

MEDIA STATEMENT

Kuala Lumpur, 2 March 2022

KHAZANAH CONTINUES GROWING ITS PORTFOLIO VALUE, ANNOUNCES LONG-TERM STRATEGIES TOWARDS ADVANCING MALAYSIA

Highlights

- Overall Net Asset Value (“NAV”) increased from RM79b to RM86b
- Commercial Fund NAV Time-Weighted Rate of Return (“TWRR”) of 19.0%
- RM8.7b in new investments, RM4.8b of assets monetised
- New growth sectors to be catalysed via Dana Impak allocation of RM6b over 5 years

Khazanah Nasional Berhad (“Khazanah”) today announced its 2021 financial performance and long-term strategies, placing the Government’s strategic investment arm on a stronger footing in fulfilling its mandate to deliver sustainable value for Malaysians.

While 2021 saw the gradual reopening of the global economy, the year remained challenging with the Covid-19 restriction measures imposed, placing pressure on markets and economies across the globe.

Dato’ Amirul Feisal Wan Zahir who hosted his first annual briefing as Khazanah Managing Director said, “Despite a challenging backdrop of movement restrictions and reduced economic activity globally, Khazanah managed to create value, generate strong investment returns, and grow our NAV by RM7b. We also continued our rebalancing efforts towards having a more diversified portfolio and undertook measures to support our investee companies that were most impacted by Covid-19 namely in the aviation and tourism sectors.”

Dato’ Amirul Feisal also presented Khazanah’s long-term strategies that reaffirm the sovereign wealth fund’s commitment to advancing Malaysia’s economy and society - through a new Dana Impak allocation aimed to catalyse new growth sectors, playing a more active institutional stewardship role, leveraging our global networks to facilitate flows of knowledge and investment opportunities back to Malaysia, and creating societal value for Malaysians.

Financial Performance

Khazanah has continued to grow and safeguard its assets on behalf of the nation, with NAV recording a compounded annual growth rate (“CAGR”) of 5.8% since 2004.

In 2021, Khazanah’s NAV grew from RM79b to RM86b. However, profit from operations fell to RM670m in 2021 from RM2.9b in 2020. The reduction of profit was mainly due to continuing financial assistance being extended to Khazanah’s Airlines and Tourism companies still weathering headwinds from Covid-19 pandemic. Profit was also impacted by lower fair value gains and lower dividend income from investee companies on the back of subdued 2020 earnings.

Khazanah deployed RM8.7b in new investments in 2021, with a significant portion invested in Malaysia (41.7% or RM3.6b) and raised RM4.8b from monetisation of assets in its portfolio.

Khazanah continues to maintain its financial discipline. Operating expenses (OPEX) were reduced to RM420m from RM490m in 2020. Debt increased marginally to RM48b from RM43b in the previous year, while its Realisable Asset Value (“RAV”) over debt ratio remained healthy at 2.8 times.

Khazanah declared a dividend of RM2.0b to the government for 2021.

Portfolio Performance

The performance of its Commercial Fund is in line with long-term expectations, achieving NAV time-weighted rate of return (“TWRR”) of 19.0% in 2021 which equates to a three-year rolling return of 7.0%. This has positioned Khazanah to be on track to meet its long-term five-year rolling target of Consumer Price Index (“CPI”) + 3.0%.

The positive performance was mainly attributed to the recovery of the listed portfolio in Malaysia after three years of underperformance, successful monetisation of Private Equity (“PE”) investments in US and Europe, and strong performance of our new, still-in-progress Public Equities Developed Market (“DM”) deployment programmes.

Khazanah’s portfolio rebalancing towards the target Strategic Asset Allocation (“SAA”) saw further deployment into Public Equities – Developed Markets (“DM”), Real Assets (“RA”) and Private Equity (“PE”). For its Malaysian assets, focus continues to be on value-creation efforts to future-proof and drive performance improvements in their businesses.

Khazanah continued to support many of its assets in the Strategic Fund to weather the impact of the Covid-19 pandemic and protect shareholder value. The Strategic Fund recorded a NAV TWRR of negative 11.4% in 2021, affected by Khazanah’s investments that were sensitive to the pandemic, namely in the aviation and tourism sectors.

Despite the challenging conditions, Khazanah achieved several significant milestones including the timely completion of Malaysia Aviation Group’s (“MAGB”) restructuring exercise which saw the reduction of RM15b in liabilities. This restructuring effort enables MAGB to be more financially resilient and readies the airline operations for the anticipated recovery in air travel.

Khazanah maintained support for its developmental assets such as Themed Attractions Resorts & Hotels (“TARH”) and Iskandar Malaysia through capital injections in 2021, and is currently working with the management of those companies to develop and execute strategies for business recovery and sustainability.

Delivering Societal Value

Aside from producing financial returns, Khazanah continued to deliver societal value and impact through its related entities and initiatives. Its foundation, Yayasan Hasanah, managed a total of RM554m in 2021 which directly and indirectly assisted 1.5 million people through Covid-19 relief efforts and various other programmes. The Khazanah Research Institute continued to conduct research on the most pressing issues for the nation with a total of 30 publications released in 2021. Taman Tugu Malaysia increased visitorship by 30% in 2021 despite the park being closed for 19 weeks, and completed the quantification of its carbon capture footprint.

Moving Forward

Khazanah has set four strategic imperatives to deliver its purpose of delivering sustainable value for Malaysians.

- **Advancing Malaysia** will see Khazanah undertaking four key initiatives to deliver impactful outcomes for the nation.
 - Dana Impak to invest in catalytic sectors that strengthens the country's resilience and open new growth opportunities. Six themes have been identified, namely Digital Society & Technology hub, Quality Health & Education for all, Decent Work & Social Mobility, Food & Energy Security, Building Climate Resilience, and Competing in Global Markets
 - Active participant in Malaysia's capital markets, spurring economic growth
 - Represent Malaysia through its global investments and partnerships to facilitate flows of knowledge, networks, and investment opportunities
 - Build capacity and develop vibrant communities for the benefit of Malaysians
- **Building on our Financial Strength** is core for Khazanah and we do this through a well-diversified portfolio that can achieve our long-term risk-adjusted returns targets, as well as maintaining financial discipline. Khazanah will also look to turnaround some of its assets, especially those facing not only the impact of the pandemic but also structural issues in the sector
- **Creating a Sustainable Future** is the third strategy that will see Khazanah embed ESG considerations into everything we do, from how we make investments decisions to how our employees go about their daily work. We also hope to play a leading role in shaping an equitable and responsible ESG transition for Corporate Malaysia
- **Developing a Winning Team** is crucial in delivering our purpose by instilling a culture of high performance and collaboration, equipping employees with future-proofed skillsets, and adopting new technologies into its daily work

“These last two years have been very challenging for us to navigate volatile markets and the social and economic impact of the pandemic. We must continue to rally together and take this opportunity to chart a path towards growth, emerging stronger as a nation. We truly believe that Khazanah's refreshed strategy will allow us to achieve this, and to this end, we call upon our fellow Malaysians to join us on this journey towards Advancing Malaysia,” Dato' Amirul Feisal concluded.

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About Khazanah Nasional Berhad

Khazanah Nasional Berhad (“Khazanah”) is the sovereign wealth fund of Malaysia entrusted to deliver sustainable value for Malaysians by achieving long-term risk-adjusted returns. It aims to advance Malaysia by increasing economic competitiveness and strength, catalysing business activities, and building socio-economic resilience and sustainability. To achieve these goals, Khazanah will build on its financial strength and work together with the Malaysian government, the private sector, and the community. For more information on Khazanah, please visit www.khazanah.com.my