.43	
Money Market Deposits	16.97	7.80	7.16	5.01	5.91	
Private Equity	0.43	0.43	0.44	0.52	0.12	
Property	0.00	0.00	0.00	0.00	1.21	
International						
Equity	0.81	1.89	2.96	4.16	5.40	
Fixed Income	1.02	1.54	1.66	2.47	2.51	
Private Equity	0.23	0.24	0.37	0.67	1.14	
Property	1.00	2.00	4.07	3.71	3.92	
Management of Fund						
Internally Managed (%)	93.78	93.09	89.85	89.56	87.50	
Externally Managed (%)	6.22	6.91	10.15	10.44	12.50	
Number of Contributing Employers	601	613	505	503	498	
Number of Members	134,055	145,855	160,560	171,528	177,757	
Number of KWAP's Employees	152	175	207	255	529	
Income Per Employee (RM Million)	30.66	32.87	32.29	25.37	11.79	

Note: Figures are based on KWAP level performance.

SOURCE

OF FUND

SECTION 01 CORPORATE OVERVIEW

YEAR 2015 AT A GLANCE



TOTAL FUND SIZE RM118.37 BILLION

PERCENTAGE OF GROWTH 8.17%

EMPLOYER'S CONTRIBUTION RM2.78 BILLION

GOVERNMENT CONTRIBUTION RM0.50 BILLION

RM6.24 BILLION

GROSS INVESTMENT INCOME (AFTER HEDGING)

5.78% GROSS RETURN ON INVESTMENT (BEFORE HEDGING)

5.40% GROSS RETURN ON INVESTMENT (AFTER HEDGING)

5.39% TIME WEIGHTED RATE OF RETURN (TWRR)

3.26% ACCOUNTING RATE OF RETURN

YEAR 2015 AT A GLANCE

SECTION 01 CORPORATE OVERVIEW

ROI BY ASSET CLASSES



MESSAGE FROM THE CHAIRMAN



TAN SRI DR. MOHD IRWAN SERIGAR ABDULLAH CHAIRMAN

MESSAGE FROM THE CHAIRMAN

ECTION 0⁻ ORPORATE

On behalf of the Board, it is my privilege and pleasure to present KWAP's Annual Report for the Financial Year ending 31 December, 2015.



INTRODUCTION

2015 was a relatively eventful year for the global economy, with divergent monetary policies and commodity price volatility posing significant challenges to the Malaysian and global economy.

The start of normalisation of US interest rates in December signified a major policy shift by the Federal Reserve, being its first interest rate hike since 2006. Expectations of an imminent move on interest rates in the US coupled with an ultra-accommodative monetary stance in Europe and Japan were a prominent theme last year, leading to a general strengthening of the USD. This culminated in the 22.8% appreciation of the USD vis-à-vis the Malaysian ringgit in 2015.

Concerns over the supply glut in oil markets persisted in 2016 and was further aggravated by concerns of China's economic outlook, which continued to negatively affect demand for oil. With the balance of demand and supply in the oil industry persistently leaning towards excess supply, oil prices drifted to a multi-year low at the end of 2015.

Despite this challenging environment, Malaysia's economy remained resilient in 2015, supported by robust domestic demand. Although the front-loading of spending was observed in the first quarter prior to the Goods and Services Tax (GST), private consumption remained firm last year, growing at 6.0% yearon-year in 2015.

Headwinds from the sluggish global economy and a slowdown in China's growth negatively affected Malaysia's external sector, already hurt by the decline in oil prices. Accordingly, Malaysia's current account surplus narrowed

to 2.9% of GDP in 2015 compared to 4.3% in the previous year. As a result, the Malaysian economy saw its growth rate decline to 5.0% in 2015 from 6.0% in 2014.

Amidst the uncertain global environment, the sentiment in the domestic equity market deteriorated, with the benchmark FBM KLCI falling 12.6% in the first eight months. However, the equity market staged a modest recovery in the remaining months of 2015, reversing some of the earlier losses and ending the year at 1,693 points, still registering a 3.9% decline from 2014 the year before. The MSCI Asia Pacific Ex-Japan Index on the other hand fell 12.0% while the S&P 500 Index fell 0.7% over the corresponding period.

Despite the challenging environment, KWAP continued to generate respectable returns in 2015. This was due to our ongoing efforts to diversify our investment portfolio as well as our diligent and careful assessment of investment opportunities.

DOMESTIC MARKET

On the domestic front, Malaysia saw the US dollar appreciating against ringgit by 22.8% over 2015. Meanwhile, GDP growth for 2015 slowed to 5.0% year-on-year with the fourth quarter of 2015 ending on a lower note of 4.5%, underpinned by the private sector demand amidst stable wage growth and strong labour market. Private consumption was softer evidenced by the slower consumer purchases in the two quarters following the GST implementation before recovering in the last three months of 2015. Meanwhile, Bank Negara had sustained its Overnight Policy Rates (OPR) 3.25% throughout the year.

ANNUAL REPORT 2015 RETIREMENT FUND INCORPORATED

OVERVIEW

MESSAGE FROM THE CHAIRMAN

Amended Retirement Fund Act 662 approved by the Parliament

GOING FORWARD

Looking ahead, global growth outlook remains modest. One positive development worth highlighting is the sign of a steady recovery in the US economy, as reflected by the US Federal Reserve's decision to raise the policy rate for the first time since 2006.

Meanwhile, in Malaysia, the continued weakness in global oil prices will present some constraints to government spending this year. Nevertheless, private consumption is expected to contribute positively to Malaysia's growth in 2016. Private investment is also seen as supportive, underpinned by the ongoing Economic Transformation Programme (ETP). On the external sector, sluggish global demand coupled with weak commodity prices are expected to exert downward pressure on exports. Overall, Malaysia's fundamentals and resilient domestic demand are expected to provide ample support to 2016's economic growth forecast of 4.0-4.5% in 2016 (5.0% in 2015).

FINANCIAL PERFORMANCE

Against this landscape, I would like to take the opportunity to congratulate the management and employees for contributing towards KWAP's laudable performance this year.

The fund size has progressively increased by an average growth of 12,49% annually since inception and currently stands at RM118.37 billion as at 31 December 2015. This is an increase of RM8.94 billion or 8.17% in actual growth, which translated to a gross Return on Investment of 5.78% before hedging and other income. KWAP's gross ROI after hedging and other income returned 5.40% while the Time Weighted Rate of Return of 5.39% for the year.

MILESTONES FOR 2015

A number of significant milestones were achieved during the year. These milestones mark important turning points for the Fund.

In the third guarter of 2015, the Amended Retirement Fund Act 662 was approved by the Parliament and gazetted. This, in turn gives KWAP the power to expand its role and function as a pension fund. Investments in a wider range of products and instruments, domestically and internationally are now deemed permissible, to allow KWAP to gain higher returns through its investment activities. More importantly, with the approval of the act, KWAP will finally be able to see the takeover of functions from Public Services Department's Post Service Division materialise.

CORPORATE GOVERNANCE

In 2015, to further strengthen its stand on the importance of adhering to corporate governance, KWAP became a member of Institute of Integrity Malaysia; a corporate member of International Corporate Governance Network (ICGN) and Asian Corporate Governance Association (ACGA).

KWAP's active role in the scene throughout the years has proven fruitful with the appointment of KWAP Chief Executive Officer (CEO), Wan Kamaruzaman bin Wan Ahmad as Malaysia's Institutional Investor Council's first Chairman. He also became a member of the FTSE ESG Advisory Committee (London) in the same year. A special recognition award from Minority Shareholder Watchdog Group (MSWG) was also presented to the KWAP CEO for KWAP's contribution towards enhancing corporate governance practices in Malaysia. These achievements indicated that KWAP is well on track to become a leading responsible investor in the country.

RESPONSIBLE INVESTOR

KWAP also deepened its commitment to responsible investing with the setting up of a shariah fund, outsourced 3 Environment, Social and Governance (ESG) mandates to external managers and set up internally managed ESG mandates to ensure that the Fund invests consistent with best practices in the industry.



Its maiden foray into domestic property investment also took place in 2015 via the acquisition of a Platinum LEED Certified 40 storey building located at Kuala Lumpur's Golden Triangle, followed by 2 plots of land for property development within the vicinity.

PENSION SERVICES FUNCTION

Further to the approved amended act, KWAP was officially appointed as an agent of the Government to pay out pension, gratuity and other benefits under any written law. The operations of KWAP's Pension Services Department took place in November, whereby part of the Post Service Division, Public Services Department's function was taken over by KWAP to enhance its processes of which two thirds of its staff was seconded to KWAP to assist and ensure the smooth transition of these functions.

CLOSING

I wish to express my utmost gratitude to our stakeholders for their continued support and trust in KWAP, on behalf of the Board. This year's performance was the result of meticulous planning by our management and hard work on the part of the dedicated KWAP CEO, along with the management and supported by the rest of KWAP team members.

I extend my gratitude to our Board Members and members of the Investment Panel for their foresight and guidance which has helped us succeed in a difficult year. Thank you to Datuk Dr. S. Sundaran Annamalai, for his stint as KWAP Board member and I wish to congratulate him for his appointment as Secretary General of Ministry of Plantation and Commodities. Welcome on board to Dato' Che Pee bin Samsudin and Encik Johari bin Abdul Muid for their recent appointment to the Board and Investment Panel, respectively. Let me also extend my congratulations to Dato' Mohammed Azlan bin Hashim who took on duties as Chairman of the investment panel.

In the coming year, there will no doubt be new challenges for us to overcome. However, I have full confidence that KWAP is in the best position to weather these challenges and progress even further.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



WAN KAMARUZAMAN BIN WAN AHMAD CHIEF EXECUTIVE OFFICER

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

ECTION 01 ORPORATE OVERVIEW

2015 was an eventful year for KWAP. The economy was overshadowed by persistent oversupply in the global oil market, brought on by the emergence of the US shale industry and the continuous growth of OPEC oil production. These factors pushed global oil prices down to its lowest levels in more than a decade. By year-end, global oil prices were lower by 35.0% compared to the beginning of the year. The expectation for the first US Federal Reserve interest rate hike in 9 years also spurred market volatility and strengthened the US dollar.

While the markets were busy pricing in the US interest rate hike during the year, the Malaysian ringgit depreciated by 18.5% due to a confluence of factors. Reflecting the dynamic global economic environment, the global financial markets saw fairly uneven and volatile market conditions.

Meanwhile, the US stock market underperformed as fear of a slowdown in China alarmed global markets. On the domestic front, the FBMKLCI recorded its second consecutive year of decline, ending the year at 3.9% lower.

Despite the volatile market environment, KWAP managed to achieve the targets set out for the Fund at the beginning of the year. KWAP managed to deliver results exceeding its benchmarks guided by a responsible investment philosophy, supported by sound risk management and governance.

GOING FORWARD

A slight pickup in the global economy is expected in 2016. The recovery in the US economy as signalled by its first interest rate hike since 2006, should support global demand while mitigating an expected slowdown in the Chinese economy.

In 2016, the downward pressure on global oil prices is expected to continue impacting Malaysia's outlook. However, Malaysia's relatively strong fundamentals and resilient domestic demand will continue to support Gross Domestic Product (GDP) growth which is forecasted between 4.0% to 4.5%.

Private consumption should continue to be supported by lower personal income taxes, lower energy prices as well as stable employment. The ongoing Economic Transformation Program (ETP) will also continue to sustain investment spending.

Overall, despite the various headwinds over the past year, Malaysia's fundamentals remain broadly intact, providing a stable platform for ongoing growth in its economic activity.

FINANCIAL PERFORMANCE

In 2015, KWAP was able to maintain a steady performance despite the surrounding challenges where the total fund size grew to RM118.37 billion, an increase of RM8.94 billion or equivalent to 8.17%.

The main contributor to fund growth was investment income, which contributed RM6.69 billion, followed by employers' contributions, RM2.78 billion and fund from the Federal Government at RM500 million.

TOTAL FUND SIZE GROWTH TREND



ANNUAL REPORT 2015 RETIREMENT FUND INCORPORATED

SECTION 01 CORPORATE



INVESTMENT PERFORMANCE

The year 2015 was indeed another volatile year for both the equity and fixedincome markets. Managing both domestic and international funds has become increasingly challenging. Nevertheless, the fund continue to record higher gross realised investment income before hedging of RM6.69 billion in the year under review, which was RM0.22 billion higher compared to the preceding year's value of RM6.47 billion. At the same time increase to 8.55% in 2015 exceeded target of 8.48%. In terms of sources of investment income, equities delivered highest at 45%, followed by fixed income investments delivered 39% while alternative investments delivered 17% of total investment income.

The fund registered gross return on investment (ROI) of 5.78% before hedging and other income; and 5.40% after deduction of both hedging and other income. International equity returned the highest ROI of 14.39%, followed by private equity investments with 9.64%. The rest of the asset classes delivered ROIs ranging from 3.60% to 7.67%.

During 2015, KWAP also made its initial venture into domestic property investment by acquiring Menara Integra, located at Jalan Tun Razak, followed by the acquisitions of land for the purpose of property development at Persiaran Stonor and Changkat Kia Peng. The lands are strategically located, in the heart of Kuala Lumpur City Centre and is projected to generate favourable long term returns to KWAP. This brings the number of property owned and co-owned by KWAP to 14 where 8 are in Australia and remaining 3 are in the United Kingdom.

OPERATIONAL ACHIEVEMENTS

The amendment of the Retirement Fund Act 662 (Amendment 2015) was made effective on 1 September 2015. The amendment enables KWAP to act as an agent of the Government for the purpose of paying pension, gratuity or other benefit granted under any written law from the Consolidated Fund.

After 2 years of conceptualising and planning, collaboratively with the Ministry of Finance (MOF) and Public Services Department (PSD), KWAP's perseverance paid off with the takeover of PSD's Post Service Division functions on 1 November 2015. A total of 254 PSD staff were seconded to KWAP for a period of two years to assist in the transition process to ensure the flow of services to the customers and pensioners run smoothly; and at the same time, facilitate the transfer of knowledge to KWAP. The completion of the takeover brings KWAP a step closer to achieve its goal of becoming a full fledge pension fund.

HUMAN CAPITAL

I am pleased to inform that in 2015 our total staff strength has grown to 529 as at 31 December 2015. 277 employees are based in Kuala Lumpur main office, 252 based in Putrajaya and 5 based in London, UK.

Like many other Malaysian organisations, KWAP has its fair share of challenges when it comes to talent sourcing due to the general shortage of suitable talents.

ORPORATE OVERVIEW

However, this year KWAP managed to identify candidates for two, critical positions, with the appointment of Nik Ahmad Fauzan bin Nik Mohamed as Chief Operating Officer and Syed Ali Haidar bin Syed Shahabuddin as Director of Legal and Secretarial Department.

In 2015, KWAP underwent a restructure in its organisational hierarchy to improve efficiency in management. This involved the restructuring of the Corporate Planning and Development Department (CPDD), which had the Corporate Communications Unit taken out to become a stand-alone department, known as the Corporate Affairs Department and CPDD renamed as Corporate Strategy and Performance Department. The back office function was integrated from two departments, namely the Custodian Department and Investment Settlement Department into Investment Support Services Department. Both new departments report directly to the Chief Operating Officer.

In addition to this, the functions taken from the Post Services Division of Public Services Department has become a department reporting under the Chief Operating Officer, known as the Pension Services Department.

CORPORATE SOCIAL RESPONSIBILITY

As a socially responsible organisation, KWAP ensures that its CSR initiatives serve the four main areas, covering the workplace, marketplace, community and the environment while carrying KWAP's CSR tagline "Sharing Our Values". The KWAP CSR team's main focus for 2015 was its philanthropic efforts. The year started with the launch of its Natural Disaster Relief Mission by volunteering, donating and collaborating with MoF to assist the recovery of Kelantan which was hit by a massive flood, its worst in over 20 years. KWAP continued its philanthropic effort when an earth quake shook the grounds of Mount Kinabalu in Sabah and later on in Nepal. Funds were raised for donation to assist those affected by the disaster.

The year also saw KWAP's participation in the Free Market event organised by a Non-Government Organisation (NGO) at Projek Perumahan Rakyat Miskin Tegar in Gombak Setia (PPRT Gombak Setia), Kuala Lumpur. Due to the success of the first attempt in participating in such program, KWAP took a bigger step by hosting its own event at PPRT Lembah Subang. The program was well received by the residents as well as KWAP's employees.

CLOSING

In closing, I would like to take this opportunity to express my gratitude to KWAP's Chairman, members of the Board and Investment Panel for helping us navigate this difficult year. Their continuous guidance and support smoothed KWAP's journey to success despite all the challenges that we braved through. I would also like to thank KWAP senior management and all its employees for their dedication and tireless commitment to deliver exceeding its benchmark. Let's hope that 2016 will bring greater growth and higher returns for KWAP.

Launched the KWAP FreeMarket Program

2 post-flood relief missions were organised to help the victims reorganise their lives in Kelantan.

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SECTION 02 CORPORATE OVERNANCE

THE BOARD

The Board is empowered with the responsibility to administer and manage KWAP under the Retirement Fund Act 2007 (Act 662) or "the Act". Since its establishment, Corporate Governance has been made part of its Board's commitment in discharging its responsibilities to protect and enhance its stakeholders' value through promoting and practicing high standards of governance through the implementation of its core values, such as integrity, transparency and professionalism, which are deemed necessary for KWAP's continued progress and success towards achieving its stakeholders' objective.

The commitment of KWAP's Board towards good corporate governance was further exemplified when the Board endorsed KWAP to become a signatory to the Malaysian Code for Institutional Investors ("the Code") which is spearheaded by the Minority Shareholder Watchdog Group (MSWG). The participation by KWAP as signatory to the Code serves as a platform for KWAP to enhance its internal capability in corporate governance and proactive shareholder activism. This also has become a new reference for KWAP in ensuring that its corporate governance standards will also comply with best practices as outlined in the Malaysian Code for Institutional Investors.

As part of its support towards best practice in Environmental, Social and Governance (ESG), KWAP Board had established ESG mandate by outsourcing to external fund managers during the first quarter of 2015. The outsourcing allowed KWAP to fast track its learning process to incorporate sustainability in its investment decisions and operations.

KWAP Board believes that the stewardship of KWAP instilled with good corporate governance will be able to deliver the desired performance in an efficient and effective way whilst protecting and enhancing its stakeholders' value.

Composition of the Board

KWAP Board comprises qualified, experienced and skillful members with various background from the Government, Private Sector, Bank Negara Malaysia and contributor's representative, which are important for the overall strategic achievements of KWAP.

Section 6 of Act 662 stipulated that the Board shall consist of the following members that shall be appointed by the Minister of Finance:

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

A brief profile of each Board member is presented on pages 131 to 135 of this Annual Report.

BOARD COMPOSITION

- a Chairman who shall be the Secretary General of Treasury,
 the Ministry of Finance;
- a representative from Bank Negara Malaysia;
- a representative from the Ministry of Finance;
- the Chief Executive Officer who shall be an ex-officio member;
- three representatives of the Government of Malaysia;
 - three other persons from private sector with experience and expertise in business or finance; and
 - a representative of the contributories to the Retirement Fund other than the representative of the Government of Malaysia.

In 2015, 2 new Board members were appointed. The appointment of Dato' Che Pee bin Samsuddin took effect on 15 February 2015 as a representative of the Government of Malaysia replacing Datuk Wan Selamah binti Wan Sulaiman who retired on 18 December 2014 while the appointment of Datuk Dr. Sundaran Annamalai took effect on 1 July 2015 as representative from the Ministry of Finance replacing Dato' Mat Nor bin Nawi, who retired on 6 June 2015.

It should be noted that as at 31 December 2015, there were 2 vacancies of the seats under Section 6(4)(e) of the Act to replace Tan Sri Idrus bin Harun who resigned due to his elevation as a Judge in the Court of Appeal and Datuk Dr. Sundaran Annmalai who resigned due to his appointment as the Secretary General of the Ministry of Plantation Industries and Commodities. Both positions are still pending appointment from the Ministry of Finance.

Chairman and Chief Executive Officer

In KWAP, as part of good governance and best practices, the roles of the Chairman and the Chief Executive Officer (CEO) are separated.

Whilst the Chairman is primarily responsible for ensuring Board effectiveness and conduct, the CEO of KWAP, duly appointed by the Board with the approval

of the Minister of Finance, is responsible for KWAP's day to day administration and management of its affairs which includes overseeing 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 the day to day administration of KWAP and the administrative controls of the employees.

Responsibilities and Accountabilities of the Board

In line with its statutory responsibility and as part of its functions, the Board formulates and determines administration and management policies and procedures to ensure that KWAP achieves its objectives with success and excellence.

The Board assumes several specific tasks such as overseeing the proper conduct of operations, identifying principle risks area and ensure 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	 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 members regularly
Ensuring effective Board operations and interactions	 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 the management
Fulfilling the Board's fundamental roles and responsibilities	 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 organisation's risks Adopts a shareholders' perspective when making decisions Balances valid stakeholder interests

SECTION 02 CORPORATE

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 specific matters or issues that require prompt or urgent decisions.

The Board members are provided with the agenda and meeting papers containing information relevant to the matters to be deliberated in the meeting several days prior to the meeting date for their perusal. At each meeting, the Secretary will ensure that a quorum is present at the commencement of each Board meeting in order to constitute a valid meeting.

During the financial year 2015, 10 Board meetings and 2 Special Board and Investment Panel meetings were held.

Board Meeting Attendance

STATEMENT

ON GOVERNANCE

NO.	NAME	ATTENDANCE
1.	Tan Sri Dr. Mohd Irwan Serigar bin Abdullah Chairman	12/12
2.	Dato' Mat Noor bin Nawi * retired on 6 June 2015	1/7
3.	Datuk Dr. Sundaran Annamalai * appointed on 1 July 2015 and resigned on 16 December 2015	4/5
4.	Dato' Che Pee bin Samsuddin * appointed on 15 February 2015	7/11
5.	Datuk Yeow Chin Kiong	9/12
6.	Datuk Muhammad bin Ibrahim	8/12
7.	Dato' Siow Kim Lun	10/12
8.	Dato' Azmi bin Abdullah	12/12
9.	Dato' Dr. Gan Wee Beng	11/12
10.	Datuk Azih bin Muda	8/12
11.	Wan Kamaruzaman bin Wan Ahmad	12/12

Among the Board's key activities for 2015 are as follows, which is within its powers as specified in Section 12(1) of Act 662:

10.	SCOPE OF BOARD'S RESPONSIBILITIES AND ACCOUNTABILITIES AS PROVIDED BY THE ACT	BOARD'S DUTIES/ACTIVITIES FOR YEAR 2015
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;	 Approved the Supplementary Budget on Property Related Expenditure of Integra Tower; Approved the Expenditure Budget for KWAP Pension Services Department; Approved KWAP's Expenditure Budget for Financial Year 2016.
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;	 Approved KWAP's Revised Organisation Structure 2015; Approved Revised Organisation Structure and Secondment Package for Pension Services Department; Approved the Revised Secondment Package for Pension Services Department; Approved the Appointment of Chief Operating Officer; Approved the Renewal of Contract of Employment of Chief Executive Officer; Approved the renewal of several Contract of Employment of Head of Departments in KWAP.

NO.	SCOPE OF BOARD'S RESPONSIBILITIES AND Accountabilities as provided By the Act	BOARD'S DUTIES/ACTIVITIES FOR YEAR 2015
3.	To establish appropriate disciplinary authorities with respect to the conduct and discipline of the employees of KWAP;	Approved the No Gift Policy.
4.	To establish committees and procedure of such committees;	No new Committee was established in 2015.
5.	To regulate its internal procedures including procedures relating to operational matters;	 Approved the Treatment of Strategic Asset Allocation for Properties; Approved the Risk Limit and Management Action Triggers on Leverage Limit for Properties; Approved the Risk Appetite Statement for KWAP; Approved Property Development Investment Strategy; Approved the Addition to the Depreciation Policy; Approved the Revised KWAP's Investment Policy and Guidelines; Approved the Information Security Policy; Approved for KWAP to become a Signatory to the Malaysian Code for Institutional Investors; Approved the Revision of the Counterparty Risks Limit; Approved the Discretionary Authority Limit on Corporate Actions relating to AGM/EGM Bondholder Meeting.
6.	To prescribe the manner in which documents, cheques and instruments of any description shall be signed or executed on behalf of KWAP;	 Approved the opening of Bank Accounts for the Petty Cash Float for Domestic Property; Authorised the Chief Executive Officer and Chairman of KWAP to approve the Limit of Authority; Approved the Review on the Process of the Authentication and Affixation of Common Seal.
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).	• Appointment of Due Diligence and Property Consultants, Panel Advocates and Solicitors and External Fund Managers.

SECTION 02 CORPORATE

THE INVESTMENT PANEL

The Act 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, as stipulated in Section 7 of Act 662 as amended in Act A1496, who shall be appointed by the Minister of Finance:-

- a Chairman who shall be the Chairman of the Board or such other person as may be appointed by the Minister of Finance [Section 7(2)(a) of the Act];
- (ii) a representative from the Ministry of Finance [Section 7(2)(c) of the Act];
- (iii) the Chief Executive Officer of KWAP who shall be the secretary [Section (2) (d) of the Act]; and
- (iv) Four other persons from the public or private sector with experience and expertise business, investment, banking and finance [Section 7(2)(e) of the Act].

On 30 May 2015, Tan Sri Dr. Mohd Irwan Serigar bin Abdullah, who is also the Chairman of the Board had relinquished his position as the Chairman of Investment Panel. Following this resignation, the Minister of Finance subsequently appointed Dato' Mohammed Azlan bin Hashim, the existing representative from private sector as the new Chairman effective 1 June 2015. The vacancy of the seat under Section 7(2)(e) left by Dato' Mohammed Azlan bin Hashim was then filled with the appointment of Johari bin Abdul Muid on 15 October 2015.

It should be noted that vide the amendment to Act 662, Section 7(2)(b) of the Act has been deleted and the representative from the Central Bank of Malaysia is no longer a legal requirement under the Act. However, in view of her exposure and experience, Che Zakiah binti Che Din, has been reappointed under the new Section 7(2)(e) as a representative from public or private sectors with experience and expertise in business, investment, banking and finance effective 21 October 2015.

A brief profile of each Investment Panel member is presented on pages 136 to 139 of this Annual Report.

Primary Duties and Responsibilities of the Investment Panel

The responsibility of the Investment Panel is empowered by Section 7(1) of Act 662. The Investment Panel is generally responsible to approve, interalia, KWAP's strategic directions in relation to all investment matters which includes, investment policy and guidelines, assets allocation strategy as well as recommendations on all 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 2015, 12 Investment Panel meetings, 3 Special meetings and 2 Special Board and Investment Panel meetings were held.

Investment Panel Meeting Attendance

NO.	NAME	ATTENDANCE
1.	Tan Sri Dr. Mohd Irwan Serigar bin Abdullah Chairman * resigned on 31 May 2015	7/7
2.	Dato' Mohammed Azlan bin Hashim <i>Chairman</i> * <i>appointed on 1 June 2015</i>	15/17
3.	Datuk Ahmad Badri bin Mohd Zahir	15/17
4.	Datuk Abdul Farid bin Alias	8/17
5.	Cheah Tek Kuang	13/17
6.	Che Zakiah binti Che Din	14/17
7.	Johari bin Abdul Muid * appointed on 15 October 2015	4/4
8.	Wan Kamaruzaman bin Wan Ahmad	17/17

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 investment panel meeting for ratification.

Summary of Investment Panel Activities

For year 2015, the Investment Panel deliberated and discussed 60 proposals whereby 57 proposals were subsequently approved including approval via circulation.

BOARD COMMITTEES

In order to assist the Board in discharging its duties, the Board has established various committees to oversee specific matters relating 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 financial year 2015 are outlined below.

AUDIT COMMITTEE

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

Membership

Currently, Audit Committee comprises of 4 Board members, a Chairman and the following 3 other members who had been appointed by the Board:

- (i) Dato' Azmi bin Abdullah Chairman
- (ii) Dato' Siow Kim Lun Member
- (iii) Dato' Dr. Gan Wee Beng Member
- (iv) Dato' Che Pee bin Samsuddin Member (appointed on 1 October 2015)

Dato' Azmi bin Abdullah and Dato' Che Pee bin Samsuddin are members of the Malaysian Institute of Accountants (MIA).

Four Audit Committee meetings were held throughout the year 2015.

Duties and Responsibilities of the Audit Committee

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

- To recommend and review financial regulations, accounting regulations, policies and practices;
- To review and discuss the nature and scope of internal and external audit plans and ensure co-ordination of approach between the internal and external auditors;
- (iii) To review the financial statements of KWAP with management and the auditors prior to them being approved by the Board;
- 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;
- 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.

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

Audit Committee Meeting Attendance

NO.	NAME	ATTENDANCE
1.	Dato' Azmi bin Abdullah <i>Chairman</i>	4/4
2.	Dato' Siow Kim Lun	4/4
3.	Dato' Dr. Gan Wee Beng	3/4
4.	Dato' Che Pee bin Samsuddin * appointed on 1 October 2015	0/1

Summary of the Audit Committee Activities

Among major issues deliberated by the Audit Committee during the year 2015 were as follows:

- Financial Statements of KWAP for Financial Year Ended 31 December 2014;
- Audit Report of Prima Ekuiti (UK) Limited;
- Internal Audit Report on Audit Engagement and Management of External Fund Manager, Information Technology Outsourcing and Vendor Management, Data Privacy and Integrity, Cloud Computing, Observation on Disaster Recovery Exercise, Internal Control over Accounting, Compliance to Act and Regulations, Procurement and Contract Management and Correctness of Payment Receipts from Contributors;
- Issues relating to the implementation of Malaysian Financial Reporting Standards (MFRS); and
- Internal Audit Reviews and Outstanding Audit Issues of several departments in KWAP.

RISK MANAGEMENT COMMITTEE

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

Membership

Currently, Risk Management Committee comprises 4 Board members and 1 Investment Panel member, a Chairman and the following 4 other members who have been appointed by the Board: (i) Dato' Muhammad bin Ibrahim – Chairman

ON GOVERNANCE

- (ii) Dato' Siow Kim Lun Member
- (iii) Dato' Mohammed Azlan bin Hashim Member

STATEMENT

- (iv) Dato' Dr. Gan Wee Beng Member
- (v) Wan Kamaruzaman bin Wan Ahmad Member

Four Risk Management Committee meetings were held throughout the year 2015.

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;
- to assess and approve proposal on risk management policies and procedures in business and financial risk areas such as market risk, credit risk, strategic risk, and operational risk;
- (iii) to determine risk appetite/tolerance/parameters to Board for adoption;
- (iv) to assess/evaluate existing and new policies, controls and recommend to the Board for final changes, approval and adoption;
- (v) to ensure the adequacy of risk management 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.

Risk Management Committee Meeting Attendance

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

Summary of the Risk Management Committee Activities

Among major issues deliberated by the Risk Management Committee during the year 2015 were as follows:

- Corporate Risk Profile;
- Credit Risk Management Gap Analysis;
- Foreign Exchange Exposures and Hedging Activities;
- Validation of Internal Credit Rating Scoring Model;
- Credit Value-at-Risk Guidelines;
- Standardisation of Rating Approach for Credit Risk Management Guidelines;
- Risk Limit and Management Action Triggers on Leverage Limit for Properties;
- Revisit of Risk Appetite Statement for KWAP;
- KWAP Disaster Recovery Roadmap;
- Reputational Risk Management Framework;
- Revision of the Counterparty Risks Limit; and
- Compliance Report throughout the year 2015.

REMUNERATION COMMITTEE

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

Membership

Currently, Remuneration Committee comprises 2 Board members and 2 Investment Panel members, a Chairman and the following 3 other members who have been appointed by the Board:

- (i) Dato' Siow Kim Lun Chairman
- (ii) Dato' Mohammed Azlan bin Hashim Member
- (iii) Cheah Tek Kuang Member
- (iv) Wan Kamaruzaman bin Wan Ahmad Member

Four Remuneration Committee meetings were held throughout the year 2015.

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

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STATEMENT ON GOVERNANCE

Remuneration Committee Meeting Attendance

NO.	NAME	ATTENDANCE
1.	Dato' Siow Kim Lun	4/4
2.	Dato' Mohammed Azlan bin Hashim	3/4
3.	Cheah Tek Kuang	4/4
4.	Wan Kamaruzaman bin Wan Ahmad	4/4

Summary of the Remuneration Committee Activities

Among the proposals deliberated and endorsed by the Remuneration Committee during the year 2015 were as follows:

- Payment of Bonus 2014 and Annual Increment 2015;
- KWAP's Revised Organisation Structure 2015;
- Revised Organisation Structure and Secondment Package for Pension Services Division;
- Appointment of Chief Operating Officer;
- Renewal of Contract of Employment of Chief Executive Offer; and
- Renewal of several Contracts of Employment of Head of Departments in KWAP.

TENDER BOARD

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

Membership

Currently, Tender Board comprises of 3 Board members, a Chairman and 2 other Board members who have been appointed by the Board:

- (i) Dato' Mat Noor bin Nawi Chairman *Retired on 6 June 2015*
- (ii) Datuk Dr. Sundaran Annamalai Chairman Appointed as the Chairman on 1 October 2015
- (iii) Datuk Yeow Chin Kiong Member
- (iv) Wan Kamaruzaman bin Wan Ahmad Member

Only 1 meeting was held during year 2015, to discuss and recommend for Board's approval the Proposals on Appointment of Vendor to Supply, Install, Test and Commission Private Equity Information System Software and Appointment of Vendor to Provide Interior Design Consultancy Services for KWAP's new office for Pension Services Division in Cyberjaya.

Duties and Responsibilities of the Tender Board

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

- 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 found that the procurement procedures are not in accordance with the regulations or suspect that there are irregularities in the tender process;
- (vi) To consider and accept the tender provided that decision has been made by the Committee by at least a simple majority and is within the approved limit;
- (vii) To consider and accept any quotations acknowledged by the Quotations Committee that exceeds the quotations limit; and
- (viii) To consider other procurement issues as defined by the Board.

Tender Board Committee Meeting Attendance

NO.	NAME	ATTENDANCE
1.	Dato' Mat Noor bin Nawi	-
	Chairman (Retired on 6 June 2015)	
2.	Datuk Dr. Sundaran Annamalai New Chairman	1/1
	(Appointed as Chairman on 1 October 2015)	
3.	Datuk Yeow Chin Kiong	1/1
4.	Wan Kamaruzaman bin Wan Ahmad	1/1

PSD-PS INTEGRATION COMMITTEE

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

Membership

PSD-PS Integration Committee comprises of three Board members, a Chairman and the following two other members who have been appointed by the Board:

- (i) Dato' Azmi bin Abdullah Chairman
- (ii) Datuk Yeow Chin Kiong Member
- (iii) Datuk Azih bin Muda Member

There were 3 meetings held throughout the year 2015.

Duties and Responsibilities of the PSD-PS Integration Committee

The following are among the duties and responsibilities of the PSD-PS 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 PS Integration Committee Attendances

NO.	NAME	ATTENDANCE
1.	Dato' Azmi bin Abdullah <i>Chairman</i>	3/3
2.	Datuk Yeow Chin Kiong	2/3
3.	Datuk Azih bin Muda	3/3

Since the take-over was successfully implemented, the Board agreed to dissolve the PSD-PS Integration Committee on 27 November 2015.

APPOINTMENT AND REMUNERATION OF BOARD AND INVESTMENT PANEL MEMBERS

The Board and the Investment Panel members are appointed for the period not exceeding 3 years, and on the expiry thereof are eligible for reappointment. The current term for all the Board and Investment Panel will expire on 28 February 2016, except for Johari bin Abdul Muid whose term will expire on 28 February 2018. The remuneration of the Board and Investment Panel is determined from time to time, subject to the approval of the Minister of Finance.

In 2015, the Board and Investment Panel received a remuneration of RM353,568.00 and RM333,100.00 respectively.

STATEMENT ON INTERNAL CONTROL

SECTION 02 CORPORATE OVERNANCE

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 on 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

A Board level committee tasked to ensure the formulation, adequacy and integrity of the system of internal control and 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 Committee

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

At Management level, the Enterprise Risk Management Committee is established to assist the Board Risk Management Committee in deliberating risk management strategies, policies and guidelines prior to its approval. Among its functions are to review and assess KWAP's risk exposure and decision making on the most appropriate mitigating controls. The Enterprise Risk Management Committee is also responsible to ensure availability of the 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. SECTION 02 CORPORATE GOVERNANC

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:

- 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 the maintaining of and continually improving the Information Security Management System (ISMS) based on the ISO 27001:2013 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; and
- 3. IT Project & Vendor Management Framework that provides a framework for Management to initiate, plan, execute, control and close IT projects as well as a mechanism to monitor and manage KWAP's IT vendors.

• Information Security

Pursuant to the ISMS requirements, the Board approved the Information Security Policy which contains key domains in managing and administering information security. This is to protect and preserve the confidentiality, integrity and availability of all information within KWAP from potential threats, whether internal or external, deliberate or incidental which may impact KWAP's business.

• 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 2015. The outcome of the fieldwork and audit engagements conducted were incorporated in the audit report which highlights 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:

- 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 SOPs 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.
RISK MANAGEMENT AND COMPLIANCE

SECTION 02 CORPORATE OVERNANCE

OVERVIEW

KWAP in its continuing journey to achieve its Mission and Vision recognises that the ever changing business environment presents 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 initiative 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

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.

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 Chief Executive Officer (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.

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RISK MANAGEMENT FRAMEWORK & POLICY

KWAP has adopted the enterprise-wide risk management approach in managing key risks which was formalised through the introduction of Enterprise Risk Management Framework and Policy. 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:



The key areas and sub-framework include Operational Risk Management Framework, Market Risk Management Framework, Credit Risk Management Framework, Liquidity Risk Management Framework and Compliance Framework. These frameworks are developed on modular basis to provide a fair degree of segregation, depth and clarity for each key risks. 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 through 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 Reputational Risk Management Framework which was developed to ensure coherent and consistent approach; and methodology of reputational risk management in KWAP. The implementation of the framework shall provide key stakeholder, namely the Board and Investment Panel a high degree of comfort that reputational risk is properly and adequately managed.

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Through Operational Risk Event (ORE) reporting, KWAP is able to capture and record loss events or near misses that occur within KWAP's 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.

In 2015, 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:



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In addressing the reported OREs, proactive measures were taken such as conducting a review on key processes to include new controls or ensuring clearer defined roles and responsibilities for parties involved. The next diagram displays the number of OREs reported throughout 2015:



Business Continuity Management

Business Continuity Management (BCM) has always been one of KWAP's priorities. Throughout 2015, 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 2015, KWAP successfully conducted:

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

The DRE were further enhanced by incorporating surprise measures or additional scenarios to assess KWAP's organisational ability to handle actual disasters.

The live DRE required identified critical functions performed live at KWAP's Disaster Recovery Centre 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 tested and up to date BCM strategy.

COMPLIANCE

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 arises from compliance breaches. Compliance serves as an independent function that identifies, assesses, advises on, monitors and reports on the compliance risk, that is, the risk of legal or regulatory sanction, financial loss, or loss to reputation that Organisation may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct and standards or good practice.

The main objectives of compliance is to preserve KWAP's reputation so that our competitive standing, reputation and share value 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 Defense Model in managing the compliance risk in KWAP.

Aside from that, Compliance Liaison Officers have been appointed in each department to act as reference point in any non-compliance issues and ensure that their departments are kept abreast in any implementation of the policies and guidelines. RMCD forms the second line of defense. Compliance function has a key role in their control structure. This includes helping the business to anticipate the regulatory/internal policy requirements, thoroughly assess the potential compliance risks and ensure that the business knows

how to meet its obligations on a day-to-day basis. The third line of defense is internal audit which undertakes independent and regular ex-post reviews of the overall organisation'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 Act of Parliament, Minister of Finance's Decree and relevant guidelines by regulatory bodies such as Bank Negara Malaysia, Securities Commission and Bursa Malaysia. The ownership of the regulatory compliance is with the relevant operating 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 regulations it is not an option.

b) Internal Compliance

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

Compliance Process

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

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RISK MANAGEMENT AND COMPLIANCE



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 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 behavior. All employees are aware that the Board and Senior Management must take uncompromising stance if such trust is breached. The Compliance unit is increasingly becoming a pointof-reference and advisor for key strategic initiatives that KWAP embarks on.

The effective penetration of a proper compliance culture into all business and operating units 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.

The compliance culture is also being widened to our external fund managers (EFM). Our EFMs are required to declare on an annual basis that all of KWAP's investment guidelines are captured in their investment systems. This is to ensure that the EFMs are always adhering to the guidelines imposed on them.

Chinese Wall Policy

KWAP has implemented Chinese Wall Policy in 2014. KWAP's Chinese Wall Policy was introduced to establish procedures to control the flow of materialnon-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. The governance prescribed in this Policy sets out the means to avoid possible leak of information thus avoiding unfair advantage to profit from or reduce losses ahead of the general public obtaining the said information.

MARKET RISK MANAGEMENT

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

There are 3 main asset classes that forms KWAP's investment of which 83.40% contribution to total risk is from equity, followed by 9.04% in fixed income and 7.56% in alternative investment (private equity and property) as displayed in the next diagram.

TOTAL RISK CONTRIBUTION BY ASSET TYPE AS AT 31 DECEMBER 2015



KWAP's market risk system which utilises sophisticated multifactor models shows that the top 3 portfolio risks are from industry risk (71%) which is equity centric, term structure risk (9.90%) fixed income centric and selection risk (4.94%) which is idiosyncratic risk, for example risk that is specific to an asset or a small group of assets. Idiosyncratic risk has little or no correlation with market risk. It is worth to note that both the factor interaction and market/ currency interaction are positive, this means that KWAP's investment as at 31 December 2015 are generally positively correlated among the securities of different asset classes and markets.

PERCENTAGE OF PORTFOLIO RISK AS AT 31 DECEMBER 2015



A key measure of Market Risk used in KWAP is Value-at-Risk (VaR). KWAP currently measures VaR as the worst possible loss that may occur at 5% probability, over a 10-days trading period. KWAP's VaR averaged at 1.42% of the fund's market value. In other words, for a 2 weeks period, there is a 95% probability that KWAP will not lose more than 1.42% of the fund's market value due to market risk factors. The next diagram refers.

TOTAL PORTFOLIO VALUE AT RISK AS AT 31 DECEMBER 2015



KWAP also measures portfolio volatility, which is defined as the likely forecast variability of the portfolio over a 1 year period, based on 1 Standard Deviation or 68% probability. On average, volatility of KWAP portfolio is $\pm 4.34\%$. The model estimates that the portfolio can increase or decrease in value by 4.34% in 1 year's time. The higher the number, the more volatile the portfolio, hence the more risky it is.

The next chart shows that the portfolio exhibited a sharp jump in volatility in September to December 2015 reflecting the turmoil in the global market during that period.

TOTAL PORTFOLIO VOLATILITY FOR 2015



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 SHARPE RATIO FOR 2015



KWAP's average 1 year Sharpe Ratio was 0.48% as at 31 December 2015. Overall, KWAP's portfolio was able to add value by 48 basis points over the risk free rate, 3 months KLIBOR. The negative Sharpe Ratio from August 2015 to November 2015 was a reflection of lackluster performance in the overall fixed income and equity market during that time due to negative news flow in the global market.

EQUITY RISK EXPOSURES

Equity portfolio represents 35.77% of the total fund at market value. Overall, KWAP's Equity VaR was at 3.48% of the equity portfolio, where there was a potential loss of 3.48% of portfolio value over a 2 week period assuming a 95% confidence interval as shown in the next diagram.



Tracking error which is 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, while an actively managed fund would normally have a higher tracking error.

Tracking error since inception for KWAP domestic equity portfolio has been stable throughout the year and stood at 2.68% end of December 2015.



Tracking error since inception for KWAP international equity portfolio has been stable throughout the year and stood at 8.51% as at end of December 2015. The international equity tracking error is higher than internal due to the relatively small mandate and universe compared to its respective benchmarks as illustrated in the next chart.

TRACKING ERROR -

INTERNAL AND EXTERNAL INTERNATIONAL EQUITY MANAGERS IN 2015



Tracking Error

RISK MANAGEMENT

AND COMPLIANCE

TRACKING ERROR -

INTERNAL AND EXTERNAL DOMESTIC EQUITY MANAGERS IN 2015

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Correlation

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

Correlation to the benchmark (FBM100) is relatively high for the entire year at an average of 0.97 while Beta is on average 0.94. The correlation and beta which was close to 1 indicates that KWAP has a defensive portfolio and we are less volatile compared to the benchmark as illustrated in the next diagram.

MONTHLY BETA AND CORRELATION FOR 2015



The next diagram illustrates KWAP equity sector exposure versus the FBM100 index. As at 31 December 2015, our top 3 key overweight sectors were Industrial Product, Utilities and Financials, while underweight sectors were Energy and Health Care.

KWAP INTERNAL DOMESTIC WEIGHTAGE VS BENCHMARK WEIGHTAGE



Stress Test

KWAP also periodically conducts Stress Test on the portfolio for a range of scenarios based on historical and forward looking basis. Results of which are reviewed, analysed and assessed to give insights into portfolio vulnerabilities.

The results of Stress Test are as follows:-

TOP 5 WORST SCENARIOS

SCENARIO	P&L
1997 - 1998 Asian Financial Crisis P&L	-53.74%
1997 - 1999 Oil Price Decline P&L	-48.39%
1972 - 1974 Oil Crisis (Dec. to Sep.) P&L	-43.55%
1987 Market Crash (Aug. to Nov.) P&L	-37.99%
2008 July - January P&L	-26.44%

FIXED INCOME RISK EXPOSURES

Fixed income portfolio [Malaysian Government Securities/Government Investment Instrument (MGS/GII), Money Market and Private Debt Securities (PDS)] represents 58.83% of the total portfolio market value as at 31 December 2015, KWAP's fixed income VaR was 0.76% of the fixed income portfolio, with a potential loss of 0.76% of portfolio value over a 2 week period assuming a 95% confidence interval.

MONTHLY VALUE AT RISK 2015



Relative VaR Absolute VaR

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Modified Duration

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

On average, KWAP's modified duration in both MGS/GII and PDS surpasses the modified duration for their respective benchmarks at 7.29 versus the benchmark Quantshop MGS All Index of 5.32 and PDS portfolio of 5.07 versus Quantshop Corp (Medium) benchmark of 4.45, as indicated in the next two diagrams.

This means that if the rates change by 100 bps, the portfolio value will change approximately by 7.29% for MGS and 5.07% for PDS. This is due to KWAP's holding portfolios which tend to be longer tenure in nature and are more sensitive to the interest rate movement compared to the benchmark. This higher duration is in line with our investment strategy and risk appetite as a long term investor.

INTERNAL VS BENCHMARK MODIFIED DURATION FOR MGS AND QUASI GOVERNMENT BOND FOR 2015





INTERNAL VS BENCHMARK MODIFIED DURATION FOR PDS IN 2015

Modified Duration



Month

Overall, the MGS and Quasi-Government Bonds and PDS key rate duration is overweight on the 5 years to 10 years maturity securities, as shown in next diagram.

FIXED INCOME KEY RATE DURATION AS AT 31 DECEMBER 2015



Tracking Error

The tracking error since inception of domestic internal and external fixed income portfolios remains relatively stable at 1.59% and 1.01%.

The next 2 chart shows that the portfolio exhibited a sharp jump in volatility in September to December 2015 reflecting the turmoil in the global market during that period, especially in anticipation of rate hike announcement in the United States.



TOTAL INTERNAL DOMESTIC FIXED INCOME TRACKING ERROR FOR 2015

PDS
 Quantshop Corp (Medium)

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TOTAL EXTERNAL DOMESTIC FIXED INCOME TRACKING ERROR FOR 2015

TOTAL INTERNAL INTERNATIONAL



The tracking error since inception of international internal and external fixed income portfolios remains relatively stable at 7.63% and 4.48%, as shown in the next 2 charts.

FIXED INCOME TRACKING ERROR IN 2015 Percent (%) 7.9 7.8 7.7 7.6 7.5 7.4 7.3 7.2 Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Month

TOTAL EXTERNAL INTERNATIONAL FIXED INCOME TRACKING ERROR FOR 2015



Stress Test

KWAP also periodically conducts Stress Test on the portfolio for internal PDS and MGS in year 2015.

Based on historical events, the top 5 worst scenarios are as shown in next table.

TOP 5 WORST SCENARIOS

SCENARIO	P&L
2009 January - March P&L	-1.19%
1997-1999 Oil Price Decline P&L	-0.57%
2007 - 2008 Oil Price Rise P&L	-0.51%
2011 Egyptian Unrest P&L	-0.44%
1997-1998 Asian Financial Crisis P&L	-0.35%

The losses are smaller compared to equity as international bonds are only 2.75% of total KWAP fund and the domestic bond markets are pretty much immune from the global scenario impact.

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ALTERNATIVE INVESTMENTS RISK EXPOSURES

As at 31 December 2015, KWAP invested approximately 5.40% in alternative investments such as real estate, direct private equity, infrastructure and private equity funds.

Property (Domestic and International)

In 2015, KWAP expanded its purchases of real estate domestically, aside from current investment in Australia and United Kingdom. KWAP also ventured into development land in Australia and diversified its risk exposure to shopping malls aside from office buildings. 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 in maintaining a steady income stream.

PE 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 the performance of the fund 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. These instruments are Cross Currency Swap, Interest Rate Swap (IRS), Loan and Foreign Exchange (FX) Forward which is primarily used to hedge non-Ringgit exposure in international investments.

International Exposure

Currency Risk

Currency exposure in international investments stood at 11.80% of total investment as at 31 December 2015.

PERCENTAGE OF KWAP'S INVESTMENT IN CURRENCY FOR 2015



Top major currency exposures are USD, GBP, AUD and EUR as at 31 December 2015, as illustrated next.

MARKET VALUE EXPOSURE (IN MALAYSIA RINGGIT) BY MANDATE CURRENCY FOR 2015



The next chart indicates the proportion of different asset classes within international investments.

PERCENTAGE BY ASSET CLASS WITHIN INTERNATIONAL INVESTMENTS



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 market 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.



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

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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.

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

KWAP employs Credit Value-at-Risk (Credit VaR) among others as a methodology to quantify credit risk. It is a measure of the maximum potential change in value of a portfolio of financial instruments with a given probability over a preset horizon. A credit risk quantification system is used to monitor the overall composition and quality of the credit portfolio by providing adequate information and analytical techniques.

KWAP FIXED INCOME PORTFOLIO AS AT 31 DECEMBER 2015



The diagram displays KWAP's fixed income exposure of which 41.58% was invested in MGS and Quasi Government Bonds, 28.56% in PDS, 16.85% in Loans and 8.34% in Money Market. The remainder 4.67% is in International Debt.

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SUMMARY OF ETHICAL PRACTICES: CODE OF CONDUCT

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.

As a statutory body, **KOMPP** 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).

SUMMARY OF ETHICAL PRACTICES: RISK APPETITE STATEMENT

SECTION 02 CORPORATE OVERNANCE

One of the key notable achievements in 2015 was the Board's approval of the Risk Appetite Statement. In line with the industry's best practice and subsequent to extensive research and a consultation process initiated in 2014, the KWAP's Risk Appetite Statement was approved in May 2015.

The Risk Appetite Statement defines the Board's overarching attitude to risk taking and how it relates to stakeholder expectations. It sets out, on a broad basis, the organisation's ability to take risk in the context of organisational objectives and risk tolerance.

Such a Risk Statement is important to the organisation since it defines the Management's commitment and the boundaries under which the organisation operates, and guides the organisation in decision making by embedding risk consciousness and risk tolerance into the organisation's operating DNA.

While KWAP strives to become a High Performance Organisation, The Board recognises that the interest of its stakeholders, primarily the government and its pensioners, requires an organisation that practises prudent risk management in its investment and non-investment activities.

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SUMMARY OF ETHICAL PRACTICES: RISK APPETITE STATEMENT

KWAP RISK PRINCIPLES AND RISK APPETITE STATEMENT

1.	The Board recognises that the long term goal of the Fund is to meet the government's pension liabilities and supports additional research and dialogue with plan sponsors on how this goal can be achieved.			
2.	The Board has general oversight and responsibility over the Fund and the risks it takes on. Although investment decisions are taken by the Investme Panel, the responsibility over the overall level of risk that is undertaken by KWAP is the purview of the Board. The Investment Panel and KWA management will take cognizance of this when carrying out activities.			
3.	The Board considers and articulates this level of risk via this Risk Appetite Statement. It is presented as high level, broad, principle based statements, in order to support the complex, multifaceted, dynamic and overlapping nature of risks in KWAP.			
4.	The Board recognises that there is a need to actively manage the Fund's investments with the objective to grow the fund size and achieve sustainable risk adjusted return on investments while ensuring safety and sufficient liquidity in the investment portfolio. This is to be achieved through dynamic investment strategies balanced with sound risk management practices.			
5.	The Board recognises that there is a willingness and capacity to take on risks. The level of risk KWAP is willing to take should take into consideration KWAP's strategic objectives, stakeholder expectations, financial goals and compensation strategies. This is assessed and considered in KWAP's Strategic Asset Allocation, Investment Strategies and Risk Management Framework.			
6.	The Board recognises the need to balance its return expectations and risk appetite. The higher the quantum of expected return on investments, the higher the risk of not meeting those return expectations. These risks should be reported to the Board and Investment Panel on a periodic basis.			
7.	 The Board states that: KWAP shall only take on risks that it can assess and manage at a reasonable level of comfort; hence such risks, in aggregate, in the normal course of business, shall not cause the Fund, material financial loss or material non-financial detriment; and result in the Fund failing to meet its strategic objectives. 			
8.	 KWAP's choice of asset classes, investment strategies and investment instruments are guided by the following key principles: A reasonably high degree of confidence in the safety of assets; A reasonably high degree of liquidity in the asset or portfolio of assets; A reasonable return on investment adjusting for risks. 			
9.	The major type of risks and level of risk are as reflected in KWAP's Risk Management Framework. The major risk classes identified and specifically addressed are: Strategic Risks; Market Risks; Credit Risks; Operational Risks; Compliance Risks; Liquidity Risk; and Reputational Risk. 			
	Other risks are still recognised and managed via specific programs.			
10.	KWAP's ability to take risks and the level of risk should take into account internal capacity to manage these risks. KWAP should continuously work to boost capabilities and expand capacity via enhancement of skill sets, knowledge, technology and other resources.			

SUMMARY OF ETHICAL PRACTICES: NO GIFT POLICY

SECTION 02 CORPORATE OVERNANCE

The No Gift Policy was created to govern and guide KWAP's employees in their dealings with external parties. KWAP believes in good corporate governance and in maintaining best practices in business dealings at all times. The implementation of the No Gift Policy is also to prevent employees from being involved in briberies and situations of conflict of interest which could diminish KWAP's credibility and integrity.

The terms outlined in the No Gift Policy indicated that an employee shall not receive or offer, nor allow his immediate family members to receive or offer on his behalf, gifts or provisions of other benefits including entertainment treats from or to the external parties, as this could place the employee in a position whereby his independent business judgment may be prejudiced.

In addition, this policy is also extended to all forms of festive gifts or favours received during festive seasons.

Notwithstanding with the above, upon receipt of gifts which are not souvenirs or ceremonial in nature, employees are required to fill-up the "Receipt of Gifts/Entertainment Declaration Form" which can be obtained from Human Resource Department. The declaration form must then be approved by the respective Heads of Departments/CEO. The terms outlined in the No Gift Policy indicated that

"an employee shall not receive or offer, nor allow his immediate family members to receive or offer on his behalf, gifts or provisions of other benefits including entertainment treats from or to the external parties"

as this could place the employee in a position whereby his independent business judgment may be prejudiced.

SECTION 02 CORPORATE GOVERNANC

NEW CORPORATE GOVERNANCE INITIATIVES

SHAREHOLDER ACTIVISM

Management Visits

In 2015, Corporate Strategy and Performance Department (CSPD) organised 22 management visits which included 15 local companies as well as 7 regional companies and institutions that KWAP has interest in.

The visits were led by KWAP Chief Executive Officer, Wan Kamaruzaman bin Wan Ahmad and included the senior management team.

DOMESTIC MANAGEMENT VISITS CONDUCTED IN 2015

NO.	COMPANY			
1	TDM Berhad			
2	Bumi Armada Berhad			
3	Dialog Group Berhad			
4	Munchy Food Industries Sdn. Bhd.			
5	SP Setia Berhad			
6	DiGi.com Berhad			
7	Syarikat Perumahan Negara Berhad			
8	Bursa Malaysia Berhad			
9	RHB Capital Berhad			
10	SapuraKencana Petroleum Berhad			
11	CIMB Group Berhad			
12	Dayang Enterprise Holdings Berhad			
13	Sime Darby Group Berhad			
14	IOI Group Berhad			
15	Prestariang Berhad			

The aim of the visit was to build a relationship with counterparts in Australia as well as to gain knowledge and exposure in their Environmental, Social and Governance (ESG) practises.

INTERNATIONAL MANAGEMENT VISITS CONDUCTED IN 2015

NO.	COMPANY/INSTITUTION	COUNTRY		
1	Government Pension Fund of Thailand			
2	Stock Exchange of Thailand			
3	Bank of Thailand			
4	Lombard Investments Inc Thailand			
5	Quality House Plc			
6	Krung Thai Bank Plc			
7	PTT Exploration and Production Plc			

In addition to the regular domestic and international management visits, KWAP also organised Board and Investment Panel visit to Australia to visit KWAP's properties in Sydney and established relationship with New South Wales and Western State Government.

NO.	COMPANY/INSTITUTION	COUNTRY
1	NSW State Government	
2	State Super Financial Services Limited	
3	NSW Treasury Corportion (TCorp)	
4	AMP Capital Investors Limited	
5	Australian Trade Commission	
6	Macquarie Group Limited	Australia
7	Logos Property Group	Australia
8	Victoria State Government	
9	Future Fund Australia	
10	Investa Property Group	
11	CIMB TCA Australia Pty Ltd	
12	Australia and New Zealand Banking Group Limited	

Voting Rights

KWAP exercised its voting rights at Annual General Meetings and Extraordinary General Meetings (AGMs/EGMs) with 100% attendance and presented views and/vote for resolutions at 137 domestic AGMs/EGMs.

To improve KWAP's engagement with its sizeable companies and to create a bigger impact, KWAP's Senior Management team attended 16 domestic AGMs/EGMs in 2015.

In addition to voting at AGMs/EGMs, KWAP also conducted direct engagements with the investee companies prior and post AGM in matters involving issues such as gender diversity, sustainability and environmental issues.

Letters to Investee Companies

In addition to ongoing close monitoring of our investee companies via management visits, participation in AGMs/EGMs, periodic analyst meetings and dialogues, KWAP issued Shareholder Letters to 109 investee companies in 2015. The letter includes inter alia recommendations to adopt good ESG practice and sustainability initiatives.

SECTION 02 CORPORATE OVERNANCE

ENGAGEMENT WITH REGULATORS

Consistent with our aspiration to support good corporate governance, we advocated the participation of KWAP CEO as guest speaker in numerous conferences, talks and dialogues organised by Securities Commission, Bursa Malaysia and Minority Shareholders Watchdog Group (MSWG).

TALKS AND DIALOGUES PARTICIPATED BY KWAP

NO.	INSTITUTIONS
1	Non-Financial Information for Public Listed Companies' directors organised by Bursa Malaysia
2	Securities Commission's corporate governance events
3	Bursa Malaysia's Sustainability Symposium

MALAYSIAN CODE FOR INSTITUTIONAL INVESTORS (THE CODE)/ INSTITUTIONAL INVESTORS COUNCIL (IIC)

KWAP endorsed its commitment in upholding good corporate governance standard by being signatory to the Code. The Code comprises a set of principles which assists institutional investors to fulfil their stewardship responsibilities through influencing and promoting good corporate governance culture in their investee companies. KWAP's CEO, Wan Kamaruzaman bin Wan Ahmad, was elected as its first Chairman. In addition, 2 officers from KWAP were nominated to the IIC's Working Group.

The IIC primary role is to represent the common interests of institutional investors in Malaysia. In addition to the IIC formation, a special working committee was formed to focus on issues and topics of strategic importance which are of common interest to institutional investors and in line with the objectives of the IIC namely Market and Industry; and Governance and Policies. KWAP's Director of Corporate Strategy and Planning Department, Ismail bin Zakaria was appointed as the Chairman of the Governance and Policies Working Committee.

MEMBERSHIPS/ASSOCIATION/COMMITTEES/AWARDS

International Corporate Governance Network (ICGN)

To ensure the alignment of KWAP's Corporate Governance practice with our global peers, KWAP became corporate member of International Corporate Governance Network (ICGN). Represented by 345 members from more than 47 countries, the ICGN was established to promote effective standards of corporate governance to institutions worldwide. Additionally, KWAP officer was appointed to be the country correspondence for Malaysia.

Asian Corporate Governance Association (ACGA)

KWAP became a member of Asian Corporate Governance Association (ACGA) in November 2015. ACGA is an independent, non-profit membership association dedicated to encouraging and facilitating improvements in

corporate governance in Asia. It has 107 members to-date, represented by 8 sectors ranging from pension and sovereign wealth funds, corporates (listed and private), accounting firms.

In addition, KWAP conducted engagements with ACGA on the assessment criteria pertaining to the upcoming ASEAN CG Scorecard 2016 with the aim of improving the country's ranking via enhanced initiatives by the institutional investors. KWAP is also a member of the Working Group for ASEAN CG Scorecard established by Securities Commission.

FTSE Advisory Committee

KWAP's CEO was appointed as FTSE ESG Advisory Committee member (the Committee) in September 2015. The appointment to the Committee is by invitation extended by FTSE in his professional capacity. The establishment of the Committee is to provide a forum for FTSE to interact with index users and other stakeholders with a view to enhancing the underlying methodologies of the FTSE ESG ratings and associated index products, including the FTSE4Good Index Series.

MSWG Award and Committee

Special recognition was given to KWAP's CEO for his continuous effort in enhancing corporate governance in Malaysia. The award was officially announced during MSWG Malaysian-ASEAN Corporate Governance Transparency Index, Findings and Recognition Event 2015 – The Malaysian Chapter. The event recognised and awarded corporates which advocated transparency in their companies as well as individuals who championed good corporate governance.

KWAP's Corporate Strategy and Performance Director was elected as a member of the Adjudication Committee for the said event.

ENGAGEMENT WITH NGOS/INDEX PROVIDERS

As part of our initiative to improve ESG practices, KWAP conducted engagements with NGOs and Index Provider:

NO.	INSTITUTIONS		
1	WWF on "Sustainable Finance" held on 25 June 2015		
2	FTSE on "ESG Criteria" held on 23 July 2015		
3	MSCI on "ESG Research" and "Best Practices in Sustainability Investing – The Current State of ESG" held on 9 October 2015		



SECTION 03

055 Corporate Scorecard

060 Expansion in Global Investment Presence

062 Creating a Responsible Organisation

063 Incorporation of Pension Services Function

CORPORATE SCORECARD: REVIEW OF SCORECARD 2015

SECTION 03 CORPORATE STRATEGY

A. STAKEHOLDERS

OB	JECTIVES/WEIGHTAGE	ACTUAL STATUS	HIGHLIGHTS
1.	Grow fund size	a) Exceed target	 Investment fund size: actual growth of 8.55% or equivalent to RM9.30 billion against target of 8.48% [from RM110.8 billion (estimated opening balance 2015) to RM120.1 billion] Accounting fund size: actual growth of 8.53% or equivalent to RM9.33 billion against target of 8.48% [from RM109.43 billion actual opening balance 2015 to RM118.37 billion] Obtained Federal Government's contribution of RM500 million, achieved gross investment income of RM6.69 billion and collected employers' contribution of RM2.78 billion
2.	Expand roles in Pension Management	a) Exceed target	 Amended Retirement Fund Act approved by the Parliament in second sitting Completed takeover of Public Services Department's Pension Service Division functions in November 2015
3.	Set up Shariah Compliant Fund	a) Below target due to re-prioritisation	Completed operational readiness assessment with investment implications and migration plan; requires further refinement
4.	Responsible investing	a) Stretch target	 Outsourced 3 Environmental, Social and Governance (ESG) mandates to external fund managers and set up internally managed ESG mandate ESG Framework partially completed; requires further refinement and acquisition of ESG knowledge Supported various corporate governance initiatives at industry level such as Institutional Investor Code and Institutional Investor Council Actively engaged in various Bursa Malaysia and Securities Commission's corporate governance and sustainability events Visited 33 domestic/international companies/regulatory bodies/pension funds and issued Shareholder Letter to 109 investee companies
5.	Active Role in Malaysia's Pension Landscape	a) Stretch target	 Participated in the setting up of National Social Security Council Collaborated with Malaysia Financial Planning Council (MFPC) to organise: Islamic Wealth Management and Financial Planning Conference; and Organised 3 financial talks to ministries and government bodies.

SECTION 03 CORPORATE STRATEGY

CORPORATE SCORECARD: REVIEW OF SCORECARD 2015

B. FINANCIAL

OE	JECTIVES	ACTUAL STATUS	HIGHLIGHTS
1.	Achieve target return	a) Exceed target	 Realised income before hedging and foreign exchange is RM6.69 billion versus target of RM6.24 billion Return on Investment (ROI) before hedging foreign exchange of 5.78% outperforming base target of 5.40% and GDP 2015 circa 5% Time Weighted Return Ratio (TWRR) of 5.39% outperformed aggregate benchmark of 3.37% Rolling 5-year TWRR of 6.66% outperformed rolling 5-year CPI + 200 bps of 4.45%; outperformance of 2.21%
2.	Transition to Malaysian Financial Reporting Standards	a) Exceed target	• Established policies, processes and procedures pertaining to MFRS implementation which will commence in 2016
3.	Expand the reach of KWAP's international investment	a) Meet target	 Implemented 5 initiatives with remaining 8 on hold due to directive by Ministry of Finance (MOF) to defer international investments with the following key initiatives: i) Acquisition of Lot 2 Erskine Park, Sydney ii) Initiated disposal process for 88 Wood Street, UK property iii) Submitted tax exemption application to 7 countries iv) Incorporate Japan into current Asia Pacific mandate v) Initial coverage for new and emerging markets

C. OPERATIONAL OBJECTIVES ACTUAL STATUS HIGHLIGHTS 1. Enhance operational Implemented 6 initiatives against minimum target of 5 with the following key a) Exceed target for • capabilities implementation of initiatives initiatives: Completed integration of Investment Settlement Department and j) Custodian Department ii) Completed technical and financial evaluation for Integrated Fund Management System replacement project iii) Tender evaluation for new Human Resource System in-progress Below target for compliance 3 non-compliance to legislations and 90% closure of audit findings b) • Introduced Employee Handbook on Code of Ethics and Conduct 2. Strengthen Professional a) Stretch target • Conduct Introduced No Gift Policy • • Member of Institute of Integrity Malaysia KWAP's Chief Executive Officer (CEO) appointed as Institutional Investor • Council's (IIC) first Chairman Appointment of KWAP's CEO as a member of FTSE ESG Advisory Committee • (London) Received a special recognition award from MSWG for contribution towards • enhancing corporate governance practices in Malaysia Corporate member of International Corporate Governance Network (ICGN) and • Asian Corporate Governance Association (ACGA)

> SECTION 03 CORPORATE STRATEGY

CORPORATE SCORECARD: REVIEW OF SCORECARD 2015

D. LEARNING & GROWTH

OB	JECTIVES	ACTUAL STATUS		HIGHLIGHTS
1.	Contribute Towards the Nation's Talent Development	a) Stretch target	•	 Implemented 4 initiatives against minimum target of 3 with the following key initiatives: i) Established KWAP Employer Branding and showcase KWAP through Career Fair and Corporate Forum at UKEC Graduan Career Fair to entice young graduates to return and serve in a national institution ii) Integrated Leadership and Functional Competencies into all HR processes and functions iii) Participated as a speaker at the following events: Khazanah Research Institute Talk; Mobility Forum organised by Computerworld Malaysia; BMS-GenCorp Careers Advice Evening (UK); CIO Summit Malaysia 2015; and <i>Seminar Perancangan Kewangan</i>. iv) Member of Adjudication Committee for MSWG's Corporate Governance Award 2015
2.	Strengthen Succession Plan	a) Exceed target	•	Filled-up Chief Operating Officer and Head of Legal and Secretarial Department posts Recruited 9 graduates under the KWAP Young Talent Program during UKEC career fair 2015 and identified 6 internal KYTs within KWAP Established the Business Leadership Program to develop mid-career talents in collaboration with ICLIF All talent pool candidates have undergone the Emerging Leaders Program with ICLIF as part of their structured career development process
3.	Instill Employee Engagement Culture	a) Stretch target	•	 Implemented 5 initiatives against minimum target of 4; with the following key initiatives: i) Successfully co-organised Pesta Sukan Kementerian Kewangan (PSKK) with Securities Commission ii) Participated in MOF's Flood Relief Mission in East Coast 2015 including cash donation to Tabung Bencana NSTP–Media Prima and gas stoves to flood victims iii) Increased adoption of coaching and mentoring culture to address succession plan, provide better clarity on career path and to complement talent and leadership development amongst identified candidates
4.	Become a Knowledge Focused Organisation	a) Exceed target	•	 Implemented 4 initiatives against minimum target of 3; with the following key initiatives: i) Conducted Board and Investment Panel visit to Australia ii) Conducted study visit to Indonesia Pension Funds by Pension Services team iii) Conducted management visit to Thailand – meeting investee companies, pension fund, regulatory bodies iv) Conducted 5 in-house Private Equity related seminars

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CORPORATE SCORECARD: OVERVIEW OF SCORECARD 2016

A. STAKEHOLDERS

OBJECTIVES	KPI MEASUREMENT	ANNUAL TARGET
1. Grow Fund Size (at cost)	a) Percentage of Growth in Fund Size	• Increase investment fund size at cost by 8.41% from RM120.1 billion to RM130.2 billion
2. Rebranding of KWAP and Develop New Corporate Culture	a) Completion Timeline	 Complete rebranding initiatives: i) Vision, Mission and Values (VMV) including visual enhancement ii) Roll-out Employee Value Proposition
 Integrate Responsible Investing and Sustainability 	a) Implementation of Initiatives	 Review KWAP's Investment Beliefs by incorporating responsible investment philosophy and sustainability requirements without forgoing investment returns Develop KWAP's Corporate ESG Framework, Investment ESG Framework and ESG Research Methodology
	b) No. of Initiatives Completed	 Management level to attend at least 15 AGMs/EGMs i) Conduct at least 25 company visits; and ii) 1 regional visit
4. Active Role in Malaysia's Governance and Pension Landscape	a) Participation Rate	 Attend all Institutional Investors Council meetings – Council and working level Conduct at least 1 engagement with each regulator such as Securities Commission, Bursa Malaysia and Bank Negara Malaysia Conduct at least 2 engagements with international bodies such as ICGN, ACGA, FTSE MSCI and WWF
	b) Completion of Initiative	Produce a Public Sector Pensions Demographic Report

B. FINANCIAL

OE	BJECTIVES	KPI MEASUREMENT	ANNUAL TARGET
1.	Achieve Target Return		
	a) Realised Income	a) Exceed GDP 2016	• Return on Investment of 5.50%
	b) Total Return	 b) Customised Benchmark (weighted average of all asset classes benchmarks) 	Total return outperform customised benchmark
	 Add Value to Fund Growth by Delivering Total Return Above Inflation Rate 	c) 5-year rolling CPI + 250 bps	• Outperform 5-year rolling CPI + 250bps
2.	Migrate to Financial Reporting Standards (FRS)	a) Percentage of Initiatives Completed	Complete 30% of requirements under IFRS
3.	Effective Cost Management and Monitoring	a) No. of Initiatives Implemented	Conduct 3 effective cost management initiatives

CORPORATE SCORECARD: OVERVIEW OF SCORECARD 2016

C. OP	ЕКАН	UNAL

OB	JECTIVES	KPI MEASUREMENT	ANNUAL TARGET
1.	Integrate and Transform Pension Operations and Offer Value Added Products/Services	 a) No. of initiatives implemented b) Percentage of achievement under service level requirements 	 To implement at least 5 out of 7 transformation initiatives Implement at least 2 out of 3 value added products and services initiatives 90% (adjusted for any backlog at the point of functions takeover)
2.	Introduce New Investment Strategies and Market Risk Management Approaches	 a) No. of initiatives implemented b) Percentage of investment proposals approved by the Investment Panel 	 Implement at least 10 out of 14 of initiatives At least 90% of investment proposals approved by the Investment Panel
3.	Greater emphasis on Shariah-investment and build related operational capabilities	a) No. of initiatives implemented	Implement at least 5 out of 7 of Shariah related initiatives
4.	Continuous improvement on operational excellence	a) No. of operational initiatives implemented	Implement at least 10 out of 13 of initiatives
		 ICMS usage rate of registered employers 	• 50% of usage rate
		c) Percentage of compliance to legislations/regulations	• 100% compliance
		 Percentage of audit observations closed over stipulated time 	• 100% closure
		e) Opinion by statutory auditor	Obtain unqualified Audit Certificate for the Financial Statements
		f) Opinion by Auditor General in relation to performance audit	No material findings raised by Auditor General and all non-material findings raised to be resolved within 6 months
5.	Enhance operational risk management and internal controls	a) No. of initiatives implemented	Implement at least 6 out of 8 of initiatives

D. LEARNING & GROWTH

OBJECTIVES	KPI MEASUREMENT	ANNUAL TARGET
1. Contribute Towards the Nation's Talent Pool	a) No. of initiatives implemented	Implement at least 2 out of 3 of initiatives10% talent back up ratio
2. Continuous Talent Development	a) No. of initiatives implemented	Implement 2 initiatives
3. Align with changing work environment	a) No. of initiatives implemented	Implement at least 3 out of 4 of initiatives

SECTION 03 CORPORATE STRATEGY

EXPANSION IN GLOBAL INVESTMENT PRESENCE



EXPANSION IN GLOBAL INVESTMENT PRESENCE

SECTION 03 CORPORATE STRATEGY



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CREATING A RESPONSIBLE ORGANISATION

Environmental, Social and Governance (ESG) refers to the 3 main areas of concern that are the key factors in measuring sustainability and ethical impact of an investment in a business.

As a responsible investor, KWAP took its first step in upholding good corporate governance in 2012 by making a stand through the dissemination of the KWAP Corporate Governance Principles and Voting Guidelines handbook to its investee companies. KWAP had also played an active role together with regulatory bodies in Malaysia and abroad to affirm this. Further to that, in 2015, a comprehensive study was conducted on ESG to craft an ESG framework for KWAP's implementation. The framework will measure its business and operation efforts not only through investing but also through non-financial activities that will impact environmental conservation, social responsibility and good governance practices.

KWAP ESG EFFORTS FOR 2015



RESPONSIBLE INVESTING

- Outsourced 3 ESG mandates to external fund managers and set up internally managed ESG mandate
- Commenced preparation of ESG Framework
- Supported various corporate governance initiatives at industry level such as Institutional Investor Code and Institutional Investor Council
- Actively engaged in various Bursa Malaysia and Securities Commission's corporate governance and sustainability events
- Visited 33 domestic/international companies/regulatory bodies/ pension funds and issued Shareholder letter to 109 investee companies



STRENGTHEN PROFESSIONAL CONDUCT

- Introduced Employee Handbook on Code of Ethics and Conduct
- Introduced No Gifts Policy
- Member of Institute of Integrity Malaysia
- KWAP's Chief Executive Officer (CEO) appointed as Institutional Investor Council's (IIC) first Chairman
- Appointment of KWAP's CEO as a member of FTSE ESG Advisory Committee (London)
- Received a special recognition award from MSWG for contribution towards enhancing corporate governance practices in Malaysia
- Corporate member of International Corporate Governance Network (ICGN) and Asian Corporate Governance Association (ACGA)

IMPACTING THE SOCIETY

- Carry out CSR projects to increase financial literacy
- Carry out philanthropic CSR projects for underprivileged school, orphanage and old folks home as well as the disasters which striked Kelantan, Sabah and Nepal



SAVING THE ENVIRONMENT

- Executed Paperless Meeting Project Phase 1
- Encouraged contributing employees to leverage on KWAP's ICMS
 Portal
- Internal document management using the Intranet Portal
- Remittance of payment through Electronic Fund Transfer (EFT) and Telegraphic Transfer (TT)

INCORPORATION OF PENSION SERVICES FUNCTION

2009	2010	2011	2012	2013	2014	2015
					Cabine	t approval
						ndment of
					Retiremen	
			ehensive			662
		study o functio	n take over		Bova	I Assent &
			10		Gazette of F	
	O-hinsts					Fund Act
		pproval on ew role to assist				662
	on pensic				Operatio	onal Day 1
	Ŏ		Plan impler	mentation	and Signing	
Collabor	ation between KWAP,			egotiation	Agreemen	
	SD on Pension Liabil		between KWAP, M	oF & PSD	KW	AP & PSD
Study				0		0

In 2009, KWAP collaborated with Ministry of Finance and Public Services Department in undertaking the Pension Liability Study with the aim of establishing options available for KWAP to assist the Federal Government to fund its pension liability.

The proposal paper for KWAP's new role was tabled to the Cabinet and the decision was made in 2010. Post Cabinet review and approval, discussions were conducted throughout 2011 between the three parties on the implementation of Cabinet's decision on KWAP's new role.

It was only in 2013 that KWAP was able to initiate works for the takeover of functions from the Post Service Division, Public Services Department. Two years were dedicated to explore further on functions of the country's pension system and to identify possible areas of improvement.

A major breakthrough took place in 2015 where amendments of Retirement Fund Act 662 was approved by the Parliament and gazetted. It enabled KWAP, upon appointment by the Government to undertake new core functions of pension services besides its existing investment mandate.

Thereon, KWAP successfully operationalised the takeover of specific functions on operations, payments and members' administration from Post Service Division, Public Services Department in the fourth quarter of 2015.

Once the official signing of agency agreement took place and was legalised, key quick-wins were immediately implemented to enhance pension operations and the restructuring of customer service took place. Post takeover plans also took place to cover the whole spectrum of pension operations in the targeted 5-year transformation journey.

SECTION 03 CORPORATE STRATEGY

INCORPORATION OF PENSION SERVICES FUNCTION

SIGNIFICANT MILESTONES AND ACHIEVEMENTS

1.	Effectively managed key stakeholders which includes PSD and MOF's top management, Accountant General's Office and Attorney General's Chamber, via various platforms (Steering Committee, PSD.PS Integration Committee, KWAP's Board) in obtaining common understanding and commitment towards realising the takeover.
2.	Collaborated with PSD to jointly address the secondment issues of PSD.PS employees which resulted in 88% acceptance of the secondment offer.
3.	Successfully managed the implementation of internal (PSD) and external engagement activities including engagement with various parties such as policy related decision-makers, CUEPACS as well as future and current pensioners via Karnival 1Pesara in Sarawak in August 2015 and National Blue Ocean Strategy (NBOS) PSD Outreach Program in Langkawi in December 2015.
4.	Negotiated and finalised segregation of functions (scope of services) and service level agreement between PSD, MOF and KWAP, the key components of the Agency Agreement.
5.	Negotiated and secured agreement from the Government for full access to the IT System and relevant ICT assets which were pertinent in enabling

the implementation of KWAP's transformation plan for pension operations.



Investments Activities

SECTION 04

066 Review of Investments by Chief Investment Officer

> 070 Economic Review

072 Market Review

082 Fund Performance

085 Asset Classes Performance

> **100** Subsidiaries

SECTION 04 INVESTMENTS ACTIVITIES

REVIEW OF INVESTMENTS BY CHIEF INVESTMENT OFFICER





KWAP saw the market value of its fund grew from RM78.93 billion in 2011 to RM118.37 billion in 2015.



2015 saw a host of significant macro events ranging from the continued movement in oil affairs, a marked increase in market volatility, the burst in China's equity bubble, a sharp sell-off in Emerging Market assets and currencies, and nervous anticipation of the Federal Reserve (Fed) rate hike.

All these occurred while global economic conditions remained on a divergent path in 2015.

The US economy for one, improved over the course of the year. The US fullyear Gross Domestic Product (GDP) increased 2.4%, the unemployment rate declined to 5.3%, inflation remained subdued and home prices continued to appreciate. Indeed, the US economy improved sufficiently for the Fed to judge it appropriate to commence on the path of interest rate normalisation and to raise its benchmark policy rate by 25 basis points. This was the first of such move since the Global Financial Crisis of 2007 - 2009. Market anticipation of the Fed's policy shift was a prevailing factor during much of 2015, underpinning the strength of the US Dollar against other major currencies. The same cannot be said for other parts of the world. Growth in Japan was negative in the last quarter of 2015, and Eurozone growth continued to be barely positive. Meanwhile, the biggest concern emanated from China, where investors were still unfamiliar with the prospect of sub-7% growth. The slowdown in China had far-reaching ramifications, impacting commodity prices and dampening growth outlook in emerging economies, particularly those dependent on commodity exports.

With market sentiments being weighed down by these developments, financial markets remained volatile throughout 2015. Markets were also buffeted by geopolitical developments triggered by hostilities in several countries which only elevated an already heightened sensitivity to risk.

Meanwhile, lacklustre global growth momentum reinforced the need for non-US central banks to remain committed towards providing an extended period of accommodation.

Amidst challenging market dynamics, KWAP continued to embrace sound investment principles built on thoughtful research. While this has been a core investment philosophy for us, we continue to focus on strategies that best exploits the evolving global and domestic themes.

SECTION 04 INVESTMENTS ACTIVITIES

REVIEW OF INVESTMENTS BY CHIEF INVESTMENT OFFICER

Accordingly, I am pleased to report the Fund's investment performance for the five-year period ending 31 December 2015. Over the past 5 years, KWAP saw its fund size market value of RM78.93 billion in 2011 to RM118.37 billion in 2015, representing an average growth of 10.92% per annum. The Fund registered an average gross Return on Investment (ROI) of 6.35% over the same period of time, surpassing the 5-year average GDP growth rate of 5.3%. Despite the challenging overall market conditions, the investment team delivered strong returns supported by diverse investments in asset classes such as private equity and property, as well as investments in publicly traded shares abroad. In fact, KWAP registered an improved total return or time weighted rate of return (TWRR) of 5.39% in 2015, outperforming the Fund's overall benchmark by 202 basis points (bps).

On a total fund basis, KWAP has consistently outperformed its benchmark over the past 5 years. As at end of 2015, KWAP's 5-year annualised TWRR is 6.66% which is 249 basis points above the benchmark during the same period. Specifically, KWAP's internal domestic equity managers achieved a 5-year average TWRR of 7.89% compared to the FBM100 benchmark return of 2.54%, while the domestic private debt securities (PDS) managers achieved a 4.17% return compared to the Quantshop Corp Medium Index benchmark of 4.94%. Meanwhile, the Malaysian Government Securities (MGS) managers achieved a 5.08% return versus the Quantshop MGS All Index benchmark of 3.71%.

As for KWAP's internally managed investments abroad, KWAP started its foray into the international markets in 2011 and since then have performed creditably relative to benchmarks across different asset classes. The international fixed income managers achieved a 3-year annualised TWRR of 16.74% versus the JPM Global Aggregate Bond Index of 10.73% while the international equity investment team achieved a 3-year annualised TWRR of 9.07% versus the MSCI AP ex-Japan Index benchmark of 7.56%.

With the majority of KWAP's investments focused on Malaysia, I believe that the investment team will continue to deliver consistent and sustainable results given our expertise in the domestic market. As at end-2015, the Fund invested in total of RM104.42 billion or 88.23% of its total fund size in Malaysia. As such, KWAP remains fully committed in its the domestic market and economy on the premise that it would continue to be commercially beneficial to KWAP as well as to our stakeholders without compromising the Fund's risk parameters.

KWAP REGISTERED TWRR of 5.39% in 2015, outperforming benchmark by 202 bps.

Despite having consistently outperformed benchmarks, it is worth highlighting that the dynamic global macroeconomic landscape posed some challenges to our investment goals. The domestic economy was not immune to the heightened risks of uncertainty arising from volatility in the financial markets. Regardless, we believe such market conditions are to be expected and reflect the need for KWAP to remain focused and nimble in its investment decisions.

In order to maintain a consistent performance, we believe that a wellconstructed Strategic Asset Allocation (SAA) should commensurate with our level of risk appetite and coherently flexible enough to withstand financial market volatility. Given its importance, the robustness of KWAP's SAA is constantly monitored to ensure KWAP maximises its returns while remaining in control of the risks associated with multi-asset investments.

Lastly, despite various market and operational constraints, KWAP persistently continues to outperform its predefined benchmarks. This is underpinned by our continuous focus on sound investment strategies. It is also important for KWAP as a whole to continuously challenge ourselves to ensure we uphold our standards of achievement while maintaining the highest possible level of accountability and transparency.

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REVIEW OF INVESTMENTS BY CHIEF INVESTMENT OFFICER

TABLE OF REFERENCE

Gross Return On	2015 After Hedge				5.40	%			
Investment	2015 Before Hedge	5.78%							
	5 Year Average				6.35	%			
Fund Size	2015				118.37	billion			
	5 Year Average Growth				119	6			
		YEAR		2011	2012	2013	2014	2015	AVERAGE
		Fund Size at (RM Billior		78.93	88.73	99.92	109.43	118.37	-
		Growth (%	'	11.93	12.42	12.61	9.52	8.17	10.93
Total Return (TWRR)	2015				otal Fund enchmark		39% 37%		
					erformance		02%		
	5 Year			To	otal Fund	6.	66%		
				Be	enchmark	4.	17%		
				Outp	erformance	e 2.4	49%		
	2011 - 2015	TOTAL FUND	2011	2012	2013	2014	2015		5-YR UALISED
		Overall	6.46	8.31	9.15	4.05	5.39		6.66
		Benchmark	3.99	6.24	6.23	1.09	3.37		4.17
		Outperformance	2.48	2.06	2.92	2.97	2.02		2.49
		INTERNAL FUN MANAGERS	D	201	1 - 2015	BEN	CHMARK		
		Domestic Equity			7.89		2.54		
		Domestic PDS			4.17		4.94		
		MGS			5.08		3.71		
		INTERNAL FUN MANAGERS	D	201	1 - 2015	BEN	CHMARK		
		International Equity			9.07		7.56		
		International Fixed-Income			16.74	-	10.73		

REVIEW OF INVESTMENTS BY CHIEF INVESTMENT OFFICER

SECTION 04 INVESTMENTS ACTIVITIES

TABLE OF REFERENCE (CONTINUED)

Gross Realised Income	2015	ASSET CLASS	RM BILLION	%
(RM Billion)		Domestic		
		Equity	2.57	38.35
		Private Debt Securities and Loans	1.50	22.39
		Malaysian Government Securities and Quasi Bonds	1.20	18.01
		Money Market Deposits	0.23	3.42
		Private Equity	0.10	1.48
		Property	0.09	1.30
		International		
		Equity	0.68	10.21
		Fixed Income	0.13	1.88
		Private Equity	0.01	0.20
		Property	0.18	2.75
		Total	6.69	100.00
Return on Investment by	2015	ASSET CLASS		%
asset class (ROI)		Domestic		
		Equity		6.82
		Private Debt Securities and Loans		5.08
		Malaysian Government Securities and Quasi Bonds		4.18
		Money Market Deposits		3.60
		Private Equity		36.13
		Property		10.25
				10.20
		International		14.00
		Equity		14.39
		Fixed Income		4.74
		Private Equity		1.52
		Property Total		4.84
				F 70
				5.79
Asset Allocation	2015	ASSET CLASS	2011 (%)	5.79 2015 (%)
	2015		2011 (%)	
	2015	ASSET CLASS	2011 (%) 29.89	
	2015	ASSET CLASS Domestic		2015 (%)
Asset Allocation (based on market value)	2015	ASSET CLASS Domestic Equity	29.89	2015 (%) 31.01
	2015	ASSET CLASS Domestic Equity Private Debt Securities and Loans	29.89 21.13	2015 (%) 31.01 26.68
	2015	ASSET CLASS Domestic Equity Private Debt Securities and Loans Malaysian Government Securities and Quasi Bonds Money Market Deposits	29.89 21.13 23.14 21.29	2015 (%) 31.01 26.68 24.43 4.99
	2015	ASSET CLASS Domestic Equity Private Debt Securities and Loans Malaysian Government Securities and Quasi Bonds	29.89 21.13 23.14	2015 (%) 31.01 26.68 24.43
	2015	ASSET CLASS Domestic Equity Private Debt Securities and Loans Malaysian Government Securities and Quasi Bonds Money Market Deposits Private Equity	29.89 21.13 23.14 21.29 0.54	2015 (%) 31.01 26.68 24.43 4.99 0.10
	2015	ASSET CLASS Domestic Equity Private Debt Securities and Loans Malaysian Government Securities and Quasi Bonds Money Market Deposits Private Equity Property International	29.89 21.13 23.14 21.29 0.54 0.00	2015 (%) 31.01 26.68 24.43 4.99 0.10 1.02
	2015	ASSET CLASS Domestic Equity Private Debt Securities and Loans Malaysian Government Securities and Quasi Bonds Money Market Deposits Private Equity Property International Equity	29.89 21.13 23.14 21.29 0.54 0.00 1.12	2015 (%) 31.01 26.68 24.43 4.99 0.10 1.02 4.75
	2015	ASSET CLASS Domestic Equity Private Debt Securities and Loans Malaysian Government Securities and Quasi Bonds Money Market Deposits Private Equity Property International Equity Fixed Income	29.89 21.13 23.14 21.29 0.54 0.00 1.12 1.35	2015 (%) 31.01 26.68 24.43 4.99 0.10 1.02 4.75 2.75
	2015	ASSET CLASS Domestic Equity Private Debt Securities and Loans Malaysian Government Securities and Quasi Bonds Money Market Deposits Private Equity Property International Equity	29.89 21.13 23.14 21.29 0.54 0.00 1.12	2015 (%) 31.01 26.68 24.43 4.99 0.10 1.02 4.75

SECTION 04 INVESTMENTS ACTIVITIES

ECONOMIC REVIEW

2015 was a relatively challenging year for the world economy. The anticipation of a major policy shift in the US along with the accommodative monetary policies in Europe and Japan were prevalent factors throughout the year. In addition, the moderation in China's economy had knock-on effects on emerging markets as well as overall global demand, resulting in a continued decline in commodity prices.

Throughout 2015, the Eurozone economy continued with a modest recovery, expanding 1.6% year-on-year from 0.9% growth recorded in 2014, with major member countries signalling improvements. This was amid an accommodative policy stance by the European Central Bank (ECB) which introduced quantitative easing (QE) in March.

The year 2015 saw the re-emergence of a number of political risks. For one, the issue of GREXIT dominated headlines for most of the first half of the year, which fortunately found a mutual resolution between Greece and its creditors. Meanwhile in the UK, the political stability following the general elections were met with a growing concern over BREXIT, a development which continues into 2016.

In Asia, the Bank of Japan (BoJ) refrained from expanding its 80 trillion yen per year qualitative and quantitative easing (QQE) program despite the unclear effects of Abenomics. Against the prospect of slow growth, the consumption tax hike planned for the year was further delayed to 2017.

Meanwhile, weaker growth in China prompted the authorities to embark on further monetary easing to mitigate sluggish economic growth with the People's Bank of China (PBoC) cutting interest rates by 100 basis points in less than a year. Additionally, in August 2015, the authorities decided to devalue the renminbi in a bid to boost the slowing economy. The Middle-East dominated geopolitical issues in 2015 and continued to impact commodity prices. Commodity prices, as demonstrated by the S&P Commodity Index, plunged by another 29.7% in 2015, after declining 38.7% the previous year. Towards the end of the year, Brent crude oil price fell to US\$36 per barrel for the first time in more than 10 years. The prolonged decline was attributed to the US commencing crude oil exports, OPEC's inability to enforce production based quotas, and the anticipation of the formal lifting of economic sanctions on Iran.

On the domestic front, Malaysia saw the US dollar appreciating against ringgit by 22.8% over 2015. Meanwhile, GDP growth for 2015 slowed to 5.0% yearon-year with 4Q15 ending on a lower note of 4.5%, driven by the private sector demand amidst stable wage growth and strong labour market. Private consumption was softer evidenced by the slower consumer purchases in the two quarters following the GST implementation before recovering in the last three months of 2015. With growth expected to remain modest, Bank Negara decided to maintain its Overnight Policy Rates (OPR) at 3.25%.

Looking ahead, the global economy is likely to see some improvement in 2016 although headwinds from volatile oil prices and geopolitical risks remain. The IMF in its April 2016 World Economic Outlook (WEO) Update projected global growth of 3.2% in 2016 compared to 3.1% in 2015, with the US economy expected to sustain its recovery momentum and maintain at 2.5% as per 2015. In the same vein, Europe anticipates to decline
GLOBAL ECONOMIC

is expected to see some improvement in 2016



TAKING INTO ACCOUNT THE GLOBAL BACKDROP,

ECONOMIC

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the Malaysian economy is expected to grow by 4.0% to 4.5% yearon-year in 2016, with domestic consumption expected to remain the main driver of growth. However, the rise in the cost of living could impact some of the resilience in the private consumption segment

marginally at 1.5% in 2016 from 1.6% in 2015 on the back of more positive consumer spending trend spurred on by low oil prices and improving financial conditions. Meanwhile, the Japanese economy is forecasted to maintain its 0.5% in 2015, with prospects of further easing by the BoJ. China's growth is expected to continue to slow, with expectations for growth at 6.5% compared to 6.9% in 2015.

It is worth noting that the IMF forecasts represent a downward shift from its previous estimates, which further underscores challenges to global growth in 2016. Downside risks to global growth include uncertainty in commodity prices and its impact on emerging market currencies, a reversal of the improvements in the US, delayed recoveries in the Eurozone and Japan, and the return of political uncertainties in Europe, as well as increased risks of a hard-landing in China, warrant close monitoring.

Taking into account the global backdrop, the Malaysian economy is foreseen to grow by 4.0% to 4.5% year-on-year in 2016, with domestic consumption expected to remain the main driver of growth. However, the rise in the cost of living could impact some of the resilience in the private consumption segment. Meanwhile, persistent low oil prices mean that the challenges to fiscal targets remain, whilst the weakness in global trade could hamper the external sector. Thus, 2016 will likely be another challenging year for the economy, on both the domestic as well as the international front.

MARKET <mark>Review</mark>

2015 EQUITY MARKET SUMMARY

The year 2015 was a challenging year for the FBMKLCI, as the benchmark index declined by 3.9% year-on-year to end the year at 1,692.5 points. Multiple challenges included plunging oil prices, the weak Ringgit, concerns of an economic slowdown in China and the spectre of a US Federal Reserve rate hike which weighed on the index, resulting in RM3.2 billion in market capitalisation evaporating through the year.

The Malaysian market displayed its characteristic resilience and was able to outperform some of its regional peers. On a total return basis, the FBMKLCI outperformed regional countries such as Thailand (-14.0%), Indonesia (-12.4%) and Singapore (-14.5%), boosted by local support for the index. However, the index underperformed South Korea, Taiwan, and China.

On a positive note, the FBMKLCI performed favourably by outperforming the regional benchmark, MSCI Asia Pacific ex-Japan Index, by 9.2%.

Malaysia's negative returns for the year were contributed heavily by the heavyweight banking and oil & gas sectors. The banking sector was the worst performing sector amidst the market decline, with compressed net interest margins and questions about asset quality stemming from economic growth concerns. The performance of the banking sector declined by 9.6% year-on-year.

The oil & gas sector fell by 8.8% year-on-year, reflecting the 33% decline of Brent crude price. The sharp and prolonged price weakening affected the oil and gas revenue, margins and profitability of most companies along the value chain. Oil producers responded to low oil prices by cutting spending and investments, which negatively affected their contractors and service providers.

The property sector also contributed to the market's weakness in 2015 reflecting the impact of the property cooling measures introduced by the authorities between 2012 and 2014. The January-September Malaysian House Price index rose only by 5.3% year-on-year, below the 10-year average of 6.4%. Coupled with concerns of tepid economic growth, the number of new home launches and property transactions also declined.

Amid the turmoil surrounding the Malaysian economy, sectors that were positively exposed to the export market and the strong US Dollar were the key beneficiaries. The technology sector, which ships almost all of its output, gained a stellar 52% year-on-year. Furthermore, the FBMKLCI Small Cap Index, which comprises many export-oriented companies, continued to outperform the large cap index with a total return of 6.0% in 2015.

Despite being an export-oriented sector, the plantation sector continued to struggle as crude palm oil prices remained subdued in 2015, averaging at RM2,168/tonne compared to RM2,415/tonne in 2014. The sector contracted by 3.5% year-on-year. Nevertheless, there was some welcome relief for the sector as the strongest El Nino season on record began to attract investor attention to the sector beginning the fourth quarter of 2015.

The first half of 2015 proved to be challenging for all emerging markets as we were faced with the expectations of an imminent US Federal Reserve rate hike. Nevertheless, the stable oil price in the first six months of the year provided a degree of support for both the FBMKLCI and the Malaysian Ringgit.

The second half of 2015 was a much more difficult period, as Brent oil price fell from USD63/barrel to USD36/barrel within six months as the global oil glut began to manifest itself. This coincided with increased concerns on the slowing Chinese economic growth and the impending US Federal Reserve rate hike, all of which led to the Malaysian Ringgit weakening by as much as 18.1% against the US Dollar. In the face of these multiple concerns and headwinds, the index began to falter, ending the year down 3.4% year-on-year.

In 2015, Malaysia felt the effect of the fund flows that shifted from emerging to developed markets. Foreign investors exited the market to the tune of RM19.5 billion, which is higher than the net selling of RM6.4 billion in 2014. Cumulatively since 2010, foreigners remained net buyers, purchasing an estimated RM8.5 billion in equity holdings. In tandem, foreign ownership in Malaysia listed companies ended the year at 22.2%, a decline from the peak of 23.6%.

In terms of valuation, the FBMKLCI's price-to-earnings (PE) multiple increased from 16.3 times in December 2014 to 18.0 times in December 2015, due to the decline in corporate earnings. At 18.0 times PE multiple, the FBMKLCI traded at a slight premium compared to markets in Thailand (16.4 times) and Singapore (13.3 times). The multiple is also above FBMKLCI's ten year historical average of 15.6 times.

MARKET REVIEW

Equity Market 2016

Against the backdrop of uninspiring global economic growth, 2016 is expected to be a challenging year for the global equity market including Malaysia. Continued market volatility and macro uncertainty in view of divergences in central bank policies, slowdown and concerns associated with policy moves in China, uncertainty over the timing and magnitude of Fed tightening and subdued commodity prices are some factors that will influence sentiment and confidence in the global equity market.

Nevertheless, there are pockets of opportunities in the market. Stock picking will be key to delivering outperformance. During times of uncertainty, we advocate focus on fundamentals and view heightened levels of broad-based volatility as potential investment opportunities, allowing purchases into quality stocks at attractive valuations. On this note, we favour corporations with resilient business model, healthy cash flow and good earnings quality as corporate earnings growth is critical to bolster future stock values.

2015 BOND MARKET SUMMARY

Corporate Bond Market Review

Similar to the equity market, the bond market grappled with the timing of the first Fed rate hike, slowing Chinese growth and renewed plunge in commodity prices. Markets were forced to contend with a curveball from People's Bank of China (PBoC) as well. Concerns on China's economic health were unavoidable with early signs of warning from the CNY devaluation that stoked fears.

The corporate bond space performed poorly in 2015 as both investment grade and high-yield bond indexes posted losses. The losses were driven by a combination of rising underlying interest rates and widening credit spreads. This was further exacerbated by the recurring political risk while some sovereigns were marred by economic uncertainties. Not surprisingly, the low oil and commodity prices had taken a toll on some of the issuers with bankruptcy risk especially in sectors that leveraged on commodities as income stream with credit ratings on those firms slashed. Between heightened near term bankruptcy risk and lower recovery values, bond prices in the energy and metals and mining sectors dropped precipitously.

While widening credit spreads were the main culprit that led to losses in the corporate bond market, rising interest rates also pressured bond prices. Over the course of 2015, interest rates rose as investors priced in the beginning of the next monetary policy tightening cycle. All in all, it was a challenging year in 2015 with limited pockets of opportunities for investors.



PERFORMANCE OF REGIONAL BOURSES IN 2015

Credit Quality

2015 saw a record number of bonds defaulted since financial crisis in 2008. The number of bonds defaulted in 2015 was 108 and 112 for Moody's and S&P, respectively. To put in perspective, that was almost double from the previous year for both rating agencies. In 2014, the number of bonds defaulted under Moody's and S&P were 53 and 60, respectively.

Breaking down by industry, the metals & mining and oil & gas recorded the highest number of defaults for both rating agencies. In terms of rating transition, credit quality in the Asia ex-Japan space had worsened where there were more downgrades than upgrades with upgrade-to-downgrade ratio falling below 0.5 times by all three international rating agencies.

Closer to home, the trend seemed to be aligned with the international rating agencies with more downgrades for Malaysian corporates for the year driven by commodity-linked and oil & gas as well as construction and automotive issuers. As a result, the upgrade-to-downgrade ratio fell significantly to 0.14 times from 0.88 times.

Sovereign Ratings

On 30 June 2015, Fitch Ratings affirmed Malaysia's sovereign rating at "A-" and revised the outlook to Stable from Negative citing improvement in fiscal finances and favourable GDP growth. S&P thus far has ascribed a stable outlook on Malaysia's sovereign rating while Moody's has Malaysia's sovereign rating on positive outlook. Nonetheless, concerns still remain over the falling crude oil prices and weak Ringgit against other major currencies.

FIXED INCOME 2016

The key themes for 2016 include mergers and acquisitions, further weakens commodity prices, Fed tightening stance and market volatility. Pressure on the energy; and metals and mining sectors, which were hit hard in the fourth quarter of 2015, is not likely to abate in the near term. On this note, it will be a challenging year for the emerging markets while the improving developed markets will continue to support the credit markets globally.

For Malaysia, the credit environment is expected to remain stable. However, there is a risk of a moderate increase in negative outlook and downgrade especially for commodity-based and oil & gas issuers.

S&P 0.95 2.00 0.69 0.91 0.18 Moodv's 1.30 0.24 0.28 1.00 0.40 Fitch 0.55 0.65 0.57 0.81 0.22 2011 2012 2013 2014 2015

RATING DOWNGRADE AND UPGRADE RATIO FOR ASIA EX-JAPAN

2015 PRIVATE EQUITY SUMMARY

Private Equity Overview

For the first time since 2010, global private equity fundraising slowed with annual total capital raised decreasing in 2015, owing to a more challenging environment to deploy capital amidst a high entry valuation environment. North America remains the major driving force behind fundraising, with funds focused on the region accounting for 60% of total investor commitments in 2015, followed by Europe and Asia Pacific.

For 2015, a Preqin survey indicated that a large portion of investors continue to favour small to mid-market buyout funds at 50%, followed by venture capital 23%, distressed private equity 17% and mezzanine 14%. An interesting trend for venture capital in 2015 was its buoyance in Asia, where recent developments fuelling early stage investment trends include the introduction of central government policies that encourage angel investments and the development of start-ups in China, as well as the rise of accelerators and a budding entrepreneur ecosystem in South Korea. India continues to account for the majority of activity in South Asian countries, with a fairly established reputation as a venture capital hub in the region.

Amidst the heady valuation environment, 2015 also saw the trend of increasing average holding period for portfolio companies slightly reversing. Between 2008 and 2014, the average holding period for portfolio companies of private equity buyout fund managers has gradually increased, from 4.1 years to 5.9 years, which alluded to the difficulties found in exiting companies acquired at high valuations during the buyout boom. However this contracted slightly to 5.5 years in 2015, underlining the favourable exit conditions which have created a sellers' market.



NUMBER OF DEALS AND AGGREGATE DEAL VALUE DONE GLOBALLY FOR 2006 TO 2015

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SECTION 04 INVESTMENTS ACTIVITIES

Fundraising and Dry Powder in PE

The level of dry powder available to private equity fund managers increased throughout 2015 to reach USD752 billion at the end of the year, up from USD695 billion at the end of 2014. This is the third consecutive annual increase in dry powder levels from the USD565 billion recorded at the end of 2012, as firms struggle to effectively deploy capital in a competitive and liquid deal market.

Despite the rising amount of capital and the decline in investor commitments recorded in 2015, the fundraising environment remains healthy amidst a slowdown as a majority of institutional investors with exposure in the asset class are still below their target allocation. Combined with distributions at peak levels of USD779 billion was distributed to LPs in 2014, outpacing capital calls by 52%, this indicates a continued and sustained level of commitments from the investment community at large.

Nevertheless, GPs may find investor appetite starting to wane if their capital does not start being put to work in the coming year. This will undoubtedly intensify the competition for deals, further entrenching a seller's market which could undermine returns in the future. An interesting aside to this is a developing downward trend in hurdle rates offered by GPs, funds that are raising or that are closed and have a 2015 vintage, have a mean hurdle rate of just 6.2%, down from 7.7% seen for 2012 vintage funds.

Regional Outlook

With a 33% annual increase in aggregate value for private-equity backed buyout deals, North America continues to be the strongest region for private equity activity. Large cap deals with values above USD1 billion continue to be on the rise, as well as the trend of add-on acquisitions as GPs use this strategy to average down the acquisition prices of platform deals. Exit volume continued to advance, bolstered by strategic acquirers as IPOs and post-IPO disposals decelerated in volatile public equity markets. Investors continued to back energy funds to exploit opportunities in the downturned oil sector, evidenced by ArcLight Capital's strong fundraise; having raised an additional USD900 million towards the USD5.6 billion final close of Fund VI in third quarter of 2015.

Europe saw strong fundraising growth in 2015, with notable large fund closings including EUR3.76 billion from Carlyle Europe Partners IV Fund and EUR2.75 billion from Montagu V underlining recovering investor interest against the backdrop of a stabilising recovery in European economic activity. Every geography within the region recorded growth in deal volume and this was led by the UK, while exits were supported by resilient M&A activities from trade and financial buyers as IPO exits declined. The outlook for Europe remained positive due to a historically low interest rate environment and a weaker Euro in supporting export-oriented businesses, while lower energy prices improve margins and boosted consumer demand.

PRIVATE EQUITY DRY POWDER FROM 2006 TO 2015



AGGREGATE VALUE OF PE-BACKED DEALS BY REGION FROM 2006 TO 2015



MARKET Review

For Asia-Pacific, fund-raising was sustained by brand-name managers continuing to raise large funds, perpetuating the trend of allocating larger sums to fewer managers that is prevalent in the region. There has been a steady flow of deals, driven by large buyouts and venture deals in the Technology, Media & Telecommunication (TMT) sector. Notable deals include MBK Partners and co-investors' acquisition of Tesco's business in Korea, Homeplus for USD6.5 billion and a USD3 billion funding round from a consortium of investors that included Alibaba and Temasek for the Chinabased taxi service start-up Didi Kuaidi. Similar to other regions, exits were mainly via M&A activities with strategic buyers providing the liquidity for GPs; as the suspension for IPOs in China in the third quarter and the subsequent downturn in the public equity markets contributed to the drop in the number of IPO transactions in the region.

Infrastructure Overview

For infrastructure investments, 2015 saw headline news of drastic declines in the prices of oil, significantly affecting energy markets globally. In the face of the impending downtrend, US shale players continued to produce oil at a feverish pace in the first half of the year despite falling rig counts, buoyed by efficiency improvements and locked in forward contracts on production. As these hedges expired in the second half of the year, so too did US production. Industry estimates range between 30% to 50% of energy companies in the US defaulting in 2016 if oil prices continue to sustain at the sub of USD40 range.

Above and beyond the shadow cast by falling energy prices, one main trend in infrastructure is the raising prices of assets. As an asset class, infrastructure has grown in prominence and significance in recent years. Even though infrastructure deal flow has fluctuated over the years, the number of completed infrastructure deals grew rapidly from 733 in 2009 to 1,056 in 2013. Interestingly, the number of deals tapered off in 2014, only 883 deals were completed, with a further 325 completed as at mid 2015.

Estimated aggregate deal value followed a similar trajectory to deal flow between 2009 and 2012, although it is yet to surpass the peak in 2012 of USD449 million. The demand for infrastructure, the increased availability of debt financing, the fact that investors are looking to make more direct investments, and the record levels of dry powder available to fund managers (USD247 billion) have all increased competition for assets within the market, pushing up pricing. The average deal size of an infrastructure asset has increased by 56% since 2013 and now stands at an all-time high of USD626 million for deals completed in 2015 so far. More than 40% of transactions completed this year have been valued at USD500 million or more.

NUMBER AND AGGREGATE VALUE OF COMPLETED INFRASTRUCTURE DEALS FROM 2006 TO MID 2015



In general, average deal size has increased across all industries within the infrastructure spectrum, except for healthcare/medical facilities. Utilitiesrelated infrastructure assets have the largest average deal size of assets in any sector, although deals in the transport sector have been largest on average in 2015 so far (USD889 million). Perhaps unsurprisingly, it is the energy industry that has witnessed the most substantial growth in average deal size over more recent years, rising 89% since 2010. Within this sector, renewable energy has become increasingly prominent due to political and economic issues driving the global transition from traditional to alternative energy sources, resulting in a huge increase in the number of transactions completed. In fact, the average size of deals involving renewable energy assets has grown by 118% from USD171 million for deals in 2006, and now stands at USD372 million for deals done by mid 2015.

MARKET Review

SECTION 04 INVESTMENTS ACTIVITIES

AVERAGE SIZE OF INFRASTRUCTURE DEAL BY VALUE FROM 2010 TO 2015

Average Deal Size (USD Million)



Fundraising

889

As of third quarter of 2015, a total of USD40 billion was raised year to date for unlisted infrastructure funds globally, falling slightly short of the 2014 record of USD43 billion raised during the same period. In total, there are an additional 254 unlisted infrastructure funds currently in the fundraising process, seeking a combined USD155 billion in capital.

USD25 billion of the USD40 billion raised in 2015, as of third quarter of, were targeted at funds with a Global focus. Asia Pacific focused funds raised only USD1.1 billion, second worst after Middle East and Africa focused funds at USD0.5 billion and a clear indication that the Asia region still has significant work to do in order to attract institutional capital. Key concerns on the Asia region remain unchanged from previous years; a lack of clarity and transparency, poor and inconsistent enforceability of the law and regulations, real and perceived corruption, and political interference.

Source: Pregin Infrastructure Online

ANNUAL REPORT 2015 RETIREMENT FUND INCORPORATED

SECTION 04 INVESTMENTS **ACTIVITIES**

PROPERTY MARKET REVIEW

Global

800

700

600

500

400

300

200

100

0

2006

• 2007

Direct commercial real estate investment has recorded approximately USD497 billion transaction volume in third guarter of 2015 or 3% higher on year to date compared to third guarter of 2014. Total full year investment for 2015 is expected to range between USD740 to USD760 billion (Figure 1). Strong performers of established major markets in third guarter of 2015 were USA at USD70.6 billion, UK at USD20.8 billion and Germany at USD14.6

FIGURE 1 - DIRECT COMMERCIAL **REAL ESTATE INVESTMENT FROM 2006 TO 2015**



Asia Pacific

2013

2012

Global

2014

• 2015(F)

billion. Investment activity in Europe for 2015 is expected to exceed USD187 billion recorded in 2014, driven by its three largest markets UK, Germany and France¹. New York with approximately over USD37 billion of investment is a city which recorded the highest direct commercial investment, followed by London USD29 billion and Tokyo USD14 billion (Figure 2).

FIGURE 2 - DIRECT COMMERCIAL REAL ESTATE INVESTMENT OF TOP 20 CITIES FOR 2015



Source: JLL, October 2015

Americas

2008

• 2009

EMEA

2010

2011

Projected Change, 2014-2015

Source: JLL, October 2015



Australia

Australian CBD offices saw decreased in vacancy rate from 10.8% in January 2015 to 10.4% in July 2015 (Figure 3). Top performer was Sydney with 60,405 sqm absorption of office space in July 2015 with vacancy rate at 6.3%. Melbourne trailed behind with 8.1% vacancy rate and 60,906 sqm of

FIGURE 3 - AUSTRALIAN CBD V Non-CBD VACANCY FROM 1990 TO 2015



Source: Property Council of Australia

FIGURE 4 - CUSHMAN & WAKERFIELD, INVESTMENT MARKET UPDATE AUSTRALIA FOR THIRD QUARTER OF 2015

AUD15.4 billion or 51% of total investment³ (Figure 4).

absorption. However, Perth's vacancy rate increased to 16.6% in July 2015

with absorption of approximately -20,000 sqm.² Commercial office accounted

for 50% of investment activities in 2015 with foreign investment accounted to



Source: Cushman & Wakerfield Research

UK

The overall UK office vacancy rates stood at 8.2%, reduced by 90 basis points year on year⁴. The average prime office yield in Central London submarkets of City in third quarter of 2015 reduced marginally to 4.00%, 25 basis points lower than first quarter of 2015 (Figure 5). West End average prime yields dropped at 3.5%, from 3.65% in second quarter of 2015, their lowest since second quarter of 2007 (Figure 6). In 2016, the yield is expected to compress further as more capital will be targeting real estate as interest rates are likely

FIGURE 5 - CITY PRIME YIELDS VS SWAP RATE

to stay lower for longer period given the weaker global economic outlook. Central London recorded stronger investment volumes of £11.9 billion from first quarter of to third quarter of 2015 as compared to the same period last year of £11.7 billion⁵. As at third quarter of 2015, international investors accounted 48% of transaction volume in Central London, where Asia at 28% and USA & Canada at 12% investors were the most prominent, accounting for 40% of the total⁶ (Figure 7).

FIGURE 6 - WEST END PRIME YIELDS VS SWAP RATE



FIGURE 7 - INVESTMENT TRANSACTION BY PURCHASERS AS AT THIRD QUARTER OF 2015



⁴ Jones Lang LaSalle UK Office Market Outlook H1 2015

⁵ Jones Lang LaSalle The Central London Market Q3 2015

⁶ CBRE Research Central London Property Market Review Q3 2015



Malaysia

Office buildings in Kuala Lumpur recorded an average vacancy rate of approximately 18.4% in third quarter of 2015, a slight decrease from 20.2% in second quarter of 2015. The decrease is attributed to tenants moving into newer developments that came on board in second quarter of 2015 (Figure 8). Supply in third quarter of 2015 increased by 426,000 sq ft with only one building completed during the quarter. With the new addition, total office

supply in KL now stood at 75.7 million sq ft. In fourth quarter of 2015, an additional of 2 million sq ft (approx.) will be added to the existing stock⁷. Average rent and capital value remained generally stable at RM6.40 psf and RM942 psf as recorded in second quarter of 2015. With substantial pipeline of supply of approximately 11 million sq ft from first quarter of 2016 to 2018, rents are expected to be remained under pressure (Figure 9).

FIGURE 8 - OFFICE NET ABSORPTION PER SQ FT (MILLION) AND VACANCY RATE



FIGURE 9 - OFFICE DEVELOPMENT PIPELINE PER SQ FT (MILLION)



FUND PERFORMANCE

KWAP continued to register progress with its fund size growing to RM118.37 billion as at 31 December 2015, an increase of RM8.94 billion against the corresponding year of RM109.43 billion. Since its inception in 2007, the fund has consistently delivered an average growth of 12.49% annually.

The main contributor to the fund growth in 2015 was investment income of RM6.24 billion, followed by employers' contribution of RM2.78 billion and Federal Government Contribution by RM500 million.

BREAKDOWN OF SOURCES OF FUND





FUND GROWTH FROM 1991 TO 2015

FUND PERFORMANCE

ANNUAL REPORT 2015 RETIREMENT FUND INCORPORATED

> SECTION 04 INVESTMENTS ACTIVITIES

Year 2015 was indeed another volatile year for both equity and fixedincome market. Managing domestic and international funds has increasingly becoming more challenging. Nevertheless, the Fund recorded gross realised investment income of RM6.24 billion after hedging and other income which was RM0.23 billion lower compared to the preceding year of RM6.47 billion. Fixed income investments including MGS, PDS, Loans and Money Market contributed 43.26% of total income. Investment in equities delivered 44.16%, and alternative investments contributed 5.84%. The fund gross ROI returned 5.78%, before hedging, which was 37 bps lower against last year's gross ROI of 6.15%. International equity returned the highest ROI of 14.39%, and followed by alternative investments' with 6.59%. The rest of asset classes delivered respective ROI ranging from 3.60% to 7.67%.

GROSS INVESTMENT INCOME FROM 2012 TO 2015

2.18 10.94% 2011 2011 **RM Billion** 0.99 5.82% 0.90 5.37% 0.46 2.58% 0.08 13.39% 0.02 3.07% 0.02 2.20% 0.01 1.91% 2.77 10.83% 2012 2012 RM Billion 1.20 5.71% 0.97 4.82% 0.33 2.64% 0.19 28.54% 0.18 13.46 0.07 5.15% 0.05 3.06% 2.17 7.69% 2013 2013 **RM Billion** 1.40 5.16% 0.93 3.91% 0.23 3.08% 1.61 216.25% 0.09 3.59% 0.08 5.18% 0.15 5.80% 2.26 6.97% 2014 2014 **RM Billion** 1.47 5.14% 1.12 4.07% 0.19 3.16% 0.93 92.59% 0.24 6.68% 0.11 5.10% 0.15 3.75% 2.57 6.82% 2015 2015 **RM Billion** 1.50 5.06% 1.20 4.18% 0.23 3.60% 0.11 9.64% 0.68 14.39% 0.13 5.82% 0.18 4.74% Money Market Equity Property Loans & PDS Private Equity International Fixed Income MGS International Equity

HISTORICAL GROSS RETURN ON INVESTMENT

Net income, after the allowance for diminution in value of investments and impairment of investments, amounted to RM3.70 billion or net ROI of 3.26%, 136 basis points lower against the net ROI of year 2014.

HISTORICAL GROSS RETURN ON INVESTMENT FROM 2011 TO 2015



TOTAL RETURN

KWAP fund's total return is measured against a blended benchmark consisting the weighted average of different benchmarks assigned to every investment category. As of end December 2015, the KWAP fund's total return was 5.39%, which outperformed the blended benchmark by 202 basis points.

		TWRR (%)	BENCHMARK (%)	EXCESS RETURN (%)	GROSS ROI (%)	BENCHMARK
DOMESTIC	Domestic equity	4.84	-2.89	7.73	6.82	FBM100
	MGS & Quasi Bonds	3.74	4.86	-1.12	4.18	Quantshop MGS All Yield
	PDS	5.25	4.59	0.66	5.35	Quantshop Corp (Medium) Yield (Internal)
	Loans				4.69	Quantshop MGS Yield + 50bps
	Money Market				3.60	KLIBOR 3-month
	Property		-	-	10.25	Minimum ROI of 10% p.a
	Private Equity				36.13	
INTERNATIONAL	Equity	9.89	17.69	-7.80	14.39	MSCI All Country World
	Fixed Income	20.50	19.59	0.91	4.74	JP Morgan Global Aggregate
	Property	-	-	-	4.84	Minimum ROI of 5% p.a
	Private Equity	-	-	-	1.52	Minimum ROI of 10% p.a
TOTAL		5.39	3.37	2.02	5.40	

Investments in domestic equities returned 4.84%, outperforming the benchmark by 773 basis points which was the highest outperformance compared to the other asset classes. International equity portfolio on the other hand, underperformed the benchmark by 780 basis points, pulled down by its Asia Pacific ex Japan portfolio and the absence of US portfolio which contributed to 52% of the index performance.

concentration on medium to long term papers whole year. International fixedincome portfolios however registered positive return amidst the weak market environment.

KWAP has always maintained a disciplined approach on Strategic Asset Allocation, hence was able to sustain a steady overall total return amidst the increasingly volatile market condition.

Domestic fixed income portfolios were relatively stable amidst the challenging bond market throughout the underperformed the benchmark due to greater

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ASSET CLASSES PERFORMANCE: EQUITY

EQUITY

KWAP's total exposure in equity recorded an increase of 11.12% to RM44.46 billion as at 31 December 2015 from RM40.01 billion at the beginning of the year. Domestic equity still accounted for the bulk portion of the fund size or 88% of KWAP's total exposure in equity at cost, whilst the balance of 12% was invested in international equity.

In terms of division between internally managed equity against externally managed, 79% out of the total exposure are managed internally by KWAP equity portfolio managers and the remaining 21% are outsourced to external fund managers appointed by KWAP.

EQUITY INCOME

For the year ended 31 December 2015, KWAP equity investments recorded total realised income of RM3.25 billion, which translates to a Return of Investment (ROI) of 7.67%.

A significant portion of the income or 79%, was contributed by domestic equities, whilst international equities accounted for the remaining 21%. By the same token, internally managed equity made up for 79% of KWAP's total income from equity and the balance of 21% was derived from equity investment outsourced to external fund managers.

INTERNALLY MANAGED DOMESTIC

Despite the market uncertainty, internally managed domestic equity and KWAP's prudence in its investments proved rewarding. KWAP's rigorous screening methodology assisted in favouring companies that are fundamentally sound with strong management track record, low earnings risk, good dividend yield and high liquidity.

As such, the approach has proven to produce respectable performance when the internal domestic portfolio recorded a total return of 5.38% as measured by the Time Weighted Rate of Return (TWRR) against its benchmark FBM100 return of -2.89%, hence outperforming by 8.27%.

In terms of realised return, internal domestic equity recorded a total realised income of RM2.11 billion which translates into an ROI of 6.68%. Of the total investment income, RM1.12 billion was derived from capital gain whilst the balance of RM986.9 million was derived from dividend income.

21.62% 17.91% 13.88% 13.19% 7.92% 6.19% 4.08% 3.17% 2.65% 2.27% 2.14% 1.60% 1.51% 0.49% 0.40% 0.37% 0.21% 0.21% 0.14% 0.04% Construction Banking/Finance Oil & Gas RFIT Telecommunications Health Care Plantation Infrastructure Project Company Utilities Others Conglomerate **Building Materials** Properties Media Transportation & Logistics Industrial Consumer Rubber Glove Technology Automative

DOMESTIC EQUITY SECTOR ALLOCATION FOR 2015

ASSET CLASSES PERFORMANCE: FQUILTY

EXTERNALLY MANAGED DOMESTIC EQUITY

As at 31 December 2015, the total market value managed by domestic external fund managers (EFMs) stood at RM6.47 billion, an increase of 19.06% from RM5.44 billion in 2014. The total equity portfolios managed by domestic EFMs account for 5.47% of KWAP total fund size. Out of the 17 domestic EFMs, 4 EFMs manage Shariah mandates, 4 EFMs manage Small Cap mandates, 4 new EFMs manage Environmental, Social and Governance (ESG) mandates while the rest are managing conventional mandates.

LIST OF DOMESTIC EXTERNAL FUND MANAGERS As at 31 december 2015

CONVENTIONAL	FUND INCEPTION
CIMB-Principal Asset Management Berhad	2005
Nomura Asset Management Malaysia Sdn. Bhd.	2007
Aberdeen Asset Management Berhad	2008
RHB Asset Management Sdn. Bhd.	2009
Kenanga Investors Berhad	2011
Islamic i-VCAP Management Sdn. Bhd.	2011
CIMB-Principal Islamic Asset Management Sdn. Bhd.	2012
Amlslamic Fund Management Sdn. Bhd.	2012
Asian Islamic Investment Management Sdn. Bhd.	2015
Small Cap	
Affin Hwang Asset Management Berhad	2014
Kenanga Investors Berhad	2014
Maybank Asset Management Sdn. Bhd.	2015
Eastspring Investments Berhad	2015
Environment, Social, Governance (ESG)	
VCAM Asset Management Sdn. Bhd.	2014
Aberdeen Asset Management Sdn. Bhd.	2015
BNP Paribas Investment Partners Malaysia Sdn. Bhd.	2015
Corston-Smith Asset Management Sdn. Bhd.	2015

All EFMs engage with KWAP on a quarterly basis to review their performance and operational compliance. In the process, KWAP took the opportunity to learn by observing the EFM and subsequently adopting the best business practices. Throughout the years, 40 quarterly meetings were conducted with the EFMs, typically held at the beginning of each quarter.

As at 31 December 2015, KWAP's domestic equity EFMs recorded an aggregate realised income of RM451.87 million, representing an average ROI on capital of 7.56%. Most of the EFMs outperform the designated benchmark except in the ESG mandate as the mandate is relatively new.

KWAP's ongoing initiatives include outsourcing more funds across different mandates. This is done via additional capital injection to the best performing EFMs and adding new EFMs to the current and new mandates.

To be in line with government initiatives, KWAP ventured into the Small Capital mandate and became the front runner for the ESG mandate. EFMs selection were made via Request for Proposals (RFPs) to local and foreign asset management companies, whereby KWAP invited those with outstanding track records and strong investment processes to be listed on KWAP's panel of approved EFMs.

EXTERNALLY MANAGED INTERNATIONAL EQUITY

In 2015, KWAP's externally managed international investments were divided into 3 mandates, namely Asia Pacific ex-Japan (APEX), United Kingdom (UK) and Europe mandates. APEX mandates are currently being managed by State Street Global Advisors Asia Limited (SSGA), Franklin Templeton Asset Management Sdn Bhd (Templeton), and Invesco Asset Management Singapore Ltd (Invesco). KWAP's wholly owned subsidiary, Prima Ekuiti (UK) Ltd (PEUK) is managing both the UK and Europe mandates.

LIST OF INTERNATIONAL EXTERNAL FUND MANAGERS As at 31 december 2015

ASIA PACIFIC EX-JAPAN	FUND INCEPTION
State Street Global Advisors Singapore Limited	2011
Franklin Templeton Asset Management (Malaysia) Sdn. Bhd.	2013
Invesco Asset Management Singapore Ltd	2015
FTSE UK	
Prima Ekuiti (UK) Ltd	2012
MSCI Euro	
Prima Ekuiti (UK) Ltd	2014

INTERNATIONAL EQUITY EFM EXPOSURE (AT COST)



As at 31 December 2015, KWAP's international equity EFMs recorded lower ROI on capital ranging between 2.7% and 10.1%, totaling RM218.10 million. All portfolios outperformed the designated benchmark except for portfolios managed by Franklin Templeton and Invesco.

KWAP engaged with potential international portfolio managers regularly, via conference calls and meetings. All these input are stored in our database to assist us in our manager search process. KWAP organises quarterly reviews with the existing EFMs to monitor the portfolio performance and review their investment strategy. In return, KWAP sends its own personnel for short courses, seminars and attachments organised by these managers.

Investment in UK and Europe equities is outsourced to Prima Ekuiti (UK) Limited (PEUK), a wholly owned subsidiary of KWAP. To date, PEUK has performed commendably for both its mandates under management in 2015.

ASSET CLASSES PERFORMANCE: FIXED INCOME

FIXED INCOME

The year 2015 was indeed a challenge for the fixed income market, amidst an eventful year that shaped the outcome of the financial markets. Among the highlights were the implementation of Government Services Tax (GST) in Malaysia, appreciation of the US Dollar against global currencies, US Monetary Policy tightening, plummeting crude oil and commodity prices, geo political unrest in the Middle East and Eastern Europe; and slowdown of the global economic growth especially in China.

On the local front, Malaysia Government Securities (MGS) yields was pressured upwards during most parts of the year with the 10-year MGS yield increased from a low of 3.75% in February 2015 and peaked at 4.45% in August 2015. This was mainly due to the expectations of an impending rate hike by the US Federal Reserve coupled with weakening of the Malaysian Ringgit due to the downward surge of oil prices.

Despite the challenging environment, KWAP managed to persevere and capitalise on the volatile markets and performed relatively well by producing a sizeable return in 2015. Overall Return on Investments (ROI) achieved as at 31% December 2015 for Fixed Income was 4.54% or RM3.06 billion. Significantly higher than the average 10-year MGS yield of 4.20%. ROI for Corporate Bonds was 5.41% or RM792.05 million, slightly higher compared to previous year's ROI of 5.40%. Government Securities and Quasi Government Bonds income increased to 4.18% or RM1.2 billion as compared to ROI of 4.09% in the previous year.

Return on Investments (ROI) achieved as at 31 December 2015 for Fixed Income was **4.54%** or **RM3.06 billion**.

Government Securities & Quasi Government Bonds income increased to **4.18%** or **RM1.2 billion**.

INTERNALLY MANAGED

Malaysian Government Securities and Quasi Government Bonds

In the first quarter of 2015, the market experienced a significant rally due to overall increase in the domestic economic growth in the fourth Quarter of 2014 which led to optimism among local and foreign investors. Foreign inflows coupled with fresh domestic investments drove MGS yields down between 20 to 30 basis points across the curve. The 10-year MGS yield went to as low as 3.75% in February from 4.15% at the beginning of the year. Foreign inflows increased steadily throughout the first half of 2015. This was evident as the percentage of foreign investor's holdings of Government bonds increased from 29.0% at the beginning of the year to 32.1% in June 2015. The implementation of GST improved Malaysia's fiscal position which made the country's capital market more favourable to foreign investors.

In the second half of 2015 however, market took a turn for the worst as the US Federal Reserve looked at normalising upwards its benchmark interest rate from its current expansionary monetary policy stance. In addition, oil prices took a downturn due to excessive supply in the market. Crude oil prices fell from USD65 per barrel in June to as low USD36 per barrel in December 2015. This in turn led to the appreciation of the US Dollar which saw the Malaysian Ringgit per US Dollar spiked from MYR3.68 in June to as high as MYR4.45 per US Dollar in September 2015. The MGS market yield experienced a sharp rise of around 30 basis points across the sovereign curve which saw the 10-year MGS yield rose to the highest in 7 years at 4.45% in August 2015. Foreign domestic investments fluctuated throughout the second half as uncertainty forced investors to remain cautious and switched their investments to "safe-haven" in the form of the US Dollar.

Against these ever changing economic scenarios, the portfolio managed to register an ROI of 4.18% for the financial year with a portfolio duration of 7.75 years. This is an increase of 9 basis points compared to the previous

ASSET CLASSES PERFORMANCE: FIXED INCOME

year's ROI of 4.09%. The gross investment income as at 31 December 2015 increased by 7.5% to RM1,205 million as compared to the previous year's income of RM1,121 million. The overall portfolio yield increased by 29 basis points from 3.74% at the beginning of the year to 4.24% as at 31 December 2015. KWAP's total investment in government securities (MGS, GII and Quasi Government Bonds) as at 31 December 2015 stood at RM28.92 billion as compared to RM29.07 billion as at end of 2014.



5-YEAR GROSS INVESTMENT INCOME FOR MGS, GII AND QUASI GOVERNMENT BONDS

Private Debt Securities

2015 was a challenging year for the corporate bond market. The Private Debt Securities (PDS) market was fairly active in the first half of the year before turning doldrums in the second half. For the first six month of 2015 market was fairly active due to investors seen discounting the pace of the US Federal Reserve's normalisation of interest rates, liquidity in the local market was still ample and the thin supply of the primary issuances.

Investors' demand for the secondary market has compressed the yield spread between the corporate and government debt papers. The longer dated bonds were mostly active as investors continued to search for yields. In the second half of the year, the situation reversed as investors became more concerned on US Federal Reserve's tightening cycle. The situation worsened with the drop of oil prices and liquidity outflow was seen on the back of US Dollar strength. These contributed to the spike in bond yields and increased spread between corporate and government papers. In spite of increased spread, supply of new papers in the credit space picked up largely to postponement of these new issuers which were initially targeted to be at the beginning of the year. Nevertheless the primary issuances still received good response as investors saw attractive values in the yield and the opportunity to invest in substantial amount compared to the secondary market. Total issuance of PDS in 2015 was relatively flat at around RM75.0 billion compared to RM78.0 billion in 2014.

For the year 2015, KWAP credit portfolio holdings at market value increased from RM14.75 billion to RM16.38 billion. Total amount sold and redeemed is RM2.23 billion against new purchases of RM3.88 billion for net purchase of RM1.65 billion.



5-YEAR PDS MARKET VALUE



ASSET CLASSES PERFORMANCE: FIXED INCOME

Income in 2015 increased from RM743.89 million to RM792.05 million largely helped by the bulk of the purchases transacted in the second half of the year. Capital gains improved from RM15.26 million in 2014 to RM16.70 million in 2015.

5-YEAR PDS INCOME



ROI improved slightly from 5.40% in 2014 to 5.41% in 2015 aided largely by purchases at higher yields towards the end of year 2015.

As part of our engagement with invested companies, for the year 2015 KWAP made several site/company visits to understand the operations of these companies better. Among the companies visited include DRB Hicom Berhad, Sarawak Energy Berhad, Samalaju Industrial Port Sdn Bhd, Sabah Development Bank and Sabah Credit Corporation.

PDS RATING DISTRIBUTION FOR 2015



PDS SECTOR DISTRIBUTION FOR 2015





The year 2016 could present a challenging year for domestic bond market. On the credit market, we expect supply to be relatively lower compared to 2015 as expectation of slow economic activities. Nevertheless certain industries may still require funding and refinancing i.e. infrastructure, utilities and banking Investors will be more wary of credit risks and eventually become more price sensitive. Credit condition will generally be stable even though on the back of lower corporate earnings and weaker financial results. Nevertheless, yields may widen in view of credit risk.

ASSET CLASSES PERFORMANCE: FIXED INCOME

SECTION 04 INVESTMENTS **ACTIVITIES**



Loan Income



In 2015, KWAP's loan portfolio constitute 9.90% from KWAP's total investment, however, there were no new loan disbursement. The changes in loan portfolio for the year was due to interest or profit rate capitalisation and loan repayment and maturity.

LOAN PORTFOLIO MOVEMENT FOR 2015

LOAN PORTFOLIO MOVEMENT	AMOUNT (RM MILLION)
Loan Portfolio as at 1 January 2015	11,808.48
Interest/Profit Capitalisation	182.83
Repayment/Maturity	(273.60)
Loan Portfolio as at 31 December 2015	11,717.71

LOAN PORTFOLIO MATURITY PROFILE

a lower ROI of 4.69% compared to 4.95% in 2014.

Year of Maturity	Loan Amount (RM Million)
2016	1,081.06
2017	1,021.69
2018	2,129.69
2019	1,237.69
2020	2,087.69
2021	2,230.69
2022	1,620.69
2023	309.05

Year

For the year 2015, total income from loan portfolio was RM552.87 million

against RM642.85 million in 2014. The lower income was attributed to the net decrease of RM90.77 million in the loan Portfolio for the year resulting in

Loan Portfolio

ASSET CLASSES PERFORMANCE: FIXED INCOME

Money Market

Total outstanding money market investments as at 31 December 2015 stood at RM4.68 billion, an increase of 45.8% from RM3.21 billion at the beginning of the year. KWAP's cash balances, including money market investments accounted for 5.0% of KWAP's total fund size. The next chart displays the breakdown of money market investments as at 31 December 2015.



As at 31 December 2015, investments in term deposits was at RM3.92 billion, Negotiable Instrument Deposit/Negotiable Instrument Deposit Certificate (NID/ NIDC) at RM580.0 million and RM175.0 million in FRNIDs.

Investments in money market generated a gross income of RM229.09 million in 2015 which was 19.08% higher as compared to RM192.4 million income received in 2014. This was mainly attributed to higher yields offered by financial institutions for deposits especially towards the year end.

The next graph demonstrates the money market performance:



5-YEAR MONEY MARKET PERFORMANCE

International

KWAP has made significant progress in its international fixed income investment in 2015. It focused on delivering strong performance in which, the Asian Fixed Income portfolio recorded a total income of RM69.4 million and ROI of 19.0% while International Sovereign portfolio recorded a total income of RM75.13 million ROI of 6.69%.



EXTERNALLY MANAGED

As part of capability building and diversification of income, KWAP outsourced funds to External Fund Managers (EFM) to manage its funds both domestically and internationally. As at 31 December 2015, total funds at cost that have been outsourced to EFM stood at 3.73% of overall KWAP fund size, an increase of 30.64% from total fund at cost of RM3.43 billion or 3.10% in 2014. In terms of geographical exposure, 75% of the externally-managed assets were invested in Malaysian bond market while 25% were allocated in global markets as part of KWAP's international asset diversification.

Domestic

As at 31 December 2015, total fund at cost managed by domestic EFMs amounted to RM3.37 billion, an increase of 45.26% from RM2.32 billion or 2.10% in 2014. It accounted for 4.87% of overall fixed income investments. Domestic EFMs recorded an aggregate realised income of RM153.11 million representing an average ROI of 5.03% as at 31 December 2015.

LIST OF DOMESTIC EXTERNAL FUND MANAGERS

DOMESTIC	FUND INCEPTION
CIMB-Principal Asset Management Berhad	2006
AmFunds Management Berhad	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
Maybank Asset Management Sdn. Bhd.	2015
VCAP Asset Managers Sdn. Bhd.	2015
Franklin Templeton GSC Asset Management Sdn. Bhd.	2015
Asian Islamic Investment Management Sdn. Bhd.	2015
i-VCAP Management Sdn. Bhd.	2015

As part of KWAP's monitoring process, performance reviews were regularly held on quarterly basis with all EFMs and site visits were conducted at their respective offices. Throughout the year, 38 quarterly meetings, 6 annual visits, 2 compliance visits and 5 due diligence visits were conducted to observe their compliance with relevant internal control procedures and best business practice with regard to day-to-day trading activities and middle and back office operations.

International

In terms of international investments, EFMs investment exposure remained at USD350.0 million (RM1.11 billion). Combined with internally-managed bond portfolios, offshore fixed income investment accounted for KWAP fund size at cost value of RM2.50 billion or 2.09% as at 31 December 2015. As at 31 December 2015, international EFMs recorded an aggregate realised income of USD1.94 million representing an average ROI of 0.55%. Significant income shortfall was primarily caused by the crystallisation of trading and forex losses by an international portfolio. Due to continued lacklustre emerging Market Debt (EMD) local currencies portfolio. Due to continued lacklustre emerging market performance in 2015, particularly Latin America (LATAM) and selected Eastern Europe countries, KWAP decided to cease EMD portfolio and shifted its focus to Asian Fixed Income mandate as a standalone emerging market theme. This is premised on Asian region that has shown a relatively more resilient performance with lower risk profile.

LIST OF INTERNATIONAL EXTERNAL FUND MANAGERS

INTERNATIONAL	FUND INCEPTION
CIMB-Principal Islamic Asset Management Sdn. Bhd.	2011
AmIslamic Funds Management Sdn. Bhd.	2011
BNP Paribas Investment Partners Najmah Malaysia Sdn. Bhd.	2014
Franklin Templeton GSC Asset Management Sdn. Bhd.	2014
*JF Asset Management Limited	2015

*Mandate switched from EMD to AFI

KWAP held several discussions with regards to investment related or operational matters as part of its monitoring process, which includes site visits at EFMs premises in ensuring their adherence to the terms of contract as well as understanding their business best practice. Portfolio performance reviews were held on quarterly basis to ensure income targets are met. Throughout the year, 18 quarterly meetings, 1 annual visits and 1 due diligence visit were conducted to observe their compliance with relevant internal control procedures.

During EFM review meetings, KWAP encouraged all EFMs to play proactive roles in engaging with the issuer companies as part of upholding Principles for Responsible Investment. This is part of KWAP's commitment to incorporate inclusiveness of EFM portfolio into its ESG integration.

As part of KWAP's ongoing initiative to expand its investments and diversifying the EFMs portfolio return, RFP (Request for Proposal) processes were conducted for 3 strategies, Domestic Sukuk Mandate, Domestic Conventional Bond Mandate and Asian Fixed Income Mandate which saw participation by domestic and international fund managers. Based on the evaluations, 2 new managers were appointed to manage Domestic Conventional Bond Mandate, 3 managers were appointed to manage Domestic Sukuk portfolios and 1 manager was appointed to manage Asian Fixed Income portfolio.

ASSET CLASSES PERFORMANCE: ALTERNATIVE INVESTMENT

PRIVATE EQUITY AND INFRASTRUCTURE

For 2015, KWAP did not secure any new private equity (PE) and infrastructure investments due to the restructuring by MoF on any new international investment. Nevertheless, we followed through with a mandate secured towards the end of 2014, which was an investment into Equis Asia Fund II, that focused on the energy and infrastructure investments in the Asian region.

2015 saw us re-calibrating our focus on local direct investments, in which we identified focus sectors to invest in, namely consumer, healthcare and education, forged relationships with industry stakeholders and built a healthy deal pipeline in preparation to strengthen our local direct investment platform.

The year also saw a direct private equity investment portfolio of KWAP, Malakoff Corporation Berhad relisted on Bursa Malaysia, with a realised ROI of 80.3% recorded from the exercise. Meanwhile, the performance of another portfolio company, Munchy Food Industries Sdn. Bhd., Malaysia's No. 1 wafer biscuit maker exceeded our expectations when we made the investment in 2014.

As at 31 December 2015, KWAP has invested in 22 private equity funds and maintained 3 direct private equity investments. KWAP's total private equity investment amounted to RM1.63 billion or 1.38% of KWAP's total fund size and was within the approved 3.0% Strategic Asset Allocation (SAA).

LIST OF PRIVATE EQUITY FUND FOR 2015

PE FUND	ТҮРЕ	REGION
Stonepeak Infrastructure	Infrastructure	North US
Fund I		
ISQ Global Infrastructure	Infrastructure	Global
Fund I		
Blackstone Energy Partners II	Infrastructure	Global
Global		
Equis Asia Fund II LP	Infrastructure	Asia
CIMB Mapletree Real Estate	Real estate	SEA
Fund I		
CIMB TrustCapital Australian	Real estate	Australia/N.Zealand
Office No.1		
Actis ASEAN Fund I	Buyout	Asia
Advent VI Trust	Buyout	Australia/N.Zealand
ACON Equity Partners III	Buyout	North US
Affinity Asia Pacific Fund IV	Buyout	Asia
Nordic Capital VIII Fund	Buyout	Europe

PE FUND	ТҮРЕ	REGION
Lombard Asia III	Growth	Asia
Templeton Strategic Emerging	Growth	Asia
Markets Fund III		
Tata Capital Growth Fund	Growth	India
Ancora Fund II	Growth	SEA
Saratoga Asia III	Growth	Asia
Dragonrider Opportunity	Growth	SEA
Fund II		
Lombard Asia IV	Growth	Asia
Templeton Strategic Emerging	Growth	Asia
Markets Fund IV		
Creador II, LLC	Growth	Asia
The Asian Entrepreneur	Growth	SEA
Legacy Two, LP		
Strategic Partners Offshore	Secondary	Global
Fund VI LP		

LIST OF DIRECT PRIVATE EQUITY INVESTMENTS FOR 2015

DIRECT INVESTMENT			
Malakoff Corporation Berhad	Direct/Co-Inv.	SEA	
Valuecap Sdn Bhd	Direct/Co-Inv.	SEA	
Munchy Food Industries Sdn Bhd	Direct/Co-Inv.	Asia	

Income

As at 31 December 2015, private equity investments generated a total income of RM112.5 million with ROI of 9.65%.

ASSET CLASSES PERFORMANCE: ALTERNATIVE INVESTMENT

was above 7%.

PROPERTY

As at 31 December 2015, KWAP's total investment in property was RM6,680 million or 5.74% of KWAP's total fund size and was within the approved SAA of 7.0%.

LIST OF PROPERTY INVESTMENTS FOR 2015

DOMESTIC PROPERTY INVESTMENTS



INTEGRA TOWER, KUALA LUMPUR (40-STOREY OFFICE)

Purchase price	RM1,065 Million
Date of acquisition	31 March 2015
Tenure	Freehold
Net lettable area	760,715 sq ft
Occupancy rate as at 31 December 2015	65.56%

As at 31 December 2015, the 11 properties generated a net cash income of RM347.39 million. The annualised net yield for the Australian assets for 2015

was above 8.0% while the annualised net yield for the UK and Malaysia assets

INTERNATIONAL PROPERTY INVESTMENT





737 BOURKE STREET, MELBOURNE, AUSTRALIA (12-STOREY OFFICE)

Purchase price	A\$113.0 Million
Date of acquisition	9 December 2010
Tenure	Freehold
Net lettable area	204,952 sq ft
Occupancy rate as at 31 December 2015	81.40%

20 BRIDGE STREET, SYDNEY, AUSTRALIA (14-STOREY OFFICE)

Purchase price	A\$185.0 Million		
Date of acquisition	22 December 2011		
Tenure	Freehold		
Net lettable area	219,861 sq ft		
Occupancy rate as at	90%		
31 December 2015			

ASSET CLASSES PERFORMANCE: ALTERNATIVE INVESTMENT



747 COLLINS STREET, MELBOURNE, AUSTRALIA (16-STOREY OFFICE)

Purchase price	A\$167.5 Million - (60% Interest)		
Date of acquisition	30 September 2013		
Tenure	Freehold		
Net lettable area	430,914 sq ft		
Occupancy rate as at 31 December 2015	98.69%		





Purchase price	A\$172.3 Million		
Date of acquisition	31 October 2013		
Tenure	Freehold		
Net lettable area	268,831 sq ft		
Occupancy rate as at 31 December 2015	100%		



133 LENORE DRIVE, ERSKINE PARK, SYDNEY, AUSTRALIA (LOGISTICS)

Purchase price	A\$75.13 Million		
Date of acquisition	30 November 2014		
Tenure	Freehold		
Net lettable area	480,430 sq ft		
Occupancy rate as at 31 December 2015	100%		

ASSET CLASSES PERFORMANCE: ALTERNATIVE INVESTMENT

SECTION 04 INVESTMENTS ACTIVITIES







1 GRIFFIN CRESCENT, BRENDALE, QUEENSLAND, AUSTRALIA (LOGISTICS)

<u> </u>			
Purchase price	A\$73.84 Million		
Date of acquisition	30 November 2014		
Tenure	Freehold		
Net lettable area	542,570 sq ft		
Occupancy rate as at 31 December 2015	100%		

38-46 BERNERA ROAD, PRESTONS, SYDNEY AUSTRALIA (LOGISTICS)

Purchase price	A\$70.05 Million
Date of acquisition	30 July 2015
Tenure	Freehold
Net lettable area	237,884 sq ft
Occupancy rate as at 31 December 2015	100%

145 LENORE DRIVE, SYDNEY AUSTRALIA (DEVELOPMENT LAND)

Purchase price	A\$5.1 Million		
Date of acquisition	23 December 2015		
Tenure	Freehold		
Land size	171,038 sq ft		

ASSET CLASSES PERFORMANCE: ALTERNATIVE INVESTMENT



10 GRESHAM STREET, LONDON, UK (8-STOREY OFFICE)

Purchase price	£200.0 Million		
Date of acquisition	24 October 2012		
Tenure	Leasehold (expiring in 24 June 2164)		
Net lettable area	259,759 sq ft		
Occupancy rate as at 31 December 2015	99.63%		



88 WOOD STREET, LONDON, UK (18-STOREY OFFICE)

Purchase price	£210.5 Million
Date of acquisition	5 April 2013
Tenure	Freehold
Net lettable area	239,119 sq ft
Occupancy rate as at 31 December 2015	100%



INTU UXBRIDGE, LONDON, UK (RETAIL)

Purchase price	£174.8 Million (80% interest)		
Date of acquisition	20 June 2014		
Tenure	Freehold		
Net lettable area	452,257 sq ft		
Occupancy rate as at 31 December 2015	96.43%		

ASSET CLASSES PERFORMANCE: ALTERNATIVE INVESTMENT



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SECTION 04 INVESTMENTS ACTIVITIES

SUBSIDIARIES

As part of our strategic move in steering the growth of the Fund and expanding our investment portfolio to foreign shores, KWAP embarked on its first large-scale investment in the international market, with the acquisition of a property in Australia. This is part of the investment expansion blueprint outlined in the Strategic Asset Allocation that was approved in the year 2009.

Ensuing to the acquisition, the establishment of subsidiaries took place, seeing the KWAP Managed Investment Trust (KWAP MIT) being established to manage properties in Australia, while Prima Harta (Jersey) Unit Trust (Prima Harta) oversees the investment development in United Kingdom.

Moving beyond the strategic move and to further strengthen KWAP's presence in the international investment arena, in addition to its aspiration to be a key player in a more lucrative asset class – the equity market, Prima Ekuiti thus came into existence, as its establishment allows for KWAP to trade actively in United Kingdom and the European market.

KWAP MIT

KWAP MIT was founded on 4 November 2010, with the main objective of managing property investment trusts in Australia. At present, the properties under the management of KWAP MIT are office buildings situated in prime areas – the 737 Bourke Street in Melbourne and 20 Bridge Street in the cosmopolitan city of Sydney.

In the year 2013, KWAP MIT 3 was formed on 12 September, and subsequently, KWAP MIT 2 commenced operations on 24 October in the same year. KWAP MIT 3 was set up to manage property investment trusts of a co-investment agreement between KWAP and Lembaga Tabung Haji for an office building, the 747, Collin Street, situated in the culturally vibrant city of Melbourne, Australia.

As for KWAP MIT 2, it was formed to manage property investment trust for an office building, the 170, Turbot Street, Brisbane, Australia.

On 23 October 2014, KWAP MIT 4 was formed to manage the property investment trusts for its logistics and development land. At present, the logistics under the purview of its personnel are the 38, Bernera Road and 133, Lenore Drive in Sydney and 1 Griffin Crescent, Queensland, while 145, Lenore Drive is a development land located in Sydney.

PRIMA HARTA

Prima Harta was constituted on 20 January 2012, with the aim to manage and grow the property investment trusts in United Kingdom. At present, the properties under its management includes the 10, Gresham Street and the 88, Woods Street, in which both are office buildings located in the metropolitan city of London.

Prima Harta 2 was set up on 5 June 2014 for the management of property investment trusts in United Kingdom's West London area, a shopping mall, INTU Uxbridge which is co-owned with INTU Properties PLC.

SECTION 04

INVESTMENTS ACTIVITIES

PRIMA EKUITI (UK) LIMITED

Background

30 April 2015 marks the third 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 initiative to develop active management of foreign investments.

Prima Ekuiti was able to continue to its sterling track record by increasing the market value of its existing UK equity portfolio to GBP 241.98 million from KWAP's initial investment of GBP 200 million. The new Euro equity portfolio also performed admirably in 2015. From KWAP's initial investment of EUR 170 million, the Euro equity portfolio has increased to EUR 193.28 million in its first full financial year. The establishment has also repatriated more than GBP 50 million since its establishment, with approximately GBP 28 million returned to its main client, KWAP in 2015.

The establishment also strived to enhance its investment capabilities and corporate governance in 2015. With the support of a strengthened financial position, Prima Ekuiti had successfully initiated its dividend payment program in 2015, paying an interim and a final dividend to its sole shareholder – KWAP – a total of GBP 200,000 in dividends to KWAP during the financial year 2015.

Investment Review

Asset management is the prime business and the creation of long-term value is the central goal of Prima Ekuiti.

Despite a challenging market environment, its UK equity portfolio advanced 1.77% in 2015 to GBP 241.98 million, and outperformed its benchmark FTSE100 Index by 6.70%. This annual outperformance was attributable to dynamic sector allocation as well as strategic stocks selection. Since its inception on 2 May 2012, the UK equity portfolio had increased by 26.58%, outperforming the benchmark by 19.18%. Excluding cash, the equity carve-out portfolio returned 41.27% since 2 May 2012, outperforming the benchmark by 33.87%. As at 31 December 2015, its UK equity portfolio's Net Asset Value (NAV) stood at 1.00x, and recorded Gross Return on Investment (ROI) in excess of 8%, beating the benchmark dividend yield of 4% and KWAP's income target of 8%. The UK equity portfolio had an information ratio of 2.56x, indicating that it created more than 2x value for every risk it took.

SUBSIDIARIES

UK Equity











UK INFORMATION RATIO FOR 2015

UK TWRR SINCE INCEPTION



102

SUBSIDIARIES

SECTION 04 INVESTMENTS ACTIVITIES

Ratio (x) 1.20 1.10 1.05 1.00 0.95

UK NET ASSET VALUE

0.90

0.85

Total Portfolio

Meanwhile, the Euro equity portfolio registered an increase of 16.34% in 2015 and closed the year higher with a market value of EUR 193.28 million. The portfolio outperformed its benchmark MSCI Euro Index by 10.26% on strong stock selection. Since its inception on 2 September 2014, the Euro equity portfolio had increased by 22.15% and outperformed the benchmark by 16.04%. Excluding cash, the equity carve-out portfolio returned 18.06%,

UK FTSE 100 (RHS)

Index Level

Equity only

outperforming the benchmark by 11.96%. As at 31 December 2015, its Euro equity portfolio's Net Asset Value (NAV) stood at 1.05x, and recorded Gross Return on Investment (ROI) in excess of 10%, beating benchmark dividend yield of 3.5% and KWAP's income target of 8%. The Euro equity portfolio had an information ratio of 2.41x, indicating that it created more than 2x value for every risk it took.

EURO ASSET ALLOCATION FOR 2015

GBP (Million)

7,200

7,000

6.800

6,600

6.400

6,200

6,000

5,800

5 600



SUBSIDIARIES



Ratio (x) 12 10 8 6 4 2 0 Apr 15 May 15 Aug 15 Sep 15 Jan Feb Mar Jun Jul Oct Nov Dec 15 15 15 15 15 15 15 15 Month/Year

Tracking Error

EURO INFORMATION RATIO FOR 2015



EURO NET ASSET VALUE FOR 2015

Info Ratio

Excess Return



ANNUAL REPORT 2015 RETIREMENT FUND INCORPORATED

SUBSIDIARIES

SECTION 04 INVESTMENTS ACTIVITIES

Business Review

Prima Ekuiti is a wholly-owned subsidiary of KWAP. From an initial investment of 2 ordinary shares of GBP 1.00 per share at the start of 2012, the total ordinary shares held by KWAP in Prima Ekuiti stood at 50,000 of GBP 1.00 a share. Correspondingly, the asset-under-management of Prima Ekuiti has also expanded modestly since its inception, growing four-fold from GBP 100 million to more than GBP 400 million in 2015.

For the year ended 2015, Prima Ekuiti recorded a turnover of approximately GBP 2.24 million, representing an annual increase of 47.8%. The strengthened financial position was mainly due to the expansion and admirable performance of investment portfolios managed by its management. Of the total GBP 2.24 million, 63.3% was derived from the management fee whilst 36.6% came from performance fee. Profit after taxation amounted to GBP 966,478, a 101% improvement from the previous year.

Meanwhile, its balance sheet has strengthened with shareholders' funds increasing from GBP 921,664 in 2014 to GBP 1,688,142 as at 31 December 2015. Of the total GBP 1,688,142, 76.4% came from retained earnings whilst other reserves and called up share capital made up 20.6% and 3.0% respectively.

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.

SUMMARY OF FINANCIALS

PRIMA EKUITI	2012	2013	2014	2015
Earnings Per Share (GBP)	0.37	0.50	9.62	19.33
Return on Shareholders' Funds	4.42%	5.65%	52.16%	57.25%

Prima Ekuiti continues to enhance its investment capabilities and governance processes. In a momentous moment in 2015, Prima Ekuiti was able to initiate its dividend payment policy for its shareholder, KWAP. The establishment plans to make a clear commitment to pay dividends amounting to two times its share capital annually. For 2015, Prima Ekuiti distributed a total of GBP 200,000 (net) in dividends to its shareholders, exceeding the dividend commitment of GBP 100,000.

The establishment also strives to achieve other non-financial accomplishments while maintaining its financial performance. In 2015, in line with the growingly stable balance sheet, Prima Ekuiti was able to grow its talent pool in terms of numbers and capacity. The internal team added two more staff to increase the talent strength with the prospective of adding new talents in the future.

Training and exposure were constantly awarded to all employees, through international conferences and seminars.

Apart from the internal expansion, Prima Ekuiti also embarked on several other initiatives that were beneficial for both management and participants alike. In 2015, the establishment was involved in 2 attachment program whereby 2 analysts from the parent company, KWAP, spent at least 2 weeks in the office to gain exposure and build a greater understanding of European markets as well as companies. Meanwhile, Prima Ekuiti was able to institute an internship program for Malaysian students in the UK, providing them a first-hand experience and practical lessons on the asset management industry. A total of 3 students from various universities were accepted to the program in 2015. In addition, Prima Ekuiti also conducted several career and investment workshops with students in London, in which participants were accorded valuable insights and developed an appreciation for Prima Ekuiti and KWAP. These program are imperative for Prima Ekuiti as a means to develop its own internal talent and for Prima Ekuiti's strategic objective to attract talent for KWAP.

Moving forward, Prima Ekuiti is committed to continue its involvement in these programs and contribute to the society.

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 and Prima Ekuiti as KWAP's trusted partner in its quest for growth.



SECTION 05

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119 Sports and Recreational Club

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REVIEW OF OPERATIONS BY CHIEF OPERATING OFFICER

SECTION 05 OPERATIONS ACTIVITIES



The transformational journey KWAP has embarked upon reached a major milestone in 2015 as it extended its scope of operations following its appointment as an agent of the Government to pay out any pension, gratuity or other benefits under any written law.



The Amended Retirement Fund Act 662, which was approved and gazetted in the year under review, gave KWAP an expanded role and function as a pension fund. The latest development reflected KWAP's commitment to better serve its stakeholders bringing it closer to achieve its long term objective of transforming it into a full-fledge pension fund.



There were a series of initiatives planned and implemented through the course of the year, including enhancement in KWAP's operational framework and not limited to the various refinement made to accommodate its new expanded role where it now has a new frontier in serving its primary stakeholder, the pensioners.

The initiatives implemented and introduced were wide ranging, and it has enabled KWAP to perform better, some of which has helped to elevate its operations to be in line with the recent changes in the economy and the best practices within the industry. This included regulatory changes following the introduction of GST in Malaysia effective 1 April 2015 that necessitated improvements to information technology systems as well as the surrounding ecosystem to accommodate the new taxation system. The phased implementation of Malaysian Financial Reporting Standards or MFRS similarly took place in the year under review, an engagement that had commenced in 2014 and on-track for adoption commencing financial year 2016.

Refinement in the operational structure had also led to the amalgamation of related operations where in 2015 saw the Custodian and Investment Settlement departments merged into a single entity, a move aimed at streamlining of work flow and processes for greater efficiency. Significantly, the amalgamation exercise was a product of the in-house continuous business improvement initiative.

PENSION CONTRIBUTION

The role of pension contribution remains among the mainstay of KWAP, referring to the administration of pension contribution from the Federal Government, statutory bodies, local authorities and agencies with seconded employees from the civil service. Effective and efficient management of pension contribution has been essential in ensuring optimal collection and total compliance to the relevant Acts.

Enhancement were made to improve productivity in collection, specifically in terms of accuracy and integrity. Four mini workshops were conducted throughout the year where participating employers were given training on online submission of contributions. In essence, they were trainings to instil greater use of the portal provided by KWAP, the Integrated Contribution Management System or ICMS.

At the same time, remittance via Electronic Funds Transfers or EFT and Telegraphic Transfer or TT, introduced in 2013, made further inroad in utilisation, with the users for said remittance services increasing to 185 from 145 previously, almost a third higher compared to the preceding year. The increase in such use corresponds to the increase in the number of registered employers for the said electronic services with close to 40% of the total employers already registered with KWAP.

The year 2015 saw KWAP receiving a total collection of RM3.28 billion comprising RM0.5 billion from the Federal Government followed by RM1.06 and RM1.72 billion from employers' contribution and Government's portion, respectively. The collections had included those from major agencies such as the Employees Provident Fund (EPF), the Armed Forces Fund Board (LTAT) and the Public Services Department (PSD). In comparison, pension contribution collection amounted to RM4.38 billion in the preceding year.



BREAKDOWN OF EMPLOYERS' CONTRIBUTION

BREAKDOWN OF GOVERNMENT PORTION





Statistics of Contributing Employers and Members

As at 31 December 2015, KWAP recorded a total of 498 employers with 177,757 members.

BREAKDOWN OF CONTRIBUTING EMPLOYERS





KWAP members consist of civil servants who have been granted with pensionable status by the Public Services Department (PSD).

BREAKDOWN OF CONTRIBUTING MEMBERS



REVIEW OF OPERATIONS BY CHIEF OPERATING OFFICER

TOP 20 CONTRIBUTORS

NO	EMPLOYERS	RM (MILLION)
1	Universiti Teknologi MARA	127.32
2	Majlis Amanah Rakyat	67.28
3	Universiti Kebangsaan Malaysia	55.06
4	Universiti Teknologi Malaysia	39.62
5	Universiti Putra Malaysia	37.20
6	Dewan Bandaraya Kuala Lumpur	35.95
7	Universiti Malaya	32.18
8	Universiti Sains Malaysia	30.57
9	Hospital Universiti Sains Malaysia	28.55
10	Universiti Utara Malaysia	21.74
11	Pihak Berkuasa Kemajuan Pekebun Kecil Perusahaan Getah	19.74
12	Pusat Perubatan Universiti Malaya	19.69
13	Institut Penyelidikan Dan Kemajuan Pertanian Malaysia	18.46
14	Lembaga Kemajuan Tanah Persekutuan (FELDA)	15.48
15	Lembaga Pertubuhan Peladang Kuala Lumpur	15.20
16	Universiti Tun Hussein Onn Malaysia	13.95
17	Universiti Malaysia Sarawak	13.74
18	Universiti Teknikal Malaysia Melaka	12.98
19	Lembaga Pemasaran Pertanian Malaysia	12.09
20	Universiti Malaysia Sabah	11.38

Refund

One of the operational activities of Contribution Department is to process refund applications for Employees Provident Fund (EPF), Public Services Department (PSD), employers and individuals. A total of 3,402 cases were approved amounting to RM8.07 million.

BREAKDOWN OF REFUND CASES FOR 2015



Statistic of Employers Visited

The visits were also conducted to 51 employers comprising 18 local authorities and 33 statutory bodies.

SUMMARY OF COMPLIANCE AND ENFORCEMENT VISITS IN 2015

		MONTH		EMPLOYER		
NO.	STATE	of Visit	LOCAL AUTHORITIES	STATUTORY BODIES	AGENCIES	TOTAL
1	Federal Territory (Kuala Lumpur/ Putrajaya)	January/ February	-	11	-	11
2	Selangor	March	1	9	-	10
3	Sabah	April/May	11	4	-	15
4	Sarawak	May	1	-	-	1
5	Perak	August	1	4	-	5
6	Kelantan	August	1	5	-	6
7	Melaka	October	1	-	-	1
8	Johor	October	1	-	-	1
9	Kedah	November	1	-	-	1
	Total		18	33	-	51

ADDITIONAL INITIATIVES WERE IMPLEMENTED TO INCREASE

its reach via the social media landscape with the setting up of new social media account as well as the introduction of new sub-site within its internet portal.

SUPPORT SERVICES

Meanwhile, the establishment of newly merged department as highlighted earlier, referring to the amalgamation of custodian and settlement administration, had made possible for enhanced productivity and offerings widened with greater depth as new procedures were introduced catering to transactions such as for the securities borrowing and lending (negotiated transaction) model, investment in international bonds and sukuks as well as for domestic property acquisitions.

Support agility is essential to ensure continued and sustainable development, of which foremost, providing the platform that is consistent with the outlined objectives of KWAP. The past year was an active year in the development and enhancement of support infrastructure. Both, structural alignment and operational refinements, were made in the year under review.

Information technology, the foundation of the internal ecosystem, had an equally active year in 2015 where the preparation and evaluation for an Integrated Financial and Management System or IFIMS were kick-started, an exercise that took much of the resources during the year under review. The IFIMS projects is a multi-year project and the refreshment or enhancement exercise is critical to remain consistent with the requirements of KWAP's growing investment universe.

Governance and security or simply, controls were progressively enhanced during the year with the delivery of such systems as the Credit Risk Quantification system, the Data Loss Prevention system and the Service Request application, the former refers to adding depth in risk management tools while the latter two for improvement in security and productivity, respectively. The year had also culminated with KWAP been successfully certified in compliance with the Information Security Management System or ISMS practices, specifically KWAP is now in compliance with the upgraded ISO/IEC270001:2013 standard.

PENSION SERVICES

KWAP's expanded role took effect in November 2015, a milestone reached following several years of planning. As per the amendment to the Retirement Fund Act 662, KWAP has taken the role of pension services administration and management, a new core function besides the existing investment mandate.

COMMUNICATIONS

The importance of reaching out to the various stakeholders led to KWAP broadening its communication platform where in 2015, additional initiatives were implemented to increase its reach via the social media landscape with the setting up of new social media account as well as the introduction of new sub-site within its internet portal. Both have attracted favourable response from its targeted audience, the pensioners. This is in addition to the establishment of a dedicated call centre for the said new services from KWAP.

At the same time, corporate rebranding of KWAP is being revisited in light of its new expanded role. An in-house review were initiated during the year and development to date portend further refinement in its communication or engagement vis-à-vis the stakeholders going forward.

KWAP also actively participate in the social space and its corporate social responsibility program has grown further in the year under review. Primarily was KWAP's program in the state of Kelantan for its inaugural natural disaster relief mission, an engagement in collaboration with the Ministry of Finance, providing assistance following its worst flood in decades.



CORPORATE SOCIAL RESPONSIBILITY

SECTION 05 OPERATIONS ACTIVITIES

WORKPLACE



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.

MARKETPLACE

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

The CSR program for year 2015 featured broad initiatives that covered all the important aspects within KWAP and its stakeholder such as the health and wellbeing of its people, sharing of knowledge and expertise with the public and the various charitable efforts as KWAP's way in giving back to the community.

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

NEW INITIATIVES

KWAP NATURAL DISASTER RELIEF MISSION

Several states in Malaysia were hit with flood at the end of 2014, with over 200,000 people affected by the disaster. The flood was described as one of the country's worst disaster in history. Being a responsible corporate citizen, KWAP took the initiative to launch the 'KWAP Natural Disaster Relief Mission' to help lighten the burden of those affected.

ENVIRONMENT

Monetary Contribution

As an organisation, KWAP donated RM100,000 to the flood victims through 'Tabung Bencana NSTP – Media Prima'. KWAP Chief Executive Officer, Wan Kamaruzaman bin Wan Ahmad presented a cheque to News Straits Times Press Chief Executive Officer, Datuk Mohammad Azlan bin Abdullah on 7th January 2015 at Balai Berita NSTP in Bangsar.

In addition, a fund was also raised by KWAP's Sports and Recreation Club (SPARC) to assist KWAP's employees who were directly affected by the situation. KWAP CEO, as the advisor to SPARC presented the affected employees with the cash donation and spent some time with them to share their experiences.

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SECTION 05 OPERATIONS ACTIVITIES

CORPORATE SOCIAL RESPONSIBILITY

CONTRIBUTION IN-KIND

Presented RM100,000 cheque to





in Rantau Panjang, Kelantan through a program organised by the Deputy Finance Minister's office.

Provided SCHOOL SUPPLIES,

food supplies & other basic necessities

to SMK Ladang Kerilla, Tanah Merah, and SMK Pangkal Meleret, Machang, SK Tohoi, Gua Musang, Kelantan to help the school children and the teachers as well.

Donated

FOOD SUPPLIES & other basic necessities



to families in Kg. Surau Kota,

Wakaf Che Yeh, Kelantan which were handed out during the second mission of post-flood relief mission.







the flood victims in Gua Musang, Tanah Merah and Machang.



Post-Flood Relief Mission

Post-Flood Relief Mission

The flood catastrophe which left many homes devastated and several public buildings unusable throughout the East Coast of Peninsular Malaysia brought swift action by KWAP where 31 employees volunteered to lend their hands in the massive clean-up in the wake of the disaster.

Post-Flood Relief Mission 1

The first mission was in conjunction with the CSR Program organised by Ministry of Finance (MOF) together with 10 other agencies under MOF. Led by KWAP CEO, 11 KWAP volunteers took part in the 2 days clean-up operation in Kelantan on 10 and 11 January 2015. The KWAP team of volunteers were deployed to the KESEDAR Training Centre, Gua Musang. The full-day operation began with our volunteers vacating the centre and flushed out thick mud off the premise to make it occupable again.

On the second day, the volunteers were assigned to SMK Ladang Kerilla, Tanah Merah Kelantan where KWAP volunteers conducted massive cleanup. KWAP CEO later handed out school supplies to the school to replace the ones ruined by the flood.

CORPORATE SOCIAL RESPONSIBILITY

SECTION 05 OPERATIONS ACTIVITIES



Post-Flood Relief Mission

Post-Flood Relief Mission 2

A team of 22 volunteers from KWAP and 12 volunteers from Majlis Belia Malaysia took part in the clean-up operation in Kelantan for 2 days on the 15 and 16 January 2015. On the first day, the team was assigned to Sekolah Menengah Kebangsaan Pangkal Meleret, a secondary school located in Machang, Kelantan. KWAP also took the opportunity to donate 450 stationeries sets to the school student. On the second day, the team was assigned to Kampung Surau Kota, Wakaf Che Yeh, Kelantan. The volunteers were divided into 5 groups to clean houses of senior citizens who were badly affected by the flood. KWAP also donated food supplies and basic necessities to 18 families in the village while the children received snack packs, just to add on some smiles to their faces.

KWAP GIVES BACK: FREEMARKET

Due to rural-urban migration, meagre income as well as rising cost of living, many of these folks struggle to make ends meet. This community outreach program was targeted to help the urban poor community where new and pre loved items were given out for free and recipients are merely required to say a polite please and thank you.

In April 2015, KWAP participated in the FreeMarket organized by an NGO held at Projek Perumahan Rakyat Miskin Tegar in Gombak Setia (PPRT Gombak Setia), Kuala Lumpur. New and pre loved items were donated by KWAP employees for the KWAP volunteer team to give out at the designated booth.



KWAP FreeMarket

The program was proven a success when it took merely an hour for the booth to be cleared.

Due to the success of the first attempt in participating in the FreeMarket Program, KWAP took another big step in October 2015 to host its own FreeMarket at PPR Taman Putra Damai, Lembah Subang which housed 8 blocks consisting 392 units each. Most of the residents are from low or lower middle income patrons who were relocated from squatters settlement. The program gained a huge success with 60 employees volunteered to mend booths on the event day while others who did not participate on the event day, donated new and pre-loved items. KWAP also contributed basic provision to 50 families and also took the opportunity to visit the residents who needed special care to show our concern for them.

KWAP FINANCIAL PLANNING

The one day workshop was aimed to provide financial education to KWAP's internal stakeholder, the employees. A renown financial consultant, Hajah Rohani binti Datuk Abd Shahir was invited to conduct the workshop. Participants were given tips and advice covering all aspects of financial issues, including personal financial planning and management. The Insolvency Department was also invited to talk on the law implications of not practicing prudent financial planning. One-on-one counselling session was provided for all participants before the end of the program to allow employees to leverage on their expertise.

CORPORATE SOCIAL RESPONSIBILITY



Fit & Fab Challenge

FIT & FAB CHALLENGE 2015

KWAP continued to organise its very own weight loss and healthy diet competition, Fit & Fab Challenge 2015. The 12 weeks program saw 20 employees with BMI over 25 challenged themselves to lose weight and increase their fitness level to be healthy.

Participants were provided with manuals, guides and a food diary aside from awareness on correct diet regiment and weekly fitness sessions - body combat and circuit training which were tailored for maximum weight loss. To add more value to the program, participants were required to attend grooming classes by a celebrity stylist.

At the end of the 12-week program, all participants managed to lose weight between 2kg to 18 kg. Winners and finalists were well rewarded for their achievements and meeting the objective of becoming fit and fabulous.

KWAP HEALTHY LIFESTYLE CAMPAIGN: LET'S TALK THE SAME LANGUAGE

KWAP Healthy Lifestyle Campaign was aimed to foster KWAP employees to lead a healthy lifestyle, covering both mental and physical aspects through bi-annually programs, "Let's Talk The Same Language" and "Get Fit with Body Combat".



Let's Talk the Same Language

"Let's Talk The Same Language" was a psychological program which featured a Life Coach, Sharmini Hensen, who hosted a series of interactive talks using Neuro-Linguistic Program where employees were exposed to different types of personalities and use the power of communication by speaking, listening, visualising and analysing to build rapport and improve work relationships to motivate each other in achieving a common goal.

KWAP HEALTHY LIFESTYLE CAMPAIGN: GET FIT WITH BODY COMBAT

The second program in the KWAP Healthy Lifestyle Campaign is the Get Fit with Body Combat Program which was aimed to enhance employee's general well-being through physical activities done weekly. The group workout which was led by a certified external fitness instructor features body combat; a group fitness cardio workout, and a mix of martial arts taken from a wide array of disciplines such as karate, boxing, taekwondo, tai chi, and muay thai.

IHYA' RAMADAN

TALK BY DATO' BADLI SHAH BIN ALAUDDIN

In conjunction with the holy month of Ramadhan, the Ihya Ramadhan Program was launched with a talk by a renowned Islamic preacher, Dato' Badli Shah bin Alauddin. The talk titled "Ujian Ramadhan" focused on how to engage and increase religious activities on a personal level during Ramadhan in order to be able to appreciate the true meaning of Ramadhan. The talk was opened to all KWAP employees and all tenants of the building.

CORPORATE SOCIAL RESPONSIBILITY

SECTION 05 OPERATIONS ACTIVITIES





Kasih KWAP

KASIH KWAP

In the spirit of giving during the Holy month of Ramadhan, KWAP shared the joy of Ramadhan and Syawal with the orphans and under privileged children of Pusat Jagaan Rumah Kesayangan (RUKESA) in Petaling Jaya.

The children of the orphanage were treated to an array of scrumptious delights for 'buka puasa'. Other than the usual nasi campur, the children were also treated with pizzas, chocolates and ice creams as a reward and encouragement for fasting during the holy month.

In celebrating Eid, KWAP presented gifts to each one of them a brand new baju raya, stationery set and cookies. Apart from that, cash donation which was raised by SPARC amongst the KWAP employees were donated to the orphanage to ease the burden of maintaining the home.

KWAP HIJABISTA MINI BAZAAR

Raya shopping was made more convenient and hassle-free when KWAP CSR team and SPARC co-organised the Hijabista@KWAP Mini Bazaar during the month of Ramadhan. The program was aimed to also support local online entrepreneurs by providing an avenue for them to promote their products offline as well as to meet their loyal customers.

Among the online fashion entrepreneurs who participated were Qalby Zahira, Azra Riqa Couture, Pesona Amanda, Twill Society, Gula Kapas Treats, Bangs and Naelofar Hijab which showcased various raya themed clothes and traditional raya cookies. Shoppers were also given fashion tips on muslimah wear for working women and the vendors demonstrated various styles of donning the hijabs.

GUEST SPEAKER AT EMPLOYERS' RETIREMENT COURSE

Due to overwhelming response from participants of the KWAP Financial Planning Seminars, several government agencies have requested for KWAP's speakers to conduct their retirement courses. This year, Md Hayrani bin Mireso from Fixed Income Department conducted a talk on Personal Financial Management and Investments at Dewan Bandaraya Kuala Lumpur, and the Economic Planning Unit, Prime Minister's Office.

In line with KWAP CSR's tagline of "Sharing Our Values", we are committed to fulfill requests to share our knowledge and expertise with everyone.

KWAP shared the joy

of Ramadhan and Syawal with the orphans and under privileged children of Pusat Jagaan Rumah Kesayangan (RUKESA) in Petaling Jaya.

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In line with KWAP CSR's tagline

Sharing Our Values, we are committed to fulfill requests to share our knowledge and expertise with everyone.

CORPORATE SOCIAL RESPONSIBILITY



Bursa Bull Charge

300 BOOKS

were collected and later donated to Sekolah Kebangsaan Salak in Sepang under the KWAP Adopt-a-Library program.

KWAP RUNNERS successfully completed

the run in the blazing hot sun and ranked first place under the Ministry Relay category and ranked at seventh place under the 2.5km Corporate Relay Run.

VISITS TO OLD FOLKS HOME

In December, KWAP visited the Rumah Ehsan Kuala Kubu Bharu, located in Hulu Selangor for the sixth time to spend some quality time with the residents. During the visit, KWAP took the opportunity to donate basic necessities, healthcare supplies as well as medical equipments. Each of the resident received a gift pack which was given during the bed to bed visit session and a lunch feast was held for the staff as a form of appreciation for their contribution and commitment to the well-being of the residents.

KWAP BOOK CHARITY DRIVE: BOOKS & BEYOND

As one of the means to enrich the community with knowledge, KWAP continued the "KWAP Book Charity Drive" project to increase literacy among children in rural areas, to develop a reading habit at the early age by providing learning materials and books to selected school to support the students' needs. A book bank was set up for KWAP's employees to show their support by donating used or new books. Over 300 books were collected and later donated to Sekolah Kebangsaan Salak in Sepang under the KWAP Adopt-a-Library program.

BURSA BULL CHARGE

As a caring corporate citizen, KWAP took part in The Bursa Bull Charge, a charity run organised by Bursa Malaysia which was held on 20 August 2015. KWAP was represented by a team which ran the 2.5km Corporate Relay Run and KWAP CEO participated in the 1.5km CEO Run. KWAP runners successfully completed the run in the blazing hot sun and ranked first place under the Ministry Relay category and ranked at seventh place under the 2.5km Corporate Relay Run. The runners were Addy Zulkifly bin Suhut of Portfolio Strategy Department, Md Hafidz bin Md Hamzah of Equity Department, Muhammad Azam bin Zakaria of Human Resources Department, and Nadiah binti Sukarno of Corporate Strategy and Performance Department. The proceeds of the charity run was donated to 8 selected NGOs.

FUN KIDS WITH KWAP: ENGLISH WORKSHOP

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

SEMINAR PERANCANGAN KEWANGAN UNTUK MASA HADAPAN

Another annual program organised by the team is the *Seminar Perancangan Kewangan Untuk Masa Hadapan* which was targeted at young executives as part of KWAP's continuous effort to promote financial literacy in the community. The 1-day program is aimed specifically at educating the young individuals on the importance to start financial planning early. It is also as a platform to initiate their road map in financial planning that includes their retirement.

Around 80 participants from 10 ministries, government departments and agencies namely, Ministry of Finance, Ministry of Energy, Green Technology and Water, Ministry of Federal Territories, SWCorp, Nuclear Malaysia and Universiti Teknologi MARA signed up for this CSR event.

For 2015, KWAP featured yet another internal talent – A. Fadil bin Abdul Majid from Fixed Income Department who talked about personal financial management and investment. The importance of having personal insurance coverage were also discussed during the seminar, conducted by a representative from the Life Insurance Association of Malaysia. A life coach was also invited to share insights on how to become a money magnet and highlighted the importance of being positive during her session.

FINANCIAL PLANNING RETIREMENT SEMINAR

CORPORATE SOCIAL

RESPONSIBILITY

On 17 November 2015, KWAP organised the annual Financial Planning for Retirement Seminar for future pensioners. Attended by 100 public service employees approaching pensionable age, the one-day seminar featured both internal and external speakers. KWAP's internal speaker, Md Hayrani bin Mireso, presented a topic on Personal Financial Management and Smart Investment for Retirement. Hajah Rohani binti Datuk Hj. Mohd Shahir from Hijrah Wealth Management shared her views on Financial Health Analysis, Debt Free Retirement and to sum up the day on a positive note, a well-known motivational speaker, Haji Hushim bin Haji Salleh from Hushim Motivational and Counselling Consultancy shared his insight on topic such as Life as a Retiree and Planning Your Lifestyle with the participants.

All KWAP's continuous CSR program had received positive and encouraging feedback from participants, hence KWAP aims to continue these programs by featuring new topics or speakers to entice new participants and new organisations to be part of these programs.



THE ONE DAY PROGRAM

educating the young individuals on the importance to start financial planning early. (P

KWAP'S CSR PROGRAM

had received positive and encouraging feedback from participants.

SAFETY AND HEALTH COMMITTEE

KWAP Safety and Health Committee was established to assist Management in maintaining a safe and healthy workplace. Its establishment was also to fulfil the requirements 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 Promotion Team (CPT) as well as the Policy and Procedure Team (PPT).

Several activities were carried out to enhance occupational safety and health practises in KWAP. Activities carried out in 2015 are as below:

TEAM	2015
Emergency Response Team (ERT)	 Updated list of First Aiders and Floor Wardens in the portal. Bought additional two units of blood pressure monitors and a unit of stretcher and inhalers. Conducted basic fire-fighting training.
Inspection and Investigation Team (IIT)	Conducted surprise office safety inspection.Scheduled First-Aid stock take.
Communication and Promotion Team (CPT)	 Made announcement of events related to Safety and Health events via email and intranet. Put up safety and health related posters. Distributed Vitamin C to all employees in the event of Heat Stroke.
Policy and Procedures Team (PPT)	Prepared draft policy on Safety and Health.



Fire Fighting Training





Surprise Office Safety Inspection

SPORTS AND RECREATIONAL CLUB

SECTION 05 OPERATIONS ACTIVITIES





PSKK

Futsal Open

BUREAU Sports

Bureau

Organised the SPARC Sports Carnival comprising several sports activities with the objective to encourage participation and involvement among SPARC members towards promoting a healthy lifestyle.

ACTIVITIES HELD IN 2015

REVIEW OF ACTIVITIES

OBJECTIVE OF 2015 PROGRAMS

NO.	SPORTS	DATE
1.	Badminton	15, 19 & 20 January 2015
2.	Volleyball	14 February 2015
3.	Bowling	7 March 2015
4.	Futsal	4 September 2015
5.	PSKK	26 November - 6 December 2015

GOING FORWARD IN 2016

The Bureau is committed to continue organising more sports activities to encourage a work-life balance environment among SPARC members.

SPORTS AND RECREATIONAL CLUB



DEVIEW OF ACTIV



Hiking Expedition

BUDEAU

Joran Kewangan

BUREAU	REVIEW OF ACTIVITIES
Recreational Bureau	OBJECTIVE OF 2015 PROGRAMS Organised outdoor activities to encourage higher participation from SPARC members.
	 ACTIVITIES HELD IN 2015 1. Organised a water rafting activity at Sungai Slim, Kuala Kubu Bharu, Selangor. 20 SPARC members participated in the 7km ride down the river.
	2. Organised the ATV Bike Challenge at Kemensah Heights, Ampang with 20 members participating in the half day activity.
	3. Organised Hiking Expedition at the <i>Hutan Rekreasi Gunung Nuang</i> , Selangor. The activity received 30 SPARC members as participants, as part of preparation to climb Mount Kinabalu, however, due to the earthquake in June 2015, the activity was canceled, for safety reasons.
	4. Participated in the <i>Bintang Kewangan</i> 2015 organised by MKSAKK on 5 December 2015 where our participant, Radzliana Noor binti Mohd Radzi won consolation prize.
	5. Participated in the <i>Joran Kewangan</i> 2015 organised by MKSAKK. 30 SPARC members participated where 2 participants, Zusiri bin Ibrahim and Thurairaj Gan Kim Chuan won consolation prizes.
	GOING FORWARD IN 2016
	The Bureau is committed to continue organising more outdoor activities to suit its member's interest.

SPORTS AND RECREATIONAL CLUB

SECTION 05 OPERATIONS ACTIVITIES



Donation for Nepal Earthquake Victims

Ihya Ramadan

BUREAU	REVIEW OF ACTIVITIES
Welfare Bureau	OBJECTIVE OF 2015 PROGRAMS Organised activities related to social responsibility and employee welfare.
	 ACTIVITIES HELD IN 2015 1. Organised Tahlil and Yassin recitation together with Zohor Prayer and <i>Solat Hajat</i> for the following employees that performed Haj:- Nik Amlizan binti Mohamed Siti Ilmiah Binti Ramli Uzair Bin Ali
	 "Ramadhan Countdown" "Ramadhan Countdown" through email to remind Muslim employees on the arrival of month of Ramadhan.
	3. Donation drive in conjunction with the month of Ramadhan 1436H.
	4. Collaborated with CSR to co-organise "Program Ihya Ramadan", with Ustaz Dato' Badli Shah bin Alaudin.
	5. Collaborated with CSR to co-organise "Program Berbuka Puasa Bersama" at Pusat Jagaan Rumah Kesayangan (Rukesa) and Baju Raya Sponsorship/Duit Raya under Kasih KWAP Program.
	6. Collaborated with CSR to initiate donation fund for Earth Quake in Nepal.
	7. Organised a talk by Ustaz Hariyanto Bin Rizal Rokman on "Israk Mikraj" followed by Zohor Prayer with all KWAP employees.
	8. Organised a talk by Ustaz Ahmad Bukhari Bin Ashaari on Zakat followed by Zohor Prayer with all KWAP employees.
	GOING FORWARD IN 2016 The Bureau will continue to organise more activities sessions throughout the year 2016, with the aim to encourage more employee participation.

SPORTS AND **RECREATIONAL CLUB**



Baking Class

rections (tats)

Let's Talk the Same Language More

BUREAU	REVIEW OF ACTIVITIES
ducation	OBJECTIVE OF 2015 PROGRAMS
Bureau	Educate SPARC members through several channels on essential skills.
	ACTIVITIES HELD IN 2015
	1. Guitar Classes
	Back by popular demand, classes were held once a week during the second and third quarter. These classes were conducted by 3 internal talents for 20 SPARC members.
	2. Baking Classes
	Two baking classes were conducted by an internal talent for over 40 SPARC members. They were taught on how to bake various types of brownies and were given tips on making scrumptious toppings.
	3. Survival and Motivational Talk
	Anita Yusoff was invited to share her experience and survival skills as Malaysia's first female solo rider to conquer Central Asi on a motorcycle. At the same time, she motivated our attendees on how to live our dreams and attain life's simple goals. The talk was attended by over 100 SPARC members.
	4. Mental Health Talk
	A life coach, Sharmini Hensen was invited to coach SPARC members on reaching out to others with different personalities by using the NLP approach. The talk called "Let's Talk The Same Language" was attended by 75 SPARC members, where they were segregated into groups and made to understand personalities of the group better.
	5. Knowledge Sharing Tips
	Throughout the year, the bureau also took the initiative to disseminate info-based emails to all SPARC members on parenting home decorating, cooking and fashion tips.
	GOING FORWARD IN 2016
	The bureau will continue to organise living and practical skills activities and lessons to encourage its members to become a wholesome person.

CORPORATE CALENDAR

ANNUAL REPORT 2015 RETIREMENT FUND INCORPORATED

> SECTION 05 OPERATIONS ACTIVITIES

EVENTS

09 JANUARY KWAP CEO Mandate

25 FEBRUARY Corporate Visit From ASCI, India

05 MARCH KWAP Chinese New Year Celebration

10 MARCH Corporate Visit from ASABRI, Indonesia



KWAP CEO Mandate



Visit by Delegates From ASCI, India



Chinese New Year Celebration



Visit from ASABRI, Indonesia



Conference on Islamic Wealth Management and Financial Planning



Graduan UKEC

26 MARCH

Conference on Islamic Wealth Management and Financial Planning

27 TO 29 MARCH Graduan's UKEC in London

22 APRIL

KWAP Annual Dinner

07 MAY

Corporate Visit by US Trade Representative, Ambassador Micheal Froman

20 MAY

Informational Talk on Integrity by Suruhanjaya Pencegahan Rasuah Malaysia



Annual Dinner



Visit by US Trade Representative



Information Talk

CORPORATE Calendar



Team Building



Corporate Visit by Delegates from Jamsostek



Employee Town Hall

22 TO 24 MAY Team Building in Melaka

09 JUNE Corporate Visit from Jamsostek BJPS, Indonesia

16 JUNE Employee Town Hall

31 JULY

Raya Gathering

04 TO 05 AUGUST Karnival Hari 1Pesara Peringkat Sarawak

30 SEPTEMBER

Corporate Visit by Deputy Minister of Finance, Datuk Johari bin Abdul Ghani

29 OCTOBER

Informational Talk by Kementerian Komunikasi dan Multimedia



Raya Gathering



Karnival Hari 1 Pesara



Corporate Visit by Deputy Minister of Finance



Information Talk



Aspiration Series Talk



Leadership Series Datuk Abdul Farid bin Alias

05 NOVEMBER Aspiration Series Talk by Brian Chen

16 NOVEMBER

Leadership Series by Datuk Abdul Farid bin Alias

25 NOVEMBER

Leadership Series with Puan Sri Tiara Jacquelina Eu Effendi

29 NOVEMBER - 6 DECEMBER Pesta Sukan Kementerian Kewangan



Leadership Series Puan Sri Tiara Jacquelina Eu







Corporate Visit by Minister of Australia



Corporate Visit by the Pension Department Sri Lanka

02 DECEMBER

Corporate Visit by Minister for Trade, Tourism, Major Events and Minister for Sport of New South Wales, Stuart-Ayres

09 DECEMBER Corporate Visit by The Pensions

Department of Sri Lanka

SPARC

29 JANUARY SPARC - Donation to Internal Flood Victims

27 FEBRUARY SPARC - Living My Dream Talk by Anita Yusof

19 MARCH SPARC - AGM 2015

28 APRIL SPARC CSR - Let's Talk The Same Language

26 MAY

SPARC CSR - Let's Talk The Same Language More

26 JUNE & 3 JULY SPARC - Baking Class



Donation to Internal Flood Victims

CORPORATE

CALENDAR



Living My Dream Talk



Let's Talk the Same Language More



Baking Class

CORPORATE CALENDAR

MANAGEMENT VISIT

18 JUNE

Management Visit to Bursa Malaysia Berhad

26 JUNE Management Visit to RHB Berhad

30 JUNE Management Visit to SapuraKencana Berhad

08 JULY Management Visit to CIMB Group Berhad

30 JULY Management Visit to Dayang Enterprise

05 AUG Management Visit to Sime Darby Group Berhad

14 AUG Management Visit to IOI Group Berhad

02 TO 04 SEPTEMBER Regional Visit to Thailand



CSR Tabung Bencana NST-Media Prima



CSR Natural Disaster Relief Mission



KWAP FreeMarket



07 JANUARY

Cheque Presentation to Tabung NSTP for Flood Victims

09 TO 11 JANUARY

CSR Natural Disaster Relief Mission 1st Batch

15 MARCH

CSR - FreeMarket at PPR Gombak

27 MAY CSR - Look Fabulous Session with Cute Carry

08 JUNE

CSR - Fit & Fab Freeletics Session with Amirul Agam

16 JUNE

CSR - A Plant To Give

24 JUNE

CSR - Ihya Ramadan by Dato' Badli Shah bin Alauddin



Look Fabulous Session



Fit & Fab Freeletics Session

08 JULY

CSR - Hijabista Mini Bazaar

04 AUGUST

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

20 AUGUST CSR - Bursa Bull Charge Run

22 AUGUST CSR - English Workshop at SK Salak







Ihya Ramadan



Hijabista Mini Bazaar



Visit to Old Folks



Bursa Bull Charge



English Workshop at SK Salak

03 SEPTEMBER

CSR - Financial Planning Seminar for KWAP Employees

17 OCTOBER

CSR - KWAP FreeMarket at PPR Lembah Subang

12 NOVEMBER CSR - English Workshop at SK Salak

17 NOVEMBER CSR - Financial Planning Seminar for Retirement



Financial Planning Seminar for KWAP Employees

CORPORATE

CALENDAR



KWAP FreeMarket at PPR Lembah Subang



English Workshop at SK Salak



Financial Planning Seminar for Retirement

Leadership & Jalent

SECTION 06

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151 The Voices of Contributing Employers

ORGANISATION CHART: CORPORATE STRUCTURE

Prima Ekuiti (UK) Limited

100% Holding

Investing in UK equity market

KWAP MIT

100% Holding

Investment holding company for property investment in Australia

Prima Harta (Jersey) Unit Trust

100% Holding

Investment holding company for property investment in UK

Valuecap Sdn. Bhd.

33.34% Holding

Asset management company



ORGANISATION CHART: ORGANISATION STRUCTURE



BOARD

SECTION 06 LEADERSHIP AND TALENT



TAN SRI DR. MOHD IRWAN SERIGAR ABDULLAH

Secretary General of Treasury, Ministry of Finance Chairman of the Board

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), Petroliam National Berhad (PETRONAS), Felda Global Ventures Holding Berhad (FGVH), Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) and Malaysia Deposit Insurance Corporation (PIDM). He is also the Chairman of Lembaga Hasil Dalam Negeri (LHDN), Cyberview Sdn. Bhd. and Malaysian Global Innovation and Creativity Centre (MaGIC).

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



DATUK MUHAMMAD BIN IBRAHIM

Bank Negara Malaysia Representative

Datuk Muhammad bin Ibrahim was reappointed as a member of the Board on 1 March 2013.

He is currently Deputy Governor of Bank Negara Malaysia. He is Fellow Chartered Banker at Asian Institute of Chartered Banker and a member of Bank Negara Malaysia's Monetary Policy Committee and Financial Stability 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. He holds a Post Graduate Diploma in Islamic Banking and Finance from the International Islamic University Malaysia and Masters from Harvard University, USA. He also completed the Advanced Management Program at Harvard Business School. He is a member of Malaysian Institute of Accountant.

BOARD



DATUK YEOW CHIN KIONG

Federal Government Representative

Datuk Yeow Chin Kiong was reappointed as a member of the Board on 1 March 2013.

He is the Director of Post Service Division, Public Services Department. 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' CHE PEE BIN SAMSUDIN

Federal Government Representative (Appointed on 15 February 2015)

Dato' Che Pee bin Samsudin was appointed as a member of the Board on 15 February 2015.

He is currently the Accountant General of Malaysia. He holds directorship in Amanah Raya Berhad and Malaysian Accounting Standard Board. He began his career as an Accountant in the public sector in 1982. His extensive experience includes serving at various government divisions including Ministry of Finance, Langkawi Developement Authority (LADA), Malaysian Institute of Islamic Understanding (IKIM), Economic Planning Unit in Prime Minister's Department and Perbendaharaan State of Kedah.

He holds a Bachelor Honours Degree in Accounting and is a Chartered Accountant of the Malaysian Institute of Accountants.

BOARD

SECTION 06 LEADERSHIP AND TALENT



DATO' SIOW KIM LUN

Private Sector Representative

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, Sunway Construction Group Berhad, Eita Resources Berhad, Hong Leong Assurance Berhad and Mainstreet Advisers Sdn. Bhd. He is also a Commission Member of the Land Public Transport Commission.

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



DATO' AZMI BIN ABDULLAH

Private Sector Representative

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 also a Director of Amanah Raya Berhad, Ireka Corporation Berhad, Transnational Insurance Brokers Sdn. Bhd., ECS Solution Sdn. Bhd., APFT Berhad and UKM Holding Sendirian Berhad.

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

BOARD



DATO' DR. GAN WEE BENG

Private Sector Representative

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

He was the Advisor of CIMB Group, a position he has held since 2012 until his retirement in 2015. 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, 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 holds a Bachelor's and Masters' degree in Economics from the University of Malaya and obtained his PhD from the University of Pennsylvania, USA.



DATUK AZIH BIN MUDA

Contributor Representative

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).

BOARD

SECTION 06 LEADERSHIP AND TALENT



ENCIK WAN KAMARUZAMAN BIN WAN AHMAD

Chief Executive Officer Ex-Officio

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

DATUK DR. SUNDARAN ANNAMALAI

Ministry of Finance Representative (Appointed w.e.f 1 July 2015 and resigned w.e.f 16 December 2015)

Datuk Dr. Sundaran was appointed to the Board on 1 July 2015.

He was previously the Deputy Secretary General (Policy), Ministry of Finance. Before assuming the post, he was previously the Director, National Strategy Unit, Ministry of Finance. Prior to Ministry of Finance, Datuk Dr. Sundaran had served in the World Bank, Washington DC as the Executive Director for SEA Group and served in the Ministry of the Public Enterprises before joining the Ministry of Finance.

He holds a B.Sc. Ed. (Hons), Physics/Mathematics from University Science Malaysia, Diploma in Public Management, INTAN, LLB (Hons) from University London, Certificate in Legal Practice from University Malaya, MBA (Finance) from Michigan State University, USA and PhD. From International Christian University, Tokyo, Japan.

He resigned as KWAP's Board Member on 16 December 2015 due to his appointment as the Secretary General of Ministry of Plantation Industries and Commodities.

INVESTMENT PANEL



DATO' MOHAMMED AZLAN BIN HASHIM

Chairman of Investment Panel

Dato' Mohammed Azlan bin Hashim was reappointed as a member of the Investment Panel on 1 March 2013 and being appointed as the Chairman of Investment Panel of KWAP on 1 June 2015.

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 serves as an Investment Panel member of Employees Provident Fund.

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 AHMAD BADRI BIN MOHD ZAHIR

Ministry of Finance Representative

Datuk Ahmad Badri bin Mohd Zahir was appointed as Investment Panel of KWAP on 1 May 2014.

He is currently the Secretary of Strategic Investment Division, Ministry of Finance. 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, Employees Provident Fund, Kuala Lumpur International Airport Berhad, Danalnfra Nasional Berhad, Corporate Debt Restructuring Committee (CDRC) – BNM and Johor Corporation.

He 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. 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 Masters in Business Administration from University of Hull, United Kingdom.





CIK CHE ZAKIAH BINTI CHE DIN

INVESTMENT

PANFI

Public Sector Representative

Cik Che Zakiah Binti Che Din was re-appointed as a member of KWAP's Investment Panel on 1 March 2013 under Section 7(2)(b) as representative from Central Bank of Malaysia. Vide the Gazette of Retirement Fund (Amendment) Act, 2015 (Act A1496), Section 7(2)(b) of Act 662 has been deleted and representative from Central Bank of Malaysia has been removed. Hence, she was reappointed under the amended Section 7(2)(e) as the representative from public sectors with experience and expertise in business, investment, banking and finance on 21 October 2015.

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

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



DATUK ABDUL FARID BIN ALIAS

Private Sector Representative

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





ENCIK CHEAH TEK KUANG

Private Sector Representative

Encik Cheah Tek Kuang was re-appointed as a member of KWAP's Investment Panel on 1 March 2013.

He is currently a board member of Cagamas Holdings Berhad, IOI Corporation Bhd, UMW Oil & Gas Corporation Berhad, Eco World International Berhad, Ara Managers (Harmony III) Sdn Bhd, 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.



ENCIK JOHARI BIN ABDUL MUID

Private Sector Representative

Encik Johari Bin Abdul Muid was appointed as a member of the Investment Panel under Section 7(2)(e) on 15 October 2015 to fill the vacancy due to the appointment of Dato' Mohammed Azlan Hashim as the Chairman of Investment Panel.

He is currently a Board Member of Nomura Asset Management Malaysia Sdn. Bhd. and Nomura Islamic Asset Management Malaysia Sdn. Bhd. He started his career in investment at CIMB Bank Berhad as Head of Treasury, he then joined CIMB Securities Sdn. Bhd. as the Senior Vice President for Institutional Sales. After serving CIMB for 20 years, he then joined Valuecap Sdn. Bhd. as the Chief Investment Officer for a year before joining the Employees Provident Fund (EPF), as the Chief Investment Officer. He was promoted and became the Deputy CEO for Investment Division and later became the Deputy CEO of Pension Policy and Corporate Planning. After 8 years of serving the EPF, he left to join RHB Bank Berhad as the Chief Executive Officer and retired in 2013. He was an Associate Member of the Chartered Institute of Management Accountant, United Kingdom in 1997.





ENCIK WAN KAMARUZAMAN BIN WAN AHMAD

INVESTMENT

PANEL

Chief Executive Officer Secretary

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

TAN SRI DR. MOHD IRWAN SERIGAR ABDULLAH

Secretary General of Treasury, Ministry of Finance Resigned as Chairman on 31 May 2015

Tan Sri Dr. Mohd Irwan Serigar bin Abdullah was reappointed as Chairman of the Board and Investment Panel on 1 March 2013. He resigned as the Chairman of Investment Panel on 31 May 2015.

BOARD COMMITTEES

AUDIT COMMITTEE



From Left to Right Dato' Azmi bin Abdullah (Chairman), Dato' Siow Kim Lun, Dato' Dr. Gan Wee Beng, Dato' Che Pee bin Samsuddin

RISK MANAGEMENT COMMITTEE



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



BOARD COMMITTEES



From Left to Right Dato' Siow Kim Lun (Chairman), Dato' Mohammed Azlan bin Hashim, Encik Cheah Tek Kuang, Encik Wan Kamaruzaman bin Wan Ahmad

TENDER COMMITTEE



From Left to Right Datuk Dr. Sundaran Annamalai (Chairman, not in picture), Datuk Yeow Chin Kiong, Encik Wan Kamaruzaman bin Wan Ahmad

SENIOR MANAGEMENT



NIK AMLIZAN BINTI MOHAMED

Chief Investment Officer

She has over 20 years of experience in the fund management industry. Prior to joining KWAP, she was the Head of Equity for RHB Asset Management Sdn. Bhd.

She is a Board member of Prima Ekuiti (UK) Limited and i-VCAP Management Sdn. Bhd. She is also an Investment Committee member of Metropolitan Retail JV (Jersey) Unit Trust.

She obtained her Bachelor's Degree in Economics from Claremont McKenna College, USA.

2. NIK AHMAD FAUZAN BIN NIK MOHAMED Chief Operating Officer

He has 23 years of experience in conglomerates and financial industry. Prior to joining KWAP, he was the Group Head Corporate Services of Pos Malaysia Berhad.

He obtained his degree in Bachelors of Accountancy, George Washington University, USA and MBA in Finance and Investments, from the same institution.

? ZALMAN BIN ISMAIL

J. Director of Alternative Investment Department

He has 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 is a Board member of Jambatan Kedua Sdn. Bhd., Munchy Food Industries Sdn. Bhd. and an Alternate Director of Malakoff Corporation Berhad.

He graduated with BBA Finance (Honours: Magna Cum Laude) from Eastern Michigan University, USA.

AZMEEN BIN ADNAN Director of Fixed Income Department

He has 19 years of experience in the banking and asset management industry having covered the areas of investment, treasury, sales and product development. Prior to his current position, he was the Chief Executive Officer of Maybank Islamic Asset Management Sdn. Bhd.

He is a Member of Persatuan Pasaran Kewangan Malaysia. He obtained his BSc in Business Administration, University of Denver in Colorada, USA.

🗲 ISMAIL BIN ZAKARIA

Director of Corporate Strategy and Performance Department

He has 16 years of experience in financial and corporate strategy specialising in business transformation. Prior to KWAP, he served at Sime Darby Berhad.

Currently Chairperson of Governance & Policy Working Group, Institutional Investor Council.

He obtained his Bachelor of Commerce (Accounting & Finance) from University of New South Wales, Australia.



She has 17 years of experience as sell-side research analyst covering various sectors on the domestic and global landscape. Sectors specialisation includes oil & gas, utilities, telecommunications, consumer products, automotive, commodities and Islamic finance industry.

She obtained her BA (Hons) Financial Economics from Coventry University, UK and MBA (Strategic Management) from Universiti Teknologi Malaysia. Currently completing Masters in Islamic Finance Practise at INCEIF.
SENIOR MANAGEMENT

SECTION 06 LEADERSHIP AND TALENT



NAZAIFUL AFFENDI BIN ZAINAL ABIDIN

Director of Portfolio Strategy Department

He has 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 an economist with the Securities Commission.

He graduated with a BBA (Hons) in Finance/Economics, International Islamic University Malaysia and obtained a MBA Finance from the same institution. He attended 4th ASEAN Senior Management Development Program held in June and July 2011.

KHAIRUL AZWA BIN KAMALUL BAHRIN

8. Director of Risk Management and Compliance Department

He has 23 years of experience in risk management and banking. Prior to joining KWAP, he was with OCBC Bank (Malaysia) Berhad.

He obtained his LL.B (Hons) from University of Liverpool, UK and MBA Management, University of Wales, Cardiff, UK. He is also a Financial Risk Manager (FRM), Global Association of Risk Professionals

MD SAFFI BIN NADZIR (K.M.N) 9

Director of Contribution Department

He has 26 years of experience as an accountant. Prior to joining KWAP, he served in several government departments and Statutory Bodies.

He graduated with Bachelor's Degree in Accounting, Universiti Teknologi MARA and obtained an MBA, Universiti Utara Malavsia. He is a Chartered Accountant with the Malavsian Institute of Accountants.

AMBALAGAM R. MARAPPAN

Director of Investment Support Services Department

He has 33 years of experience as an accountant. Prior to joining KWAP, he has served in several divisions and branches of Accountant General's Deparment.

He obtained his Bachelor's Degree (Hons) in Accounting from University of Malaya and MBA (Finance and International Studies) from the same institution. He is a Chartered Accountant with the Malaysian Institute of Accountants Associate and member of HBSACM (Harvard Business School Alumni Club of Malaysia).

TAI KIM FONG

Director of Information Technology Department

He has over 26 years of IT experience in the financial industry. Prior to joining KWAP, he was the Head of Group IT at MIDF Berhad.

He graduated with a Bachelor of Science (Computer Science & Economics) from Iowa State University, USA. He is also a certified Business Continuity Certified Expert (BCM Institute), COBIT Foundation (ISACA).

SITI ILMIAH BINTI RAMLI L. Director of Human Resource Department

She has 20 years of experience as a legal practitioner in a non profit organisation and human resource practitioner in local and foreign organisations in Malaysia. Prior to this, she had served in Maybank Berhad.

She graduated with LL.B (Hons) from University of London, UK and Certificate of Legal Practice, Legal Profession Qualifying Board, Malaysia.

SYED ALI HAIDAR BIN SYED SHAHABUDDIN 3. Director of Legal and Secretarial Department

He has 20 years of experience in legal practice. Prior to joining KWAP, he was the Head of Legal in KAF Investment Bank Berhad.

He graduated with LL.B (Hons) from University of Glamorgan, Wales, United Kingdom and Certificate of Legal Practice, Legal Profession Qualifying Board, Malaysia,

KEY Personnel

NAME	POSITION	ACADEMIC QUALIFICATION		
A. Fadil Bin Abdul Majid	Vice President	Certified Islamic Finance Professional, INCEIF		
	Fixed Income Department	Chartered Accountant, Malaysian Institute of Accountant (MIA)		
		B.A. (Hons) Accounting, International Islamic University Malaysia		
Abdul Razak Bin Jabar	Vice President Information Technology	Bachelor of Information Technology (Information Systems), Charles Sturt University, Australia		
	Department			
Addy Zulkifly Bin Suhut	Vice President	CFA		
	Portfolio Strategy Department	MBA (Finance), International Islamic University Malaysia		
		B.Sc Economics, University of London, UK		
Ahmad Zahir Bin Mohd Tabri	Vice President Fixed Income Department	Bachelor Science of Business Administration (Management Science), University of Illinois at Urbana-Champaign, USA		
Afizah Binti Mustafa	Vice President	MBA, Universiti Utara Malaysia		
	Fixed Income Department	Chartered Accountant, Malaysian Institute of Accountant (MIA)		
		B.Acct (Hons), Universiti Utara Malaysia		
Dr. Amirah Binti Muhamad Nor	Vice President	PhD (Accountancy), Universiti Teknologi MARA		
	Pension Services	MBA (Accountancy), University of Malaya		
	Department	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, USA		
	Corporate Strategy and			
Azlida Mazni Binti Arshad	Performance Department Vice President	Admitted to the Malaysian Bar		
Azilua mazili biliti Alsilau	Legal and Secretarial			
	Department	LLB (Hons) International Islamic University Malaysia		
Elwan Fonso Bin Itam Wali	Vice President	Chartered Accountant, Malaysian Institute of Accountant (MIA)		
	Investment Support Services Department	B.A. (Hons) Accounting, Universiti Putra Malaysia		
Hazri Bin Zan Abu Kassim	Vice President	MBA (General Management), Universiti Kebangsaan Malaysia		
	Human Resource	BBA (Management) Midwestern State University, Texas, USA		
Komariah Dinti Charali	Department Vice President	MCa (Appaultance) Oldahama City University UCA		
Kamariah Binti Ghazali	Vice President Pension Services	MSc (Accountancy), Oklahoma City University, USA		
	Department	Chartered Accountant, Malaysian Institute of Accountant (MIA)		
		BA (Hons) Accountancy, Universiti Kebangsaan Malaysia		
Mazrina Binti Mohd Mokhtar	Vice President Contribution Department	LLB (Hons) Law, University of East London, UK and Certificate in Legal Practice (CLP)		
		Currently Completing Chartered Islamic Finance Professional (CIFP), INCEIF		
Md Hayrani Bin Mireso	Vice President	MBA (Finance), International Islamic University Malaysia		
	Fixed Income Department	Chartered Accountant, Malaysian Institute of Accountant (MIA)		
		B.A. (Hons) Accounting, Universiti Kebangsaan Malaysia		

KEY Personnel

SECTION 06 Leadership And talent

NAME	POSITION	ACADEMIC QUALIFICATION
Md Hafidz Bin Md Hamzah	Vice President	Bachelor of Business Administration (Finance), Western Michigan University, USA
	Equity Department	
Mohamad Shafik Bin	Vice President	MBA (Finance), Graduate of School Management, Universiti Putra Malaysia
Badaruddin	Equity Department	B.A. (Hons) Syariah & Economics, University of Malaya
Mohamed Khabir Reeza	Vice President	Pasaran Kewangan Malaysia Certificate
Mustaffa	Fixed Income Department	BBA Finance, Universiti Teknologi MARA, Malaysia
Mohd Faizal Mohd Yusof	Vice President	CPA Australia
	Corporate Strategy and Performance Department	Bachelor of Business (Accountancy), Royal Melbourne Institute of Technology (RMIT)
Mohd Isa Bin Ibrahim	Vice President	MBA Applied Finance & Investment, Universiti Kebangsaan Malaysia
	Equity Department	BBA Finance, Universiti Teknologi MARA, Malaysia
Mohd Zul-Etfi Bin Md Noh	Vice President	Certified Information Technology Information Library
	Information Technology Department	Certified PRINCE2
	σεραιτιτεπι	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
	Risk Management and	Bachelor of Science in Business Administration (Finance & Economics),
	Compliance Department	New York University, USA
Mushida Binti Muhammad	Vice President	Bachelor of Science in Business Administration (Accounting),
	Equity Department	The California State University, USA
		American Associate Degree, Midwest University Consortium
		International Association
Muzafar Ibrahim Bin Abdul	Vice President	Certificate of Company Secretarial Practice
Muttalip	Equity Department	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
	Accounts and Management Services Department	Bachelor of Business (Accounting and Finance), Monash University, Australia
Ng Soh Khin	Vice President	Certified Member of PMP
	Information Technology	Bachelor of Computer Science, University Putra Malaysia
	Department	
Norani Binti Mustapha	Vice President	Masters in Real Estate, University Malaya
	Alternative Investment	Bachelor Science (Hons) in Estate Management,
	Department	Northumbria University at Newcastle, UK
Nozaimi Bin Mohd Nasir	Vice President	Bachelor of Accountancy, University of Exeter, UK
	Equity Department	

KEY Personnel

NAME	POSITION	ACADEMIC QUALIFICATION
Norjehan Binti Sahak	Vice President Human Resource Department	Bachelor Sc. Human Resource Development, Universiti Putra Malaysia
Nor Faridah Binti Mohd Amin	Vice President Corporate Affairs Department	Bachelor in Business Administration (Hons) Marketing, University of Technology, MARA, Shah Alam
Saifulbahri Bin Hassan	Vice President Alternative Investment Department	Master in Management, International Islamic University Malaysia Bachelor of Arts (Economics), University of Missouri-Kansas City, USA
Sendi Anak Tan	Vice President Portfolio Strategy Department	B. Sc. Economics, London School of Economics, UK
Shariz Bin Puteh	Vice President Internal Audit Department	Certified Financial Services Auditor (CFSA), Institute of Internal Auditors Bachelor of Arts (Accounting & Financial Management), University of Essex, UK
Sufian bin Abdullah	Vice President Alternative Investment Department	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 Accounts and Management Services Department	B.A. (Hons) Accountancy, University of Malaya
Taufiq Iskandar Jamingan	Principal Officer Prima Ekuiti (UK) Limited	CFA LLB (Hons) London School of Economics and Political Science, UK
Teh Hartini binti Mohamad	Vice President Equity Department	Graduate Diploma of Applied Finance, Securities Institute of Australia Bachelor in Business Administration (Hons) Finance, UNITEN
Zulazuan bin Pilus	Vice President Pension Services Department	Admitted to the Malaysian Bar LLB (Hons) International Islamic University Malaysia

TALENT MANAGEMENT: HIGH PERFORMANCE CULTURE

SECTION 06 LEADERSHIP AND TALENT



KEY HUMAN RESOURCE FOCUS IN 2015

Consistent with Malaysia's focus to attain the status of becoming a developed country and achieve the status of a high income nation by the year 2020, KWAP embarked on the following human resource objectives.

- To contribute to the Nation's talent development;
- To strengthen our succession plans;
- To instil employee engagement culture;
- To become a knowledge focused organisation.

TALENT SOURCING

Like many organisations, KWAP also has its fair share of challenges when it comes to talent acquisition and sourcing due to the shortage of available talents. However KWAP managed to fill two high level critical positions, namely the position of Chief Operating Officer as well as the Head of Legal and Secretarial.

Apart from commendable academic qualifications from reputable universities, KWAP also believes that recruiting talents with the right attitude and culture fit is key. Hence those with attractive personalities, creative thinkers and possess diverse skill sets are much sought after as these talents are also able to inject the workforce with more energy, passion and vibrancy, which will bring KWAP to the next level.

TALENT MANAGEMENT AND DEVELOPMENT

Realising that the nation is impeded by not only the shortage of talent, but also by the lack of competent and skilled employees, KWAP rolled out and incorporated its KWAP Leadership and Functional Competencies into all HR practices including recruitment, learning and development, promotion and upgrading, as well as performance management. This ensured clarity in terms of expectations required in terms of skills, capabilities and behaviours, as well as enabling us to identify and bridge the critical gaps and focus on employees development. For the employees, it enables them to make their career opportunities and aspirations more visible.

SUCCESSION PLANNING

KWAP's efforts to build its talent and leadership pipeline continued aggressively in 2015 as the aim is to reach a 1:2 ratio for each critical position and identify potential successors. As part of the initiative to achieve the ratio and to minimize the gaps between the incumbent and potential successor, most talent pool candidates have embarked on a structured leadership program and some have also been placed on a coaching program.

For potential talent pool candidates, a structured business leadership program has been designed which aims to identify and discover future emerging leaders that meet KWAP's needs and behavioural competencies. Identified potential talents will then undergo further developmental programs in order for them to realise and discover their potential and ultimately meet KWAP's ratio of potential successors. SECTION 06 LEADERSHIP AND TALENT

TALENT MANAGEMENT: HIGH PERFORMANCE CULTURE



KWAP YOUNG TALENT PROGRAM

KWAP began the year with our second participation at the UKEC - Graduan Career Fair in London in pursuit of sourcing for a continuous supply of bright young talents to join our KWAP Young Talent Program. With the intention of nurturing and grooming these young talents to become future leaders and experts in KWAP, these talents also form part of KWAP's talent pool and succession plans.

The KWAP Young Talent (KYT) recruited from the United Kingdom began with 9 young talents in 2014 and have steadily grown to 18 talents in 2015. Not to overlook young talents from within the organisation, KWAP also embarked on an internal KYT Program to enable existing employees within the organisation that fulfil the criteria and standards set by the Management to be placed on the program. This allows the employee to further grow and develop in their areas of interest while attaining new skills and diverse experiences.

COACHING AND MENTORING CULTURE

Performance management and KPI measurements are essential to manage the performance and development of our employees. However KWAP is also mindful of the changing trends on the traditional performance management process. While the performance management mechanism largely remains the same, we have also diversified and have changed our emphasis towards focusing on the development of the employee through continuous coaching and mentoring. There has been an increase in the coaching and mentoring culture throughout the organisation with more employees being placed on the program.

EMPLOYEE ENGAGEMENT INITIATIVES

Employee engagement initiatives remains a key activity throughout 2015. The highlights would include the annual Teambuilding and Retreat which was a 2-day 3-night event in historical Melaka which was aptly themed "Igniting our Culture through our Values".

Other activities include OSHA Awareness Programs, Talks on Managing Multi-Generational Workforce and Leadership in the 21st Century and various other internal contests and competitions.

Employees' welfare are also taken care of through the introduction of flexi work arrangements and shuttle service for employees to ease their transportation woes to work.

HR FUNCTIONS AND SHARED SERVICES PLATFORM

KWAP had its fair share of transforming HR practices to be more aligned towards the business needs and the changing work environment. Enhancements were made to the existing Human Resource Information System and efforts are also underway to progress towards a more sophisticated and robust system to cater to the increasing HR analytic needs. In an attempt to focus more on employee development and engagement initiatives, HR functions which are routine are currently being assessed on the viability of being outsourced. Amongst the HR functions that have been outsourced include the medical benefits administration as well as the payroll administration for our employees on secondment from the government.

KWAP has also initiated a shared services HR platform with the setting up of the Pension Services Department in Putrajaya. This move is aimed towards ensuring harmonisation and standardisation in all HR services and policies.

TALENT MANAGEMENT: HIGH PERFORMANCE CULTURE

SECTION 06 LEADERSHIP AND TALENT



SECTION 06 LEADERSHIP AND TALENT

THE VOICES OF KWAP YOUNG TALENTS



Leon Lee Chee Fai KYT Batch 2014/2015 Currently Attached to Research Department as Analyst

What is the project about?

During my management trainee program under Equities, I was assigned to formulate an investment recommendation report on a country.

What challenges did you face?

I was convinced that in order to produce an outstanding presentation, I have to provide my investment reviews from all possible perspectives. Hence, I faced difficulties in apportioning a vast amount of information within a constrained allocated time.

How did you overcome them?

In order to hasten progress with efficiency, I took up the role as leader to delegate duties to both myself and my colleague.

What results did you achieve?

I received rave reviews after the presentation. Subsequently, the Equity Research department was officially working on the specific country's stock inclusion and I later understood that my presentation had given the fund managers the confidence to invest in that country.



Lydia Shalini Miller KYT Batch 2015/2016 Currently Undergoing Department Rotation

What is the project about?

My project involved assisting the company in designing and building an asset allocation model that would maximise its return on investments in fixed income.

What was the problem needed to be addressed?

The problem to tackle was deciding how much of the company's pension fund size allocated to fixed income asset class – considering historical data and running of tests on the best possible combination of macro-economic factors in our investment pillars, that would give the best return in country specifics.

What was the goals or hopes for outcomes?

Main aim to achieve was to provide a constructive advice to fund managers on which economies are most feasible, relative to a certain benchmark and to minimise the risk on investments.

What results did you achieve?

Apart from honing my analytical skills, I was able to meet the expectations of the project.

What have you learned from working on this project?

As an analyst, I learned how to integrate information from multiple resources, the importance of collaborating with others on work activities as well as having the ability to engage in process of problem solving.

THE VOICES OF CONTRIBUTING EMPLOYERS

SECTION 06 LEADERSHIP AND TALENT



Alina binti Ariffin Accounts Officer Universiti Teknologi Mara (UiTM)

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Selamah binti Abdullah Assistant Administrative Officer Majlis Agama Islam Negeri Pulau Pinang (MAINPP)

Share with us your experience in dealing with KWAP and how KWAP has supported your organisation.

All dealings with KWAP has been very smooth, feedback given by KWAP employees were very prompt.

Through your experience dealing with KWAP in managing your pension contribution, in what aspect do you think we should improve to serve you better?

Receipt of payment was issued immediately without having to wait for the next billing date.

Briefly share with us the level of customer satisfaction with our service in managing pension contribution.

We are very pleased with the services provided by KWAP in managing monthly pension contribution for MAINPP.

Through your experience dealing with KWAP in managing your pension contribution, in what aspect do you think we should improve to serve you better?

Based on our experience with KWAP, we at MAINPP feel that KWAP has to further improve its portal to allow easier access.



Norli Hj Kasim Chief Accountant Majlis Amanah Rakyat

Briefly share with us the level of customer satisfaction with our service in managing pension contribution.

So far, our staff are satisfied with the service that KWAP has provided us in managing pension contribution.

Through your experience dealing with KWAP in managing your pension contribution, in what aspect do you think we should improve to serve you better?

In my opinion, KWAP should send out pension contribution statement of employee and staff portion as part of our record which can be emailed or posted to contributors.

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Maizatul Hanisa M. Isa Accountant Majlis Perbandaran Ampang Jaya

Briefly share with us the level of customer satisfaction with our service in managing pension contribution.

Satisfaction level is 8/10.

Through your experience dealing with KWAP in managing your pension contribution, in what aspect do you think we should improve to serve you better?

I would like to suggest that KWAP has a social media account to show its activities with contributors/employees, conduct an event as a medium for pension contributors to interact with KWAP as well as the possibility of publishing an e-newsletter.



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SECTION 07 FINANCIAL STATEMENTS



REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE RETIREMENT FUND (INCORPORATED) FOR THE YEAR ENDED 31 DECEMBER 2015

Report on the Financial Statements

I have audited the accompanying Financial Statements of Retirement Fund (Incorporated) and the Group, which comprise the Statement of Financial Position as at 31 December 2015 and Statement of Profit or Loss and Comprehensive Income, Statement of Changes In Reserves and Statement of Cash Flows for the year then ended, 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 approved financial reporting standards in Malaysia and the Retirement Fund Act 2007 (Act 662). The Board is also responsible for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of Retirement Fund (Incorporated) and the Group as at 31 December 2015 and their financial performance as well as cash flows for the year then ended in accordance with 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 the financial statements of the subsidiary companies that have been consolidated with Retirement Fund (Incorporated)'s Financial Statements are in appropriate form and content for the purposes in the preparation of the financial statements. I have received satisfactory information and explanations required 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 HAJI AMBRIN BIN BUANG) AUDITOR GENERAL MALAYSIA

PUTRAJAYA 05 MAY 2016



STATEMENT BY THE CHAIRMAN AND A MEMBER OF THE BOARD OF KUMPULAN WANG PERSARAAN (DIPERBADANKAN)

SECTION 07 FINANCIAL STATEMENTS

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 Statement of Financial Position, Statement of Profit or Loss and Comprehensive Income, Statement of Changes in Reserves and Statement of Cash Flows together with the Notes to the 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 2015 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 : 26 APRIL 2016
- Venue : Putrajaya

Signed on behalf of the Board,

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Name : Dato' Azmi bin Abdullah Title : Member of the Board Date : 26 APRIL 2016

Venue : Kuala Lumpur

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 Statement of Financial Position, Statement of Profit or Loss and Comprehensive Income, Statement of Changes in Reserves and the Statement of Cash Flows 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.

RY DECLAR

BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF

KUMPULAN WANG PERSARAAN (DIPERBADANKAN) 2015

Subscribed and solemnly declared	
By the above named	
At Kuala Lumpur	
On 26 APRIL 2016	

Before me,



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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

SECTION 07 FINANCIAL STATEMENTS

		GROU	JP	KWAP	
		2015	2014	2015	2014
	NOTE	(RM'000)	(RM'000)	(RM'000)	(RM'000)
NON-CURRENT ASSETS		0.004	7.000		7.054
Furniture And Equipment	4	6,064	7,339	5,709	7,054
Investment Properties	4	6,820,551	4,969,955	1,185,757	-
Investments	5	106,225,846	100,678,668	106,225,846	100,678,668
Investment In Subsidiaries	6	-	-	3,827,414	2,681,131
Investment In Associates	7	158,152	114,931	86,670	86,670
		113,210,613	105,770,893	111,331,396	103,453,523
CURRENT ASSETS					
Loans To Subsidiaries And Associates	8	10,000	10,000	704,294	643,253
Trade Debtors	9	1,372,195	1,296,564	1,395,088	1,326,836
Other Debtors	10	90,881	78,682	78,093	75,438
Deposits And Prepayments	11	22,218	28,141	20,903	22,559
Cash And Cash Equivalents	12	6,269,087	4,412,942	5,366,668	4,320,266
		7,764,381	5,826,329	7,565,046	6,388,352
CURRENT LIABILITIES					
Trade Creditors	13	492,176	472,699	466,806	371,347
Other Creditors	14	27,699	64,503	9,428	4,695
Accrued Expenditures	15	201,875	56,573	47,713	33,693
		721,750	593,775	523,947	409,735
NET CURRENT ASSETS		7,042,631	5,232,554	7,041,099	5,978,617
NET CONNENT ASSETS		120,253,244	111,003,447	118,372,495	109,432,140
FINANCED BY:					
Allocation Of Statutory Funds	16	24,601,944	24,101,944	24,601,944	24,101,944
Pension Contributions	17	43,447,835	40,671,410	43,447,835	40,671,410
Reserves		50,074,267	44,379,461	50,322,716	44,658,786
		118,124,046	109,152,815	118,372,495	109,432,140
NON-CURRENT LIABILITIES					
Borrowings	18	2,129,198	1,850,632	-	-
		120,253,244	111,003,447	118,372,495	109,432,140

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

		GROUP		KWAP	
	NOTE	2015 (RM'000)	2014 (RM'000)	2015 (RM'000)	2014 (RM'000)
Gross Investment Income	19	6,567,828	5,737,291	6,238,741	6,474,527
Allowance For Diminution		(493,614)	(709,051)	(493,614)	(709,051)
Impairment Of Investments		(1,845,795)	(840,873)	(1,845,795)	(840,873)
Net Investment Income		4,228,419	4,187,367	3,899,332	4,924,603
Non-Investment Income		39,558	51,001	5,502	31,724
		4,267,977	4,238,368	3,904,834	4,956,327
Operating Expenditures	20	(482,525)	(307,400)	(193,616)	(120,907)
Operating Profit		3,785,452	3,930,968	3,711,218	4,835,420
Taxation		(1,522)	(738)	-	-
Operating Profit After Tax		3,783,930	3,930,230	3,711,218	4,835,420
Share Of Profit Of Equity Accounted Associate,					
Net Of Tax		37,316	74,401	-	-
Net Income		3,821,246	4,004,631	3,711,218	4,835,420

SECTION 07

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 DECEMBER 2015

		GROUP		
	FOREIGN			
	EXCHANGE		NON-	
ED	TRANSLATION	REVALUATION	CONTROLLING	
US	RESERVE	RESERVE	INTEREST	TOTAL

	ACCUMULATED Surplus	TRANSLATION RESERVE	REVALUATION RESERVE	CONTROLLING Interest	TOTAL
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
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
Balance As At 1 January 2015	43,598,398	779,377	-	1,686	44,379,461
Net Income For Current Year	3,821,246	-	-	-	3,821,246
Current Year Distributions	(152,484)	-	-	-	(152,484)
Revaluation Charge For The Year	-	-	(291)	-	(291)
Unrealised Gain On Foreign Exchange	-	2,020,139	-	-	2,020,139
Reserves On Consolidation Of Associates	-	-	-	6,196	6,196
Balance As At 31 December 2015	47,267,160	2,799,516	(291)	7,882	50,074,267

			KWAP		
	ACCUMULATED Surplus	FOREIGN EXCHANGE TRANSLATION RESERVE	REVALUATION RESERVE	NON- Controlling Interest	TOTAL
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
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
Balance As At 1 January 2015	43,897,381	761,405	-	-	44,658,786
Net Income For Current Year	3,711,218	-	-	-	3,711,218
Unrealised Gain On Foreign Exchange	-	1,952,712	-	-	1,952,712
Balance As At 31 December 2015	47,608,600	2,714,117	-	-	50,322,716

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

		GROUP		KWAP	
	NOTE	2015 (RM'000)	2014 (RM'000)	2015 (RM'000)	2014 (RM'000)
CASH FLOW FROM OPERATING ACTIVITIES					
Operating Profit Before Tax		3,822,769	4,005,369	3,711,218	4,835,420
Adjustment For:					
Depreciation Of Property And Equipment		153,336	116,503	22,555	2,225
Impairment Loss On Property		831	-	-	-
Amortisation Of Deferred Income		-	(63)	-	(63)
Share Of Profit In Associates		(37,316)	(74,401)	-	-
Gain On Disposal Of Shares		(994,609)	(1,016,529)	(994,609)	(1,016,529)
Income From Private Equity Fund		(24,948)	(4,033)	(24,948)	(4,033)
Profit On Sale Of Private Debt Securities		(16,863)	(15,267)	(16,863)	(15,267)
Profit On Sale Of Government Debt Securities		(67,132)	(69,383)	(67,132)	(69,383)
Taxation Expenses		(1,522)	(738)	-	-
Interest Income		(2,799,860)	(2,717,602)	(2,799,860)	(2,758,397)
Dividend Income		(1,129,556)	(1,084,093)	(1,129,556)	(2,010,122)
Accretion Of Discount On Investments		(75,597)	22,275	(75,597)	22,275
Allowance For Diminution In Value Of Investments		568,040	711,252	568,040	711,252
Unrealised Gain On Foreign Currency Exchange		1,179,579	16,578	585,716	137,432
Impairment Of Investment		1,845,795	746,762	1,845,795	793,188
Loss On Disposal Of Property And Equipment		-	8	-	8
Operating Profit Before Changes In Working Capital		2,422,947	636,638	1,624,759	628,006
Changes In Working Capital:					
(Increase)/Decrease In Trade Debtors		(75,635)	887,588	(68,252)	892,745
(Increase)/Decrease In Other Debtors		(12,199)	74,678	(2,656)	71,583
Decrease/(Increase) In Deposits And Prepayments		5,922	(12,647)	1,656	(12,655)
Increase In Trade Creditors		19,477	312,780	95,458	235,678
(Decrease)/Increase In Other Payables		(36,803)	(29,575)	4,733	2,156
Increase In Accrued Expenditure		145,302	8,735	14,021	990
Net Cash Generated From Operating Activities		2,469,011	1,878,197	1,669,719	1,818,503

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

SECTION 07 FINANCIAL STATEMENTS

		GROUP		KWAF)
		2015	2014	2015	2014
	NOTE	(RM'000)	(RM'000)	(RM'000)	(RM'000)
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds From Sale Of Shares		17,334,230	14,816,198	17,334,230	14,816,198
Repayment Of Loans		90,771	1,676,025	90,771	1,676,025
Proceeds From Sale Of Private Debt Securities		4,709,570	2,748,656	4,709,570	2,748,656
Proceeds From Sale Of Government Debt Securities		17,841,730	10,121,424	17,841,730	10,121,424
Proceeds From Sale Of Private Equity Fund		206,401	98,322	206,401	98,322
Purchase Of Property And Equipment		(1,515)	(947,745)	(1,228)	(2,355)
Purchase Of Shares		(20,685,930)	(21,890,653)	(21,150,429)	(21,890,653)
Proceeds/(Purchase) Of Unquoted Shares		393,136	(272,811)	393,136	-
Issuance Of Loans		-	(5,141,244)	-	(272,811)
Purchase Of Private Debt Securities		(7,462,740)	(13,958,817)	(7,462,740)	(5,141,244)
Purchase Of Government Debt Securities		(17,729,543)	(390,729)	(17,729,543)	(13,958,817)
Purchase Of Private Equity Fund		(638,928)	-	(638,928)	(390,729)
Purchase Of Investment Property		(2,001,143)	-	(1,205,739)	-
Purchase Of Other Investments		-	(464,500)	-	(464,500)
Interest Received		2,799,860	2,717,602	2,799,860	2,758,397
Dividend Received		1,125,356	1,084,093	1,125,356	1,084,093
(Increase)/Decrease In Investment In Subsidiaries and					
Associates		-	(70,000)	(216,389)	871,733
Repayment Of Loans From Subsidiaries		-	-	-	527,824
Loans To Subsidiaries and Associates		-	(10,000)	-	(606,881)
Dividend Received From Associates		4,200	926,027	4,200	926,027
Net Cash (Used) In Investing Activities		(4,014,545)	(8,958,152)	(3,899,742)	(7,099,291)
CASH FLOW FROM FINANCING ACTIVITIES		500.000	1 500 000	E00 000	1 500 000
Allocation Of Statutory Funds		500,000	1,500,000	500,000	1,500,000
Receipts Of Pension Contribution		2,784,494	2,884,993	2,784,494	2,884,993
Repayment Of Pension Contribution		(8,069)	(14,648)	(8,069)	(14,648)
Borrowings		4,071	1,850,632	-	-
Payment Of Distributions From Subsidiaries		(152,484)	(105,091)	-	-
Lease Incentive		2 100 010	(1,321)	2.076.405	4 270 245
Net Cash Generated From Financing Activities		3,128,012	6,114,565	3,276,425	4,370,345
Net Increase/(Decrease) In Cash And Cash					
Equivalents		1,582,478	(965,390)	1,046,402	(910,443)
Effect Of Changes In Foreign Currency		273,667	18,447	-	-
Cash And Cash Equivalents As At 1 January		4,412,942	5,359,885	4,320,266	5,230,709
Cash And Cash Equivalents As At 31 December	12	6,269,087	4,412,942	5,366,668	4,320,266

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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.

Effective from 1 November 2015, KWAP was officially appointed as the agent to the government for the overall pension management and payment.

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 & 13 of 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, currency risk and reputational 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.

2.5 Reputational Risk

KWAP is committed to ensure reputational risk is properly identified, analysed, addressed and adequately mitigated. A Reputational Risk Management framework has been established to ensure a structured and coherent approach, and to provide guidance on the practice of reputational risk management in KWAP. This includes environmental scanning, risk assessment and an escalation process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF ACCOUNTING

The 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), KWAP Managed Investment Trust 4 (Australia), Prima Ekuiti (UK) Limited, Prima Harta (Jersey) Unit Trust and Prima Harta 2 (Jersey) Unit Trust are categorized as investment in subsidiaries according to this definition.

Investment in subsidiaries is recognised using the cost method of accounting in accordance with MASB 11. External costs directly attributable to the acquisition of 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.

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 associate 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 INVESTMENT PROPERTIES, FURNITURE AND EQUIPMENT

3.3.1 Recognition And Measurement

Investment properties, furniture 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 Statements of Profit or Loss and Other Comprehensive Income as incurred.

3.3.4 Depreciation

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

Depreciation rates for investment properties, furniture and equipment are as follows:

(a)	Leasehold Land	99 years useful lives
(b)	Buildings	2.50% per annum
(C)	Office Renovation	16.67% per annum
(d)	Investment Property – Iow value pool	18.75% per annum
(e)	Computers	20.00% per annum
(f)	Office Furniture	20.00% per annum
(g)	Gymnasium Equipment	20.00% per annum
(h)	Office Equipment	20.00% per annum
(i)	Paintings	20.00% per annum
(j)	Vehicles	20.00% per annum
(k)	Computer Software	33.33% per annum
(I)	Electronic Equipment	33.33% per annum

3.3 INVESTMENT PROPERTIES, FURNITURE AND EQUIPMENT (CONTINUED)

3.3.4 Depreciation (continued)

The net residual value, useful lives and depreciation method of assets are reviewed at the end of each financial year 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 Statements of Profit or Loss and Other Comprehensive Income.

3.4 IMPAIRMENT OF ASSETS

Assets with an indefinite useful life are not subjected to amortisation but measured at the end of each financial year to determine if 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 Statement of Profit or Loss and Other Comprehensive Income. 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 Statement of Profit or Loss and Other Comprehensive Income. Reversible loss from impairment over revalued asset is recognised under the Revaluation Surplus of the Statement of Financial Position.

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, downward investment performance trend or an indication of reduction in investment value. 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 The 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 net purchase value of shares. Market value is based on the closing price of shares as at the date of the Statement of Financial Position.

3.5 INVESTMENT IN SECURITIES (CONTINUED)

3.5.1 Quoted Shares (continued)

Details of accounting and recognition of Quoted Shares are as follows: (continued)

(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 the end of the financial year 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 in the Statement of Profit or Loss and Other Comprehensive Income 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 Statement of Profit or Loss and Other Comprehensive Income in the financial year that it is incurred.

3.5.2 Government Debt Securities

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

3.5.3 Private Debt Securities

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

3.5.4 Loans

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

3.5.5 Private Equity Funds

Investment in Private Equity Funds is recognised at cost less return of capital. Provision 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.

STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 FOREIGN CURRENCY

3.6.1 Functional And Presentation Currency

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

3.6.2 Foreign Currency Translation

Transactions in foreign currencies other than KWAP's functional currency are translated and recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. Items denominated in foreign currency or foreign currency holdings held by KWAP are translated at the closing exchange rate ruling on the Statement of Financial Position 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 on the Statement of Financial Position date are recognised in the Statement of Profit or Loss and Other Comprehensive Income. 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 Statement of Profit or Loss and Other Comprehensive Income if the gain or loss on the non-monetary items are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

3.6.3 Group Companies

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

- (a) Assets and liabilities for each Statement of Financial Position presented are translated at the closing exchange rate at the date of the Statement of Financial Position;
- (b) Income and expenditure for each Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates; and
- (c) All resulting exchange differences are recognised as a separate component in equity.

3.7 ALLOCATION OF STATUTORY FUNDS

KWAP receives an 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 Statement of Cash Flows is prepared using the indirect method.

3.12 EMPLOYEE BENEFITS

3.12.1 Short Term Benefits

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

3.12.2 Defined Contribution Plan

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

4. INVESTMENT PROPERTIES, FURNITURES AND EQUIPMENT

	INVESTMENT	OFFICE		OFFICE	GYMNASIUM	OFFICE			COMPUTER	WORK IN	
GROUP	PROPERTIES	RENOVATION	COMPUTERS	FURNITURE	EQUIPMENT	EQUIPMENT	PAINTINGS	VEHICLES	SOFTWARE	PROGRESS	TOTAL
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000
Cost											
At 1 January 2015	5,213,624	4,754	4,843	1,697	169	1,960	431	393	5,683	950	5,234,504
Additions	2,001,143	131	278	54	-	344	18	154	656	525	2,003,303
Adjustments/Disposals	-	-	(57)	-	-	(3)	-	-	-	(645)	(705
At 31 December 2015	7,214,767	4,885	5,064	1,751	169	2,301	449	547	6,339	830	7,237,102
Accumulated											
Depreciation											
At 1 January 2015	243,669	4,314	3,318	1,422	38	1,153	35	138	3,123	-	257,210
Current Year Charge	150,547	151	480	85	34	409	2	102	1,527	-	153,337
Adjustments/Disposals	-	-	(57)	-	-	(3)	-	-	-	-	(60
At 31 December 2015	394,216	4,465	3,741	1,507	72	1,559	37	240	4,650	-	410,487
Carrying Amounts											
At 31 December 2015	6,820,551	420	1,323	244	97	742	412	307	1,689	830	6,826,615
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	976,614	-	902	44	-	519	50	86	1,629	3,165	983,009
Adjustments/Disposals	-	-	(81)	(485)	-	(61)	-	(60)	-	(3,542)	(4,229
At 31 December 2014	5,213,624	4,754	4,843	1,697	169	1,960	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	114,079	183	328	133	34	441	18	73	1,214	-	116,503
Adjustments/Disposals	-	-	(80)	(484)	-	(60)	17	(60)	-	-	(667
At 31 December 2014	243,669	4,314	3,318	1,422	38	1,153	35	138	3,123	-	257,210
Carrying Amounts											
At 31 December 2014	4,969,955	440	1,525	275	131	807	396	255	2,560	950	4,977,294

4. INVESTMENT PROPERTIES, FURNITURES AND EQUIPMENT (CONTINUED)

Investment properties refer to the domestic investment properties being land and buildings held by KWAP as well as the investment properties being land and buildings held by KWAP MIT, KWAP MIT 2, KWAP MIT 3, KWAP MIT 4, Prima Harta and Prima Harta 2.

The domestic investment properties held by KWAP are the Integra Tower, Kuala Lumpur and a leasehold land being Jalan Stonor, PT 79 Section 63, Kuala Lumpur. The depreciation charged for the building is at 2.5% per annum on a straight line method whereas the depreciation charged for the leasehold land is ninety nine (99 years) per annum on a straight line method.

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

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

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

The investment properties held by KWAP MIT 4 are the 38 Bernera Road (Prestons), 133 Lenore Drive (Erskine Park), 1 Griffin Crescent (Brendale) and 145 Lenore Drive in Sydney, Australia. The depreciation charged for the investment properties under KWAP MIT 4 is at 2.5% per annum on a straight line method.

The investment properties held 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 method.

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

4. INVESTMENT PROPERTIES, FURNITURES AND EQUIPMENT (CONTINUED)

	INVESTMENT	OFFICE		OFFICE	GYMNASIUM	OFFICE			COMPUTER	WORK IN	
KWAP	PROPERTIES	RENOVATION	COMPUTERS	FURNITURE	EQUIPMENT	EQUIPMENT	PAINTINGS	VEHICLES	SOFTWARE	PROGRESS	TOTAL
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000
Cost											
At 1 January 2015	-	4,754	4,843	1,697	169	1,476	431	393	5,683	950	20,396
Additions	1,205,740	131	278	54	-	56	18	154	656	525	1,207,612
Adjustments/Disposals	-	-	(57)	-	-	(3)	-	-	-	(645)	(705
At 31 December 2015	1,205,740	4,885	5,064	1,751	169	1,529	449	547	6,339	830	1,227,303
Accumulated											
Depreciation											
At 1 January 2015	-	4,314	3,318	1,422	38	954	35	138	3,123	-	13,342
Current Year Charge	19,983	151	480	85	34	191	2	102	1,527	-	22,555
Adjustments/Disposals	-	-	(57)	-	-	(3)	-	-	-	-	(60
At 31 December 2015	19,983	4,465	3,741	1,507	72	1,142	37	240	4,650	-	35,837
Carrying Amounts											
At 31 December 2015	1,185,757	420	1,323	244	97	387	412	307	1,689	830	1,191,466
<u>Cost</u>											
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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

5. INVESTMENTS

	201	5	201	2014			
GROUP AND KWAP	COST/BOOK VALUE	MARKET VALUE	COST/BOOK VALUE	MARKET VALUE			
	(RM'000)	(RM'000)	(RM'000)	(RM'000)			
Quoted Shares	45,113,798	42,316,094	40,143,589	39,731,211			
Allowance For Diminution	(1,371,901)		(847,330)				
Impairment Of Investments	(2,974,508)		(1,128,712)				
	40,767,389		38,167,547				
Unquoted Shares	-	-	393,136	-			
Government Debt Securities	30,999,100	30,470,694	30,705,903	30,362,477			
Amortisation of Premium	(47,512)		(90,338)				
	30,951,588		30,615,565				
Private Debt Securities	21,460,563	21,555,896	18,531,130	18,681,933			
Accretion Of Discount	20,379		(12,392)				
	21,480,942		18,518,738				
Participation In Private Equity Fund	1,375,095	-	734,109	-			
Allowance For Diminution	(57,397)		(13,927)				
Impairment Of Investments	(9,482)		(9,482)				
	1,308,216		710,700				
Loans*	11,717,711	-	11,808,482	-			
Other Investments	-	-	464,500	-			
	106,225,846		100,678,668				

* Facilities are progressively reviewed annually including a facility valued at RM150 million currently undergoing a restructuring exercise.

5. INVESTMENTS (CONTINUED)

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

	2015	2014
GROUP AND KWAP	(RM'000)	(RM'000)
Maturity Within 12 months	644,021	4,714,140
Maturity After 12 months	45,282,693	44,754,305
	45,926,714	49,468,445

6. INVESTMENT IN SUBSIDIARIES

Summary of investment in subsidiaries:

		GROUP		KWA	\P
		2015	2014	2015	2014
	NOTE	(RM'000)	(RM'000)	(RM'000)	(RM'000)
KWAP Managed Investment Trust (KWAP MIT)	6.1	-	-	375,157	342,175
KWAP Managed Investment Trust 2 (KWAP MIT 2)	6.2	-	-	254,757	232,360
KWAP Managed Investment Trust 3 (KWAP MIT 3)	6.3	-	-	242,662	221,328
KWAP Managed Investment Trust 4 (KWAP MIT 4)	6.4	-	-	750,748	-
Prima Ekuiti (UK) Limited (Prima Ekuiti)	6.5	-	-	319	272
Prima Harta (Jersey) Unit Trust (Prima Harta)	6.6	-	-	1,078,785	922,739
Prima Harta 2 (Jersey) Unit Trust (Prima Harta 2)	6.7	-	-	1,124,986	962,257
		-	-	3,827,414	2,681,131

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

6.1 INVESTMENT IN KWAP MANAGED INVESTMENT TRUST (KWAP MIT)

	KWAP	
	2015	2014
	(RM'000)	(RM'000)
Unit Holding		
At Cost:		
At 1 January	342,175	349,196
	342,175	349,196
Foreign Exchange Differences	32,982	(7,021)
At 31 December	375,157	342,175

Details of investment in KWAP MIT are as follow:

		EFFE	CTIVE		KWAP UN	T HOLDING
	(OWNERSHI	P INTEREST		AUD 1.00	AUD 0.92
	COUNTRY	2015	2014	PRINCIPAL	PER UNIT	PER UNIT
NAME	INCORPORATED	%	%	ACTIVITIES	1/1/2015	31/12/2015
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	120,413,000
20 Bridge Street Trust**	Australia	100	100	Property Rental	196,878,000	196,878,000

* 737 Bourke Street Trust is at AUD0.56 per unit.

** 20 Bridge Street Trust is at AUD0.56 per unit.

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 2015, the total units held by KWAP in KWAP MIT was 119,416,001 units of AUD0.92 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 120,413,000 units of AUD0.56 per unit and 196,878,000 units of AUD0.56 per unit respectively. There was a third party loan from OCBC Limited to KWAP MIT which amounted to AUD180 million.

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6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

	KWAP	KWAP		
	2015 (RM'000)	2014 (RM'000)		
Unit Holding				
At Cost:				
At 1 January	232,360	538,320		
Less: Reduction In Unit Costs	-	(302,850)		
	232,360	235,470		
Foreign Exchange Differences	22,397	(3,110)		
At 31 December	254,757	232,360		

Details of investment in KWAP MIT 2 are as follow:

		EFFE	CTIVE		KWAP UN	T HOLDING
	OWNERSHIP INTEREST				AUD 0.44	AUD 0.44
	COUNTRY	2015	2014	PRINCIPAL	PER UNIT	PER UNIT
NAME	INCORPORATED	%	%	ACTIVITIES	1/1/2015	31/12/2015
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

* 179 Turbot Street Trust is at AUD1.07 per unit.

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 2015, the total units held by KWAP in KWAP MIT 2 amounted to 184,091,606 units of AUD0.44 per unit and the total units held by KWAP MIT 2 in 179 Turbot Street Trust amounted to 184,091,606 units of AUD0.44 per unit.

As at 31 December 2015, 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 AUD1.07 per unit.

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

	KWAP	
	2015	2014
	(RM'000)	(RM'000)
Unit Holding		
At Cost:		
At 1 January	221,328	518,290
Less: Reduction In Unit Costs	-	(294,030)
	221,328	224,260
Foreign Exchange Differences	21,334	(2,932)
At 31 December	242,662	221,328

Details of investment in KWAP MIT 3 are as follow:

		EFFE	CTIVE		KWAP UN	T HOLDING
	(OWNERSHI	P INTEREST		AUD 0.44	AUD 0.44
	COUNTRY	2015	2014	PRINCIPAL	PER UNIT	PER UNIT
NAME	INCORPORATED	%	%	ACTIVITIES	1/1/2015	31/12/2015
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

* 747 Collins Street Trust is at AUD1.00 per unit.

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

As at 1 January 2015, the total units held by KWAP in KWAP MIT 3 amounted to 177,241,500 units of AUD0.44 per unit and the total units held by KWAP MIT 3 in 747 Collins Street Trust amounted to 177,241,500 units of AUD0.44 per unit.

As at 31 December 2015, 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 substrust being 747 Collins Street Trust amounted to 177,241,500 units of AUD1.00 per unit. There was a third party loan from CIMB to KWAP MIT 3 which amounted to AUD 0.016 million.

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FOR THE YEAR ENDED 31 DECEMBER 2015

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

6.4 INVESTMENT IN KWAP MANAGED INVESTMENT TRUST 4 (KWAP MIT 4)

	KWAP	KWAP		
	2015 (RM'000)	2014 (RM'000)		
Unit Holding				
At Cost:				
At 1 January	-	-		
Add: Subscription Of Units	690,638	-		
	690,638	-		
Foreign Exchange Differences	60,110	-		
At 31 December	750,748	-		

Details of investment in KWAP MIT 4 are as follow:

	EFFECTIVE				KWAP UNIT HOLDING	
	OWNERSHIP INTEREST				AUD 1.00	AUD 1.00
	COUNTRY	2015	2014	PRINCIPAL	PER UNIT	PER UNIT
NAME	INCORPORATED	%	%	ACTIVITIES	1/1/2015	31/12/2015
KWAP Managed Investment Trust 4	Australia	100	-	Management Of Investment Trust	-	232,875,561
Investment Trust By KWAP MIT 4						
38 Bernera Road Trust	Australia	100	-	Property Rental	-	74,264,999
133 Lenore Drive Trust	Australia	100	-	Property Rental	-	79,537,721
1 Griffin Crescent Trust	Australia	100	-	Property Rental	-	78,592,250
145 Lenore Drive Trust	Australia	100	-	Property Rental	-	6,147,911

KWAP's initial investment in KWAP MIT 4 was on 23 October 2014 whereby the main activity of KWAP MIT 4 is the management of property investment trusts in Sydney, Australia.

As at 31 December 2015, the total units held by KWAP in KWAP MIT 4 was 232,875,561 units of AUD1.00 per unit and total units held by KWAP MIT 4 in the four subtrusts being 38 Bernera Road Trust, 133 Lenore Drive Trust, 1 Griffin Crescent Trust and 145 Lenore Drive Trust amounted to 74,264,999 units of AUD1.00 per unit, 79,537,721 units of AUD1.00 per unit, 78,592,250 units of AUD1.00 per unit and 6,147,911 units of AUD1.00 per unit respectively.

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

	KWAP	KWAP	
	2015	2014	
	(RM'000)	(RM'000)	
Unit Holding			
At Cost:			
At 1 January	272	271	
	272	271	
Foreign Exchange Differences	47	1	
At 31 December	319	272	

Details of investment in Prima Ekuiti are as follows:

	EFFECTIVE OWNERSHIP INTEREST				KWAP UNIT HOLDING	
					GBP 1.00	GBP 1.00
	COUNTRY	2015	2014	PRINCIPAL	PER UNIT	PER UNIT
NAME	INCORPORATED	%	%	ACTIVITIES	1/1/2015	31/12/2015
Prima Ekuiti (UK) Limited	United Kingdom	100	100	Fund Management Services	50,000	50,000

KWAP's initial investment in Prima Ekuiti was on 6 October 2011 of 2 ordinary shares of GBP1.00 per share whereby the purchase consideration was satisfied by cash. The main activity of Prima Ekuiti is the provision of fund management services to KWAP in relation to KWAP's investment in United Kingdom 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 2015, the total ordinary shares held by KWAP in Prima Ekuiti was 50,000 of GBP1.00 per share.
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6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

	KWAI)
	2015 (RM'000)	2014 (RM'000)
Unit Holding		
At Cost:		
At 1 January	922,739	2,220,270
Less: Reduction In Unit Costs	-	(1,309,882)
	922,739	910,388
Foreign Exchange Differences	156,046	12,351
At 31 December	1,078,785	922,739

Details of investment in Prima Harta are as follows:

		KWAP UN	T HOLDING			
	(OWNERSHI	P INTEREST		GBP 0.26	GBP 0.26
	COUNTRY	2015	2014	PRINCIPAL	PER UNIT	PER UNIT
NAME	INCORPORATED	%	%	ACTIVITIES	1/1/2015	31/12/2015
Prima Harta (Jersey) United Trust	Jersey	100	100	Management Of Investment Trust	655,550,010	655,550,010
Investment Trust By Prima Harta						
Prima Harta (Jersey) Limited*	Jersey	100	100	Holding Entity	100,001	26,450
10 Gresham Street Unit Trust**	Jersey	100	100	Propert Rental	200,000,000	200,050,000
88 Wood Street Trust***	Jersey	100	100	Propert Rental	243,354,362	243,568,862

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

** 10 Gresham Street Unit Trust is at GBP0.41 per unit.

*** 88 Wood Street Trust is at GBP0.49 per unit.

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 31 December 2015, 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 26,450 units of GBP1.00 per unit, 200,050,000 units of GBP0.41 per unit and 243,568,862 units of GBP0.49 per unit respectively.

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

	KWAP	
	2015 (RM'000)	2014 (RM'000)
Unit Holding		
At Cost:		
At 1 January	962,257	-
Add: Subscription Of Units	-	965,029
	962,257	965,029
Foreign Exchange Differences	162,729	(2,772)
At 31 December	1,124,986	962,257

Details of investment in Prima Harta 2 are as follows:

		KWAP UN	T HOLDING			
	(OWNERSHI	P INTEREST		GBP 1.00	GBP 1.00
	COUNTRY	COUNTRY 2015 2014 PRINCIPAL				
NAME	INCORPORATED	%	%	ACTIVITIES	1/1/2015	31/12/2015
Prima Harta 2 (Jersey) United Trust	Jersey	100	-	Investment Trust	176,667,970	176,667,970
Investment Trust By Prima Harta 2						
Prima Harta 2 (Jersey) Limited*	Jersey	100	-	Holding Entity	5,302	5,302
Prima Retail (Jersey) Unit Trust**	Jersey	100	-	Property Rental	176,137,866	176,137,866

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

** Prima Retail (Jersey) Unit Trust is at GBP1.00 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 2015, 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:

		GROUP		KWAP	
		2015	2014	2015	2014
	NOTE	(RM'000)	(RM'000)	(RM'000)	(RM'000)
ValueCap Sdn Bhd	7.1	47,240	44,933	16,670	16,670
Tap Crunch Sdn Bhd	7.2	110,915	69,999	70,000	70,000
Tap Crunch International Sdn Bhd	7.3	(3)	(1)	-	-
		158,152	114,931	86,670	86,670

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

7.1 PERCENTAGE HOLDING AND FINANCIALS OF VALUECAP SDN BHD

	GROU	Р	KWAP		
	2015	2014	2015	2014	
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
At Cost:					
Unquoted Shares	16,670	16,670	16,670	16,670	
Share Of Post-Acquisition Profit	2,841,028	2,844,626	-	-	
Share Of Post-Acquisition Asset Revaluation Reserve	(291)	-	-	-	
Share Of Post-Acquisition Non-Controlling Interest	7,883	1,686	-	-	
	2,865,290	2,862,982	16,670	16,670	
Less: Total Dividend Received	(2,818,050)	(2,818,049)	-	-	
Share Of Net Asset	47,240	44,933	16,670	16,670	

7. INVESTMENT IN ASSOCIATES (CONTINUED)

7.1 PERCENTAGE HOLDING AND FINANCIALS OF VALUECAP SDN BHD (CONTINUED)

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

2015	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	29,851	10,991	3,192,652	3,010,074

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

7.2 PERCENTAGE HOLDING AND FINANCIALS OF TAP CRUNCH SDN BHD

	GROUP		KWAP		
	2015	2014	2015	2014	
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
At Cost:					
Unquoted Shares	70,000	70,000	70,000	70,000	
Share Of Post-Acquisition Profit	40,915	(1)	-	-	
Share Of Post-Acquisition Asset Revaluation Reserve	-	-	-	-	
Share Of Post-Acquisition Non-Controlling Interest	-	-	-	-	
	110,915	69,999	70,000	70,000	
Less: Total Divident Received	-	-	-	-	
Share Of Net Asset	110,915	69,999	70,000	70,000	

7. INVESTMENT IN ASSOCIATES (CONTINUED)

7.2 PERCENTAGE HOLDING AND FINANCIALS OF TAP CRUNCH SDN BHD (CONTINUED)

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

		REVENUE	NET Profit	TOTAL ASSETS	TOTAL Liabilities		
2015	COUNTRY INCORPORATED	INTEREST %	PRINCIPAL ACTIVITIES	100% (RM'000)	100% (RM'000)	100% (RM'000)	100% (RM'000)
Tap Crunch Sdn Bhd	Malaysia	50	Holding Entity	8,420	90,232	171,844	20,014

	COUNTRY	EFFECTIVE OWNERSHIP INTEREST	PRINCIPAL	REVENUE 100%	NET PROFIT 100%	TOTAL ASSETS 100%	TOTAL LIABILITIES 100%
2014	INCORPORATED	%	ACTIVITIES	(RM'000)	(RM'000)	(RM'000)	(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		
	2015 2014		2015	2014	
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
At Cost:					
Unquoted Shares	-	-	-	-	
Share Of Post-Acquisition Profit	(3)	(1)	-	-	
Share Of Post-Acquisition Asset Revaluation Reserve	-	-	-	-	
Share Of Post-Acquisition Non-Controlling Interest	-	-	-	-	
	(3)	(1)	-	-	
Less: Total Dividend Received	-	-	-	-	
Share Of Net Asset	(3)	(1)	-	-	

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 Group:

2015	COUNTRY Incorporated	EFFECTIVE OWNERSHIP INTEREST %		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	-	(3)	-	5

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	
	2015	2014	2015	2014
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
At Cost:				
At 1 January	10,000	-	643,253	579,007
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 Cruch Sdn Bhd)	-	10,000	-	10,000
Less: Repayment Of Loan (KWAP MIT)	-	-	-	(527,824)
	10,000	10,000	643,253	658,064
Unrealised Gain/(Loss) On Foreign Exchange	-	-	61,041	(14,811)
At 31 December	10,000	10,000	704,294	643,253

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% (2014: 5.00% 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.

9. TRADE DEBTORS

	GROUP		KWAP	
	2015	2014	2015	2014
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Sales Of Shares	60,206	67,892	60,206	67,892
Dividend Income	56,554	74,525	85,920	95,681
Income From External Equity Fund Managers	491,598	420,875	491,598	420,875
Interest On Government Debt Securities	295,669	289,015	295,669	289,015
Income From External Fixed Income Fund Managers	162,285	127,227	162,285	127,227
Interest On Private Debt Securities	163,852	171,070	163,852	171,070
Interest On Loans	130,741	120,091	130,741	128,444
Interest On Short Term Money Market	638	13,030	638	13,030
Interest On Fixed Deposit	2,550	13,602	2,550	13,602
Rental Income	8,102	(763)	1,629	-
	1,372,195	1,296,564	1,395,088	1,326,836

10. OTHER DEBTORS

	GROUP	GROUP		
	2015	2014	2015	2014
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Income Tax Receivable	70,870	68,229	70,830	68,184
Investment Receivables*	7,254	10,433	7,254	7,254
Miscellaneous	12,757	20	9	-
	90,881	78,682	78,093	75,438

* Investment receivables include an amount awarded by the court to KWAP for the judgement sum 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. On 7 August 2015, KWAP received the Order of the Court to proceed with the winding up process against the asset management company. The settlement is subject to the conclusion of the liquidation process by the Malaysia Insolvency Department.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

11. DEPOSITS AND PREPAYMENTS

	GROUP		KWAP	
	2015	2014	2015	2014
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Interest On Government Debt Securities	7,638	20,215	7,638	20,215
Interest On Private Debt Securities	-	82	-	82
Property Deposits	303	-	303	-
Other Advances	6	120	6	120
Other Prepayments	1,276	3,178	1,276	2,004
Other Deposits	11,680	3,447	11,680	138
Property Related Prepayments:				
Property Expenses	1,315	1,099	-	-
	22,218	28,141	20,903	22,559

12. CASH AND CASH EQUIVALENTS

	GROUP		KWAF	
	2015	2014	2015	2014
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Cash And Bank Balance	441,148	181,399	441,148	181,399
Deposits With Financial Institutions:				
Commercial Bank	2,236,987	2,327,440	2,236,986	2,327,440
Islamic Bank	2,098,519	443,871	2,098,519	443,871
Development Bank	200,000	500,000	200,000	500,000
Investment Bank	390,015	867,556	390,015	867,556
Cash And Bank Balance Of Subsidiaries	902,418	92,676	-	-
	6,269,087	4,412,942	5,366,668	4,320,266

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

13. TRADE CREDITORS

	GROUP	GROUP		
	2015	2014	2015	2014
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Fund Managers	436,013	371,347	435,988	371,347
Deposit	30,818	-	30,818	-
Property Related Payables:				
Trade Creditors	25,345	101,352	-	-
	492,176	472,699	466,806	371,347

14. OTHER CREDITORS

	GROUP		KWAP	
	2015	2014	2015	2014
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Advance Rental	-	-	-	-
Goods And Services Tax Payable	6,246	2,115	1,733	-
Value Added Tax Payable	-	6,008	-	-
Amount Due To Subsidiaries	-	-	6,344	3,581
Others	21,453	56,380	1,351	1,114
	27,699	64,503	9,428	4,695

15. ACCRUED EXPENDITURES

	GROUP		KWAP	
	2015	2014	2015	2014
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Provision For Bonus	21,225	18,800	21,225	18,800
Provision For Services	3,818	22,834	3,818	1,918
Provision For External Fund Manager Fees	18,332	10,432	18,332	10,432
Provision For Custodian Fees	2,291	2,139	2,291	2,139
Provision For Tax	1,025	436	1,025	404
Property Related Expenditures:				
Other Expenditures	155,184	1,932	1,022	-
	201,875	56,573	47,713	33,693

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

16. ALLOCATION OF STATUTORY FUNDS

	GROU	GROUP		P
	2015	2014	2015	2014
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
At 1 January	24,101,944	22,601,944	24,101,944	22,601,944
Add: Allocation For Current Year	500,000	1,500,000	500,000	1,500,000
At 31 December	24,601,944	24,101,944	24,601,944	24,101,944

17. PENSION CONTRIBUTIONS

			Р	KWAI	р
		2015	2014	2015	2014
	NOTE	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Contribution From Staturory Bodies, Local					
Authorities And Other Agencies	17.1	11,075,303	10,010,946	11,075,303	10,010,946
Contribution From Government's Share,					
Gratuities And Other Deductions	17.2	32,372,532	30,660,464	32,372,532	30,660,464
		43,447,835	40,671,410	43,447,835	40,671,410

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 1/1/15 (RM'000)	RECEIPTS 2015 (RM'000)	BALANCE 31/12/15 (RM'000)	ACCUMULATED Contributions 1/1/14 (RM'000)	RECEIPTS 2014 (RM'000)	BALANCE 31/12/14 (RM'000)
Statutory Bodies	7,925,439	859,392	8,784,831	7,103,235	822,204	7,925,439
Local Authorities	1,994,268	199,840	2,194,108	1,799,358	194,910	1,994,268
Other Agencies	94,927	5,275	100,202	90,005	4,922	94,927
	10,014,634	1,064,507	11,079,141	8,992,598	1,022,036	10,014,634
Less: Repayment Of Claims	(3,688)	(150)	(3,838)	(2,581)	(1,107)	(3,688)
	10,010,946	1,064,357	11,075,303	8,990,017	1,020,929	10,010,946

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 Contributions 1/1/15 (RM'000)	RECEIPTS 2015 (RM'000)	BALANCE 31/12/15 (RM'000)	ACCUMULATED CONTRIBUTIONS 1/1/14 (RM'000)	RECEIPTS 2014 (RM'000)	BALANCE 31/1214 (RM'000)
KWSP	23,963,862	1,085,931	25,049,793	22,725,648	1,238,214	23,963,862
KWSG	146,664	18	146,682	146,648	16	146,664
KWSG - Sabah	12,479	-	12,479	12,479	-	12,479
LTAT	5,651,739	581,164	6,232,903	5,088,814	562,925	5,651,739
SESCO	45,309	-	45,309	45,309	-	45,309
JPA	928,252	51,885	980,137	867,360	60,892	928,252
Others	38,401	990	39,391	37,491	910	38,401
	30,786,706	1,719,988	32,506,694	28,923,749	1,862,957	30,786,706
Less: Repayment Of Claims	(126,242)	(7,920)	(134,162)	(112,701)	(13,541)	(126,242)
	30,660,464	1,712,068	32,372,532	28,811,048	1,849,416	30,660,464

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. BORROWINGS

	GROUP		KWAP	
	2015	2014	2015	2014
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
KWAP Managed Investment Trust (KWAP MIT)	570,759	528,979	-	-
KWAP Managed Investment Trust 3 (KWAP MIT 3)	51	-		
Prima Harta (Jersey) Unit Trust (Prima Harta)	1,558,388	1,321,653	-	-
	2,129,198	1,850,632	-	-

* The borrowing of subsidaries are disclosed in Note 6.1, 6.3 and 6.5.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

19. GROSS INVESTMENT INCOME

	GROUP		KWAP	
	2015	2014	2015	2014
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Gain On Disposal Of Shares	994,609	1,011,209	994,609	1,011,209
Share Dividends	1,129,556	1,082,659	1,129,556	2,008,688
Income From External Fund Managers	690,512	542,877	703,739	542,877
Interest On Government Debt Securities	1,240,474	1,150,630	1,240,474	1,150,630
Profit On Sale of Government Debt Securities	67,132	69,383	67,132	69,383
Profit On Sale of Private Debt Securities	16,863	15,267	16,863	15,267
Interest On Private Debt Securities	743,308	736,572	743,308	736,572
Amortisation Of Investment Premium	(4,386)	(45,738)	(4,386)	(45,738)
Income From Private Equity Fund Investments	24,948	4,033	24,948	4,033
Interest On Loans	552,872	642,846	552,872	642,846
Interest On Loans To Subsidiaries	-	-	32,823	40,795
Interest On Deposits	230,131	192,776	230,131	192,776
Interest On Bank Balances	252	98	252	98
Other Investment Income	418,787	105,091	419,624	105,091
Property Rental Income	462,770	229,588	86,796	-
	6,567,828	5,737,291	6,238,741	6,474,527

	GROUP		KWAP	
	2015	2014	2015	2014
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Salaries And Allowances	56,728	45,497	53,356	42,499
Contributions To EPF	9,277	7,658	9,277	7,658
Contributions To SOCSO	166	132	166	132
Supplies And Services	110,665	100,221	90,196	64,280
Management Aid	750	461	741	461
Depreciation On Property And Equipment	153,336	116,503	22,555	2,225
(Gain)/Loss On Disposal Of Fixed Assets	-	8	-	8
Witholding Tax	6,956	3,644	6,956	3,644
Property Related - Operating Expenditures	145,478	33,276	10,369	-
Payment In Lieu Of Leave	-	-	-	-
Property Impairment	(831)	-	-	-
	482,525	307,400	193,616	120,907

Total number of KWAP's employees stood at 529 employees as at 31 December 2015 (2014: 256).

21. CAPITAL COMMITMENT

	2015	2014
GROUP AND KWAP	(RM'000)	(RM'000)
Contracted	88,745	950
Work In Progress	(9,622)	(950)
Contracted But Not Accounted For In The Financial Statements	79,123	-

22. COMPARATIVE FIGURES

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

		AS PREVIOUSLY REPORTED		AS RESTATED	
		(RM'000)	(RM'000)	(RM'000)	(RM'000)
2014	NOTE	GROUP	KWAP	GROUP	KWAP
Non-Current Assets					
Property And Equipment		4,977,294	7,054	-	-
Furniture And Equipment		-	-	7,538	7,054
Investment Properties		-	-	4,969,756	-
Gross Investment Income	19				
Gain On Disposal Of Shares		1,016,529	1,016,529	1,011,209	1,011,209
Interest On Deposits		187,456	187,456	192,776	192,776
Investment Properties, Furniture					
and Equipment	4				
Additions:					
Investment Properties		977,098	-	976,614	-
Office Equitment		35	-	519	-
Current Depreciation:					
Investment Properties		114,278	-	114,079	-
Computer Software		242	-	441	-



Appendix SECTION

SECTION 08 APPENDIX

GLOSSARY OF TERMS

Abenomics

Abenomics refers to the economic policies advocated by Shinzo Abe since the December 2012 general election, which elected Abe to his second term as Prime Minister of Japan. Abenomics is based upon "three arrows" of fiscal stimulus, monetary easing and structural reforms

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.

BREXIT

British Exit

Abbreviation of "British Exit", which refers to the possibility that Britain will withdraw from the European Union.

BCP

Business Continuity Plan

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

BCM

Business Continuity Management

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

CCS

Cross Currency Swap

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

CRP

Corporate Risk Profile

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

CSR

Corporate Social Responsibility

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

DR

Disaster Recovery

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

ETP

Economic Transformation Program

Economic Transformation Program is a comprehensive effort that will help propel Malaysia into a high income nation that is inclusive and sustainable.

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.

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.

SECTION 08 APPENDIX

GCSP

Global Custodial Service Provider

A Global Custodial Service Provider, usually a bank or non bank financial institution, processes crossborder 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

GST

Government Service Tax

Government Service Tax is a multi-stage consumption tax on goods and services. It is levied on the supply of goods and services at each stage of supply chain from the supplier up to the retail stage of the distribution.

GREXIT

Greece Exit

Potential exit of Greece from the Eurozone after which it would most likely revert to using the drachma, it's own currency until 2001. Abbreviation of "Greece Exit".

HEDGE

A hedge is an investment to reduce the risk of adverse price movements in an asset. Normally, a hedge consists of taking an offset position in a related security.

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

GLOSSARY

OF TFRMS

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.

LEED Certification

Leadership in Energy and Environmental Design Certification

Leadership in Energy and Environmental Design (LEED) is one of the most popular green building certification programs used worldwide.

MOF

Ministry of Finance

MPC

Monetary Policy Committee

NEM

New Economic Model

New Economic Model is an economic plan in Malaysia unveiled on 30 March, 2010 which is intended to more than double the per capita income in Malaysia by 2020. It aims to shift affirmative action from being ethnically-based to being needbased hence becoming more competitive, market and investor friendly. **ANNUAL REPORT 2015** RETIREMENT FUND INCORPORATED

SECTION 08 APPENDIX

GLOSSARY OF TFRMS

OPEC

The Organisation of Petroleum Exporting

The organisation of Petroleum Exporting Countries consisting of Iran, Iraq, Kuwait, Saudi Arabia and Venezuela.

OPR

Overnight Policy Rates

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

ORE

Operational Risk Event

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

PDS

Private Debt Securities

PPRT

Projek Perumahan Rumah miskin Tegar

Projek Perumahan Rumah miskin Tegar launched in 1995 to assist the relocation of the urban hard core poor living without a home or land.

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.

SOCS0

Social Security Organisation

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

SUKUK

Islamic bonds, structured in a way to generate returns without infringing Islamic law which prohibits interest or riba. Sukuk represents undivided shares in the ownership of tangible assets relating to particular projects or investment activity.

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.

Total Return

Total return, when measuring performance, is the actual rate of return of an investment or a pool of investments over a given evaluation period. Total return includes interest, capital gains, dividends and distributions realized over a given period of time.

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.



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2008 Annual Report



2009 Annual Report



2010 Annual Report



2011 Annual Report



2012 Annual Report



2013 Annual Report



2014 Annual Report

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