

MEDIA STATEMENT

Kuala Lumpur, 29 November 2017

Clarification on news reports regarding Khazanah's financial performance

We refer to the article, “Khazanah feels the heat amid push to change its investment strategy”, published by The Straits Times of Singapore on 29 November 2017, and subsequently covered by other media and social media outlets.

We wish to state that the articles give an inaccurate and ultimately misleading picture of Khazanah's financial performance. This is principally due to its selective focus on a narrow and incomplete set of indicators of financial performance.

As has been widely reported, the most representative measure of Khazanah's financial performance is to refer to total returns that take into account realised and unrealised returns, as well as distribution of returns through dividends. In Khazanah's case, total return is represented by the growth in the net value of our portfolio, that is its NWA or Net Worth Adjusted value. As previously reported, the NWA value of the portfolio grew 3.1x or 207% from RM33.3 billion to RM102.1 billion from May 2004 to December 2016, reflecting the period since the start of the revamp of Khazanah and Government-Linked Companies (“GLCs”). This translates into an annual compounded return of 9.3% per annum over the 13-year period, rather than just the 1% or 2.6% return as is implied by the articles.

In addition, Khazanah's audited Shareholders Funds have grown to RM37.8 billion as at 31 December 2016 from RM13.2 billion as at 31 December 2004, an increase of RM24.6 billion over the period.

We should also highlight several other salient aspects of the portfolio and our mandate as a strategic investment fund that are relevant in this regard;

1. The rate of total return as represented by NWA growth is in line with relevant benchmarks, in particular, with the FBM KLCI which posted a total shareholder return of 9.4% per annum during the same period.
2. Khazanah has a multi-pronged mandate that includes investing for growth and commercial returns – domestically and internationally – while also undertaking developmental and national initiatives. The latter include the development of regional economic corridors, reforms of the education sector and the restructuring and catalysing of various economic sectors and national companies. The range of returns of these initiatives vary widely from low or even negative returns for more developmental

activities, to significantly higher returns for our commercial and international operations, averaging at the said 9.3% per annum NWA return.

3. Given that Khazanah's mandate does not involve receiving any regular capital injections, and its need to reinvest for growth and national initiatives, the bulk of its returns are primarily channeled into reinvestments rather than to dividends. This need for a balanced re-investment strategy for growth, development and dividends is done in consultation and approval of the Board of Directors and the Government.
4. As Khazanah does not receive regular capital injections unlike most sovereign and sovereign-linked funds, it needs to ensure that its returns are achieved with an appropriate level of risk undertaken. A principal risk management measure in this regard is our Asset Cover (which measures assets over liabilities), which stands at 2.9x as at 31 December 2016.
5. We should also record that Khazanah actively tracks other non-financial measures of performance including economic, strategic and societal indicators. For those interested, these measures are widely reported in our annual reports and on our website (www.khazanah.com.my).

We hope the above clarifies the conclusions of the articles in respect of Khazanah's financial and non-financial performance. Finally, with regard to Khazanah's leadership succession as referred to in the articles, we wish to reiterate that Khazanah has a well-established and orderly succession process, approved by our Board of Directors that is in line with good institutional practice.

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For further information on Khazanah, please visit www.khazanah.com.my or contact Mohd Raslan Md Sharif at +603 2034 0000, or e-mail at raslan.sharif@khazanah.com.my.

About Khazanah Nasional Berhad

Khazanah Nasional Berhad ("Khazanah") is the strategic investment fund of the Government of Malaysia entrusted to hold and manage the commercial assets of the Government and to undertake strategic investments. Khazanah is involved in various sectors such as power, telecommunications, financial institutions, healthcare, aviation, infrastructure, leisure & tourism, property, creative & media, education, and innovation & technology. Some of the key listed companies in Khazanah's investment portfolio include Telekom Malaysia Bhd, Tenaga Nasional Bhd, CIMB Group, Axiata Group Bhd, IHH Healthcare Bhd, Malaysia Airports Holdings Bhd and UEM Sunrise Bhd. For further information on Khazanah, please visit www.khazanah.com.my.