

AND DELIVER VALUE FOR ALL



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OUR INVESTMENT APPROACH

Through our investments, we seek to fulfil our mandate of growing our Assets Under Management (AUM) and deliver sustainable economic and societal value for Malaysians.

To achieve this, we strive to generate sustainable financial returns through our investment programmes, while capitalising on monetisation opportunities where they arise. We also support investments in new growth areas to catalyse sectors and play a part in driving the nation's competitiveness. As such, our investments range from global public and private equities to locally-founded start-ups.

Our Investments Portfolio comprise investments with commercial returns expectations, wherein our Strategic Asset Allocation (SAA) guides us in pursuing allocations that reduce concentration risk and insulate our portfolio against short-term market shocks. In building portfolio resilience, we are cognisant of the dynamic macroeconomic landscape and the confluence of global megatrends, which have resulted in an increasingly volatile investment environment. However, as a multi-generational fund, we remain disciplined in deploying our capital commercially with the aim of growing our portfolio for the long-term.

We are also an active shareholder across our investments within Malaysia's capital markets, working at the Board level to address issues and areas of priority that could have the potential to drive differentiation of our portfolio companies in their respective segments.

Beyond returns, we commit to maintaining responsible investment practices across our portfolio, with our approach aligned with the United Nations Principles for Responsible Investment (UNPRI) and the Malaysian Code for Institutional Investors (MCII). In parallel, sustainability is a key driver and determinant of our investments, and our recently-launched Shareholder Expectations and Investment Stewardship document outlines clear expectations on ESG adoption at our investee companies.

From 2022 onwards, we have focused our investments based on the following investment structure:

Investments Portfolio

Our multigenerational portfolio of investments across various asset classes and geographies, with the aim of generating consistent long-term risk-adjusted returns.

Dana Impak Portfolio

Our Dana Impak (impact fund) invests with the aim of increasing Malaysia's economic competitiveness, building national resilience while delivering socio-economic impact for Malaysians.

Developmental Assets

Our Developmental Assets portfolio comprises investments with the potential to deliver high economic impact, but where a longer gestation period is required to realise the targeted financial returns and achieve their national and/or societal benefits and outcomes.

Special Situation Assets

Assets that require turnaround in terms of profitability and sustainable operating cash flows, with specific targets and action plans approved by the Board on an annual basis.

By strategically allocating investments across these four areas, we can effectively balance our goal of achieving robust and consistent returns and our responsibility to deliver long-term socio-economic value for Malaysians.

INVESTMENTS PORTFOLIO

We invest in global and domestic portfolios to achieve consistent long-term risk-adjusted returns which is crucial in growing the nation's wealth.

RM122.5
billion
2022 RAV

-5.7%
2022 NAV
TWRR

2.2%
4-year rolling
NAV TWRR

“

As at 31 December 2022, the RAV of our Investments Portfolio stood at RM122.5 billion, with a one-year NAV TWRR of -5.7% and a rolling four-year TWRR of 2.2%.”

The Investments Portfolio performance was negatively affected by the significant macroeconomic headwinds in 2022, which included rising inflationary pressure, aggressive monetary tightening by the US Federal Reserve and the ongoing energy crisis precipitated by the Russia-Ukraine war. This led to depressed equity markets which impacted investment managers around the world, contributing to the Investments Portfolio's -5.7% annual Time-Weighted Rate of Return based on Net Asset Value (NAV TWRR). The NAV TWRR decline was largely attributable to the valuation decline in the Public Markets asset class (both Malaysia and globally).

Against this backdrop, our exposure in Real Assets and Private Markets investments remained broadly resilient and generated positive returns in 2022, underpinning the importance of portfolio diversification across asset classes, sectors and geographies.



► Tenaga Nasional's transmission tower



► A Malaysia Airlines aircraft at the Kuala Lumpur International Airport (KLIA)



► PLUS highway

Investments Portfolio Annual Returns by Asset Class

Asset Classes	2022	2021	2020	2019	4-yr Rolling
Public Markets - Malaysia	-4.2%	14.0%	-7.4%	3.2%	1.1%
Public Markets - Global	-16.3%	1.6%	26.2%	27.5%	8.1%
Private Markets - Malaysia	16.8%	12.2%	-4.7%	5.9%	7.2%
Private Markets - Global	3.9%	19.1%	-1.3%	6.1%	6.7%
Real Assets	23.5%	11.2%	0.1%	10.5%	11.0%

In line with portfolio rebalancing towards our Strategic Asset Allocation (SAA), we remained disciplined by systematically deploying capital into Private Markets, Public Markets and Real Assets – including our internal direct investments – and also leveraging our relationships with top-tier general partners and external fund managers to execute our investment strategy.

Our Real Assets deployments cover investments in real estate and infrastructure, where the asset class objective is to provide the portfolio with long-term income generation and as long-term inflation protection. On the other hand, our investments into Private Markets is intended to enhance portfolio returns through our direct, co-investments and funds programme, leveraging on our access to top quartile managers. Concurrently, we continue to build our exposure in Developed Markets via Public Markets to diversify our existing Emerging Markets concentration.

Together, the actions we are taking across these asset classes are instrumental in driving the long-term growth of our AUM, enhancing our risk-adjusted returns and ensuring sufficient liquidity and capital available to fund the various requirements of our mandate.

Investments Portfolio Split by Asset Class

Asset Classes	2022	2021	2020	2019	2018
Public Markets - Malaysia	55.9%	59.0%	59.5%	62.0%	63.4%
Public Markets - Global	13.4%	13.5%	14.4%	9.2%	9.6%
Private Markets - Malaysia	9.2%	8.9%	9.2%	11.2%	10.0%
Private Markets - Global	13.5%	12.1%	10.1%	9.2%	8.5%
Real Assets	8.0%	6.6%	6.8%	8.5%	8.5%

Investments Portfolio Split by Geography

Geographical Split	2022	2021	2020	2019	2018
Malaysia	66.3%	69.5%	70.5%	75.1%	75.0%
China	10.1%	12.3%	13.7%	11.2%	9.3%
Asia (Ex-China)	10.6%	10.0%	9.7%	10.4%	12.0%
EMEA ¹	3.1%	2.3%	2.2%	2.0%	2.6%
North America	9.9%	5.9%	3.9%	1.3%	1.0%

¹ EMEA - Europe, Middle East & Africa

We invest globally across various asset classes to grow our portfolio value. This is supported by the proprietary networks that we have established through our regional offices and global partnerships, aiding the deployment of capital across four focus sectors – Healthcare, Technology, Consumer & Business Services, and Financial Institutions.

In parallel to our portfolio rebalancing efforts, we continue to explore value creation opportunities for our existing investments. In spite of the bearish market of 2022, we completed RM2.5 billion of divestments and received dividends and distributions from our existing investments, strengthening our balance sheet and contributing to an annual profitability of RM1.6 billion. Further to this, we leveraged our strong relationships with fund managers and global portfolio companies to drive the flow of knowledge, skills and expertise from global markets into Malaysia, while striving to create an ideal climate for foreign investments and strategic mergers and acquisitions (M&A) in the country.

Looking forward, despite a challenging macroeconomic environment, we will continue to execute our investments and value creation activities concurrently to build portfolio resilience, reduce our risk exposure and unlock further monetisation opportunities.



Selected Portfolio Companies

As at 31 December 2022. List is non exhaustive.

COMMUNICATION SERVICES	CONSUMER	FINANCIAL	HEALTHCARE
 Axiata Group Berhad www.axiata.com  Telekom Malaysia Berhad www.tm.com.my  Astro Malaysia Holdings Berhad www.astro.com.my  TIME dotCom Berhad www.time.com.my	 Farm Fresh Berhad www.farmfresh.com.my  Destination Resorts & Hotels Sdn Bhd www.drh.com.my 	 CIMB Group Holdings Berhad www.cimb.com  Sun Life Malaysia Assurance Berhad www.sunlifemalaysia.com  Bank Muamalat Malaysia Berhad www.muamalat.com.my 	 IHH Healthcare Berhad IHH Healthcare www.ihhhealthcare.com  ReGen Rehabilitation International Sdn Bhd www.regen.rehab 
INDUSTRIAL	TRANSPORTATION	REAL ESTATE	RENEWABLE ENERGY & UTILITIES
 Cenviro Sdn Bhd www.cenviro.com  A member of UEM Group UEM Edgenta Berhad www.uedgenta.com  A member of UEM Cement Industries of Malaysia Berhad www.cima.com.my 	 Malaysia Aviation Group Berhad www.malaysiaairlines.com  Malaysia Airports Holdings Berhad www.malaysiaairports.com.my  PLUS Holdings Berhad www.plus.com.my 	 M+S Pte Ltd  A member of UEM Group UEM Sunrise Berhad www.uemsunrise.com  Iskandar Investment Berhad www.iskandarinvestment.com  Southern Marina Development Sdn Bhd www.southernmarina.com.my  SUNWAY ISKANDAR NATURE'S CAPITAL CITY™ Sunway Iskandar Sdn Bhd www.sunwaycityiskandarputeri.com 	 Tenaga Nasional Berhad www.tnb.com.my  Cenergi SEA Sdn Bhd www.cenergi-sea.com 

DANA IMPAK PORTFOLIO



Our Dana Impak (impact fund) portfolio invests in areas that aim to increase Malaysia's economic competitiveness and build national resilience, while delivering socio-economic benefits and impact to the *rakyat* (community).

As a key pillar under our *Advancing Malaysia* strategy, Dana Impak is a RM6 billion allocation over five years across six key themes:

Digital Society and Technology Hub



Harness digitalisation and technological developments to boost efficiency and economic growth

Food and Energy Security



Ensure the availability and security of critical resources like food and energy

Decent Work and Social Mobility



Narrow the income and wealth gap to ensure future social stability

Quality Health and Education for all



Ensure equal access to health and education amid global demographic shifts

Building Climate Resilience



Preserve and protect the only habitat we know

Competing in Global Markets



Remain competitive in a multipolar world

In 2022, we identified RM500 million worth of projects for Dana Impak across various impact areas. This includes the Future Malaysia Programme, a planned RM180 million initiative to support local entrepreneurs, start-ups and the nation's venture capital ecosystem; Project Semai, a nationwide research project to better understand the challenges faced by agriculture workers and smallholders in order to improve Malaysia's food security; and 42 Malaysia, a joint venture established with Sunway Education Group, a peer-to-peer computer science schools that will accelerate the development of 10,000 skilled tech talents nationwide over the next 10 years.

Underscoring these investments is a focus on creating long-term societal impact. To facilitate the measurement of the impact we create, we developed the SEMARAK framework, an impact assessment tool which converges global methodologies to measure societal value, adapted to the Malaysian context. For instance, with 42 Malaysia, the tool will measure impact performance metrics such as the number of graduates, successful placement rates, employer satisfaction scores and the distribution of graduates across income groups and geography, among others.

Furthermore, we believe that an-all-of society approach is crucial, and at the heart of any Dana Impak initiative, to successfully deliver socio-economic impact for the country.

DEVELOPMENTAL ASSETS

Our Developmental Assets portfolio comprise investments with clear economic impact targets, but where a longer gestation period is required to realise the targeted returns.



In line with our strategy of *Advancing Malaysia*, one of our key investments under this portfolio is in Iskandar Malaysia, through which we aim to boost the socio-economic growth and economic competitiveness of the Iskandar Puteri region. Our long-term support has helped the area transform into a vibrant economic region since its inception in 2006, with our investments in education and property development, among other sectors, continuing to show encouraging progress.



► EduCity Iskandar Malaysia



Our developmental assets also include Impeccable Vintage Properties Sdn Bhd (IVP), a wholly-owned subsidiary of Khazanah which we have invested to carry out the rehabilitation and upgrading of its existing facilities in Subang. The project is in line with the Malaysian Government's aspiration to develop Subang into a world-class aerospace hub and will help to support the Malaysia Aerospace Industry Blueprint 2030 (MAIB2030) in transforming Malaysia into a high-value, R&D focused aerospace participant in the global market. The initiative will also have positive spillover effects on Malaysia's Maintenance, Repair and Overhaul (MRO) ecosystem and further promote the creation of high skill jobs via Technical and Vocational Education and Training (TVET) programmes.