

THE KHAZANAH REPORT 2018

GROWING MALAYSIA'S
LONG-TERM WEALTH



KHAZANAH'S
REFRESHED MANDATE



Khazanah's mandate and objectives were refreshed in 2018

OUR MANDATE

Khazanah's role is to grow Malaysia's long-term wealth

OUR OBJECTIVES



COMMERCIAL

Achieve optimal risk-adjusted returns, grow financial assets and diversify sources for the nation



STRATEGIC

Undertake strategic investments and hold strategic national assets with long-term economic benefits


OUR INVESTMENT PHILOSOPHY



Attain appropriate risk-adjusted financial returns



Generate sustainable returns



Integrate ethical and responsible investing considerations

Khazanah will pursue two distinct objectives through a dual-fund investment structure

COMMERCIAL FUND

An intergenerational wealth fund to meet Khazanah's commercial objective

Targets a return of:
Malaysian Consumer Price Index (CPI) + 3%
on a 5-year rolling basis



(Selected companies in our portfolio. List is not exhaustive)

STRATEGIC FUND

A developmental fund to meet Khazanah's strategic objective

- Targets a return of:*
- 10-year Malaysian Government Securities (MGS) yield on a 5-year rolling basis; and
 - Measureable economic benefits

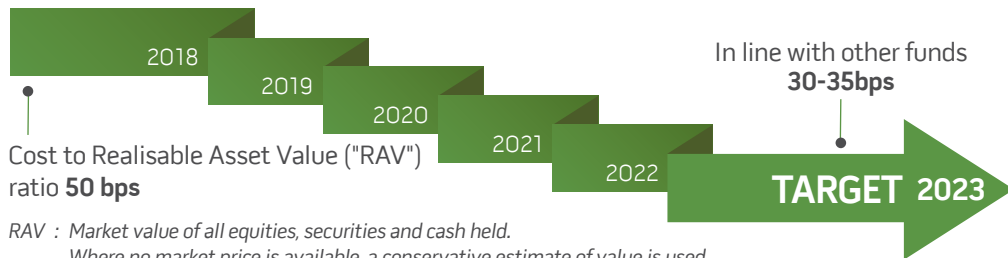


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Khazanah will execute its transitional priorities in the next five years

TRANSITIONAL PRIORITY 1 Strengthen Financial Position

A. Improve operating cost-efficiency



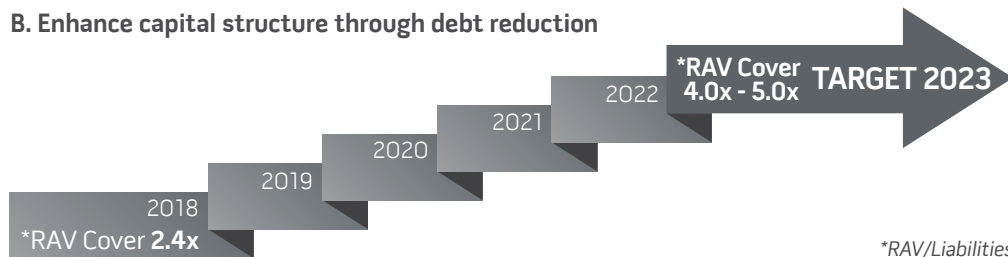
Cost to Realisable Asset Value ("RAV") ratio **50 bps**

RAV : Market value of all equities, securities and cash held.

Where no market price is available, a conservative estimate of value is used.

bps : basis point

B. Enhance capital structure through debt reduction



*RAV/Liabilities

TRANSITIONAL PRIORITY 2 Rebalance the Commercial Fund



Shift to long-term strategic asset allocation

Diversify portfolio to be more balanced across geographies and sectors

Improve risk diversification

TRANSITIONAL PRIORITY 3

Develop the Strategic Fund



Generate enhanced shareholder return for strategic assets

Achieve commercial sustainability for developmental assets and deliver economic impact

Identify new strategic investments with capacity to deliver economic benefit

TRANSITIONAL PRIORITY 4

Review governance structure and framework

UPDATE

policies, procedures and processes in line with new mandate and dual-fund structure

ENHANCE

transparency to stakeholders

TRANSITIONAL PRIORITY 5

Build organisational capacity



Optimise talent for identified business needs

- Realign staffing needs with new structure
- Training on critical skills
- Revise performance management system



Enhance IT infrastructure to meet requirements of dual-fund structure

- Redesign business processes and information architecture
- Upgrade systems and applications to support investment operations



Scan here for our
Investment Policy Statement
www.khazanah.com.my