

**MEDIA STATEMENT**

**Kuala Lumpur, 5 March 2019**

**KHAZANAH ANNUAL REVIEW 2019**

**Khazanah reports lower 2018 performance, announces refreshed mandate to enhance future profitability**

Khazanah Nasional Berhad (“Khazanah”) today announced its 2018 financial performance and a refreshed mandate, amidst an ongoing restructuring which will put Khazanah on a stronger footing for enhanced profitability and performance in 2019 and onwards.

Khazanah Managing Director Datuk Shahril Ridza Ridzuan said: “Our performance in 2018 was impacted by several key global and domestic developments in both the economic and social spheres. At the same time, the Government initiated a reset of Khazanah, which involved significant changes including a refreshed mandate. The organisational restructuring we are currently undertaking will enable us to execute and deliver on our role of growing Malaysia’s long-term wealth, beginning from this year.”

**1. Financial Performance**

Khazanah’s portfolio value as measured by its Net Worth Adjusted (“NWA”) declined to RM91 billion on 31 December 2018, a 21.6% drop from RM116 billion on 31 December 2017. Realisable Asset Value (“RAV”) also declined to RM136 billion from RM157 billion during the same period. The long-term portfolio performance remained on an upward trajectory, with NWA achieving an 11.0% return per annum over the last 10 years.

Khazanah’s portfolio was affected by global economic uncertainty in 2018, which saw markets underperform due to geopolitical tensions and a pessimistic growth outlook for emerging markets. In addition, the portfolio was further impacted by domestic developments, including a subdued earnings outlook, market volatility, and regulatory changes during the period under review.

Khazanah recorded a Loss Before Tax of RM6.271 billion in 2018, compared to a Profit Before Tax of RM2.896 billion a year earlier. Profitability was affected due to fewer divestments, reduced dividend income and higher impairments, during a period of transition for Khazanah in an unfavorable market. Khazanah declared a dividend of RM1.5 billion for 2018.

Last year, the Malaysian Government initiated a restructuring and reorganisation of Khazanah involving leadership changes in the Board of Directors and management, as well as a refreshed mandate and objectives. As part of this, Khazanah undertook a review and revaluation of its investments, which is reflected in its 2018 results.

Khazanah's achievements in 2018 include the acquisition of Prince Court Medical Centre and investments in Ping An Good Doctor and Ant Financial in China. In addition, the Marina One and DUO developments in Singapore were completed and launched. 2018 also saw the successful IPOs of Phunware and Farfetch in the United States, and divestment of a stake in IHH Healthcare, expected to be completed in Q1 2019.

## **2. Refreshed Mandate and Objectives**

Khazanah's primary role under the refreshed mandate, as approved by the Board of Directors, is to grow Malaysia's long-term wealth. To achieve this, Khazanah will pursue two investment objectives – commercial and strategic.

The commercial objective focuses on growing financial assets and diversifying revenue sources for the nation, while the strategic objective is to hold assets that bring long-term economic benefits.

Overall, Khazanah will be guided by its investment philosophy of earning appropriate risk-adjusted financial returns, generating sustainable returns, and integrating ethical and responsible considerations into investment activities.

Khazanah will pursue these objectives via a dual-fund investment structure:

- **Commercial Fund**  
An intergenerational wealth fund with a targeted return equivalent to the Malaysian Consumer Price Index ("CPI") plus 3% on a five-year rolling basis. This fund includes public assets such as CIMB Group, Axiata Group, IHH Healthcare and Alibaba.com; and private assets such as The Holstein Milk Company, Sun Life Malaysia, WeLab and Palantir.
- **Strategic Fund**  
A developmental fund with a targeted return equivalent to the 10-year Malaysian Government Securities ("MGS") yield on a five-year rolling basis, as well as measurable economic benefits. This fund includes strategic assets such as Telekom Malaysia, Tenaga Nasional, Malaysia Airlines, Malaysia Airports and PLUS Malaysia; and developmental assets such as Silterra, Iskandar Investment Berhad, Themed Attractions Resort & Hotels, Pinewood Iskandar Malaysia Studios and Medini Iskandar Malaysia.

### 3. 2019 Outlook

Khazanah will focus on executing its portfolio rebalancing strategy and strengthening its financial position. Khazanah will also be developing policies, guidelines and processes for the dual-fund structure, as well as restructuring and enhancing internal capabilities to deliver on its refreshed mandate.

**END**

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#### **About Khazanah Nasional Berhad**

Khazanah Nasional Berhad (“Khazanah”) is the sovereign wealth fund of Malaysia entrusted with growing the nation’s long-term wealth via distinct commercial and strategic objectives. Khazanah’s commercial objective is to grow financial assets and diversify revenue sources for the nation, while its strategic objective is to hold strategic assets that bring long-term economic benefits. Khazanah is guided by its investment philosophy which emphasises attaining appropriate risk-adjusted financial returns, generating sustainable returns, and integrating ethical and responsible investing considerations. For more information on Khazanah, please visit [www.khazanah.com.my](http://www.khazanah.com.my).