



KHAZANAH
NASIONAL



ADVANCING
MALAYSIA

KHAZANAH ANNUAL REVIEW 2023

21 March 2023

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www.khazanah.com.my



Khazanah continues to be driven by our purpose and we remain focused on our strategy in Advancing Malaysia

Investing to deliver sustainable value for Malaysians

Strategic Imperatives



Active Corporate Player
in Malaysia's capital markets,
spurring economic growth

Dana Impak to invest in
catalytic sectors that
strengthen the country's
resilience and opens new
growth opportunities

Global Investor to grow our
portfolio, while finding
opportunities to facilitate
flows of knowledge, networks
and investment opportunities
into Malaysia

Focused on **Building
Capacity and Vibrant
Communities** for the
benefit of Malaysians



**Building on our
Financial Strength**



**Creating a
Sustainable Future**




**Developing a
Winning Team**

In achieving our goals, we invest to optimise portfolio performance and to deliver socioeconomic impact to Malaysians



OVERALL KHAZANAH PORTFOLIO

Investments Portfolio	Dana Impak Portfolio	Developmental Assets	Special Situations
<p>RM122.5b RAV¹</p> <p>Investments with commercial returns expectations</p>	<p>RM6.0b allocated</p> <p>Investments with clearly defined targeted socioeconomic outcomes</p>	<p>RM4.3b RAV¹</p> <p>Long-term developmental investments with the potential to deliver economic impact</p>	<p></p> <p>Assets which require turnaround in terms of profitability and sustainable operating cash flows</p>
<p>Continue portfolio rebalancing efforts towards the target Strategic Asset Allocation</p>	<p>Plan and execute investments across the 6 identified themes to deliver measurable socioeconomic impact</p>	<p>Continue shepherding companies towards long-term financial sustainability</p>	<p>Active management to resolve assets faced with severely challenging situations</p>

YAYASAN HASANAH

RM1.8b
contributed since 2006



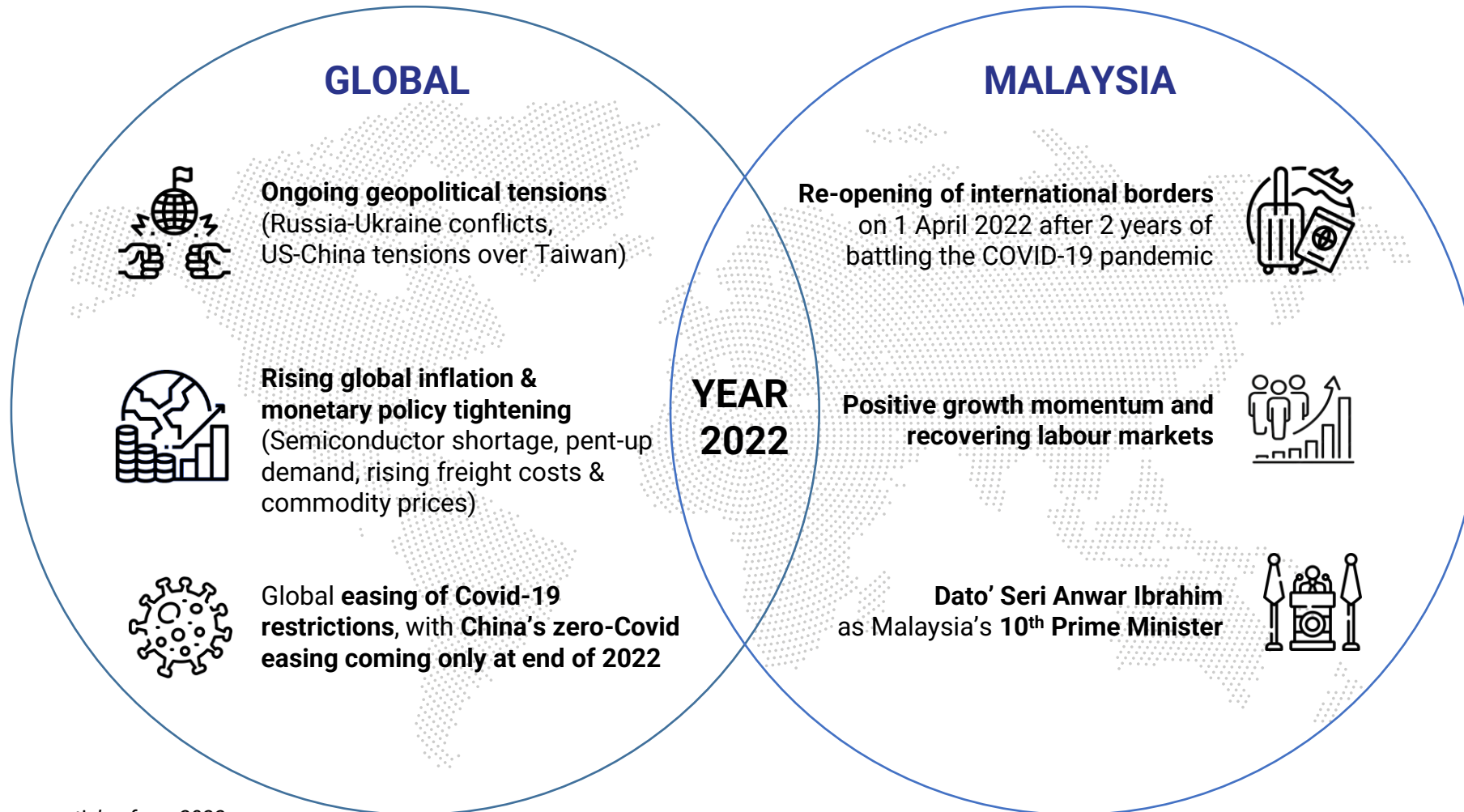
Impact-based foundation focused on **5 areas** – Education, Community Development, Environment, Knowledge and Arts, Heritage & Culture

¹ As at 31 December 2022

01 2022 IN REVIEW

02 Moving Forward

2022 was an extremely challenging year for global markets coloured by rising inflation, aggressive monetary tightening, and the effects of the Russia-Ukraine war



Source: Various news articles from 2022

Global markets recorded negative returns in 2022, for both Emerging Markets in Asia and the Developed Markets, mainly due to continued lockdowns in China and tight financial conditions respectively

GLOBAL MARKET PERFORMANCE IN 2022



Source: Bloomberg

GLOBAL REAL GDP GROWTH (YoY) COMPARISON

Geography	2021	2022	2023F
Malaysia	3.1%	8.7% ¹	4.0%-5.0% ¹
Emerging Markets	6.7%	3.9%	4.0%
Developed Markets	5.4%	2.7%	1.2%
World	6.2%	3.4%	2.9%

Source: IMF as of Jan 2023

¹ MOF as of Feb 23

Khazanah's portfolio performance faced significant headwinds which we actively navigated by being judicious with our investments and monetisation. We continued to invest for impact and prepare for the long-term impact of ESG concerns

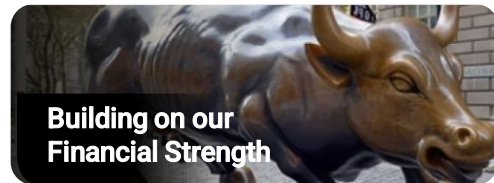


Investments Portfolio **4-year** rolling NAV Time-Weighted Rate of Return ("TWRR") of **2.2%**

Executed **value creation plans** for our **Malaysian assets** – Farm Fresh, Cenviro & Axiata

~RM500m of Dana Impak projects identified to deliver socioeconomic benefits for the Rakyat

Continued to **impact Malaysian society** through our affiliated entities and own initiatives



RAV Cover at 2.7x

Recorded profit of RM1.6b



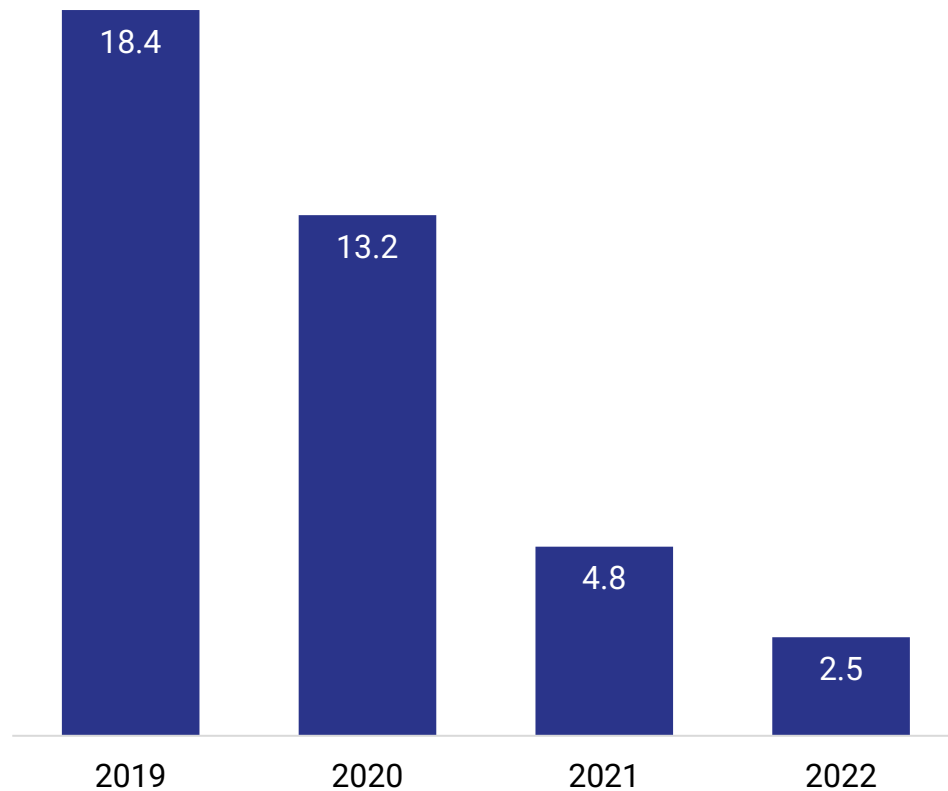
Launched **sustainability framework and targets** for Khazanah and investee companies



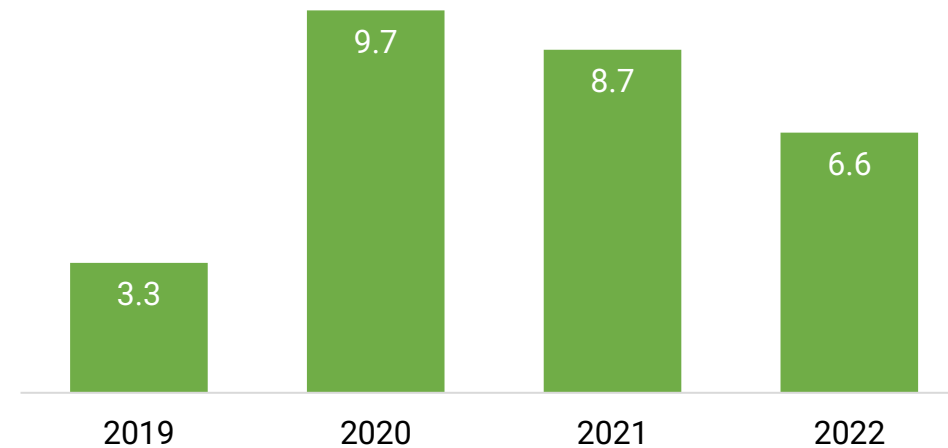
Improved **employee engagement** and continued implementation of **digitisation initiatives and new technology platforms**

Our long-term Strategic Asset Allocation guides us to continue diversifying our portfolio through monetisation and deployments

4-Year Divestments¹ (RM b)



4-Year Investments¹ (RM b)



¹ Investments & Divestments includes Investments Portfolio, Dana Impak Portfolio, Developmental Assets and Special Situations

Our Investments Portfolio achieved 4-year return of 2.2% amidst volatile global markets



2.2%

4-year rolling NAV TWRR
(Target: CPI+3%)

-5.7%

2022 NAV TWRR

RM 122.5_b

2022 RAV

- Negative performance for the year attributed to global market downturn, aligned to **declines** in **MSCI EM Asia, S&P500 and KLCI** indices at **-22.8%, -19.5% and -4.6%** respectively
- We deployed in a disciplined manner for diversification and invest prudently through our Public Markets and Private Markets programmes as we continue to build portfolio resilience for the long-term

Portfolio performance was adversely affected by negative returns in Public Markets, mitigated by monetisation in the Private Markets and improved dividend income

Investments Portfolio RAV TWRR by Asset Class	% of portfolio ¹	2019	2020	2021	2022	4-Year Rolling	Role of Asset Class
Public Markets: Malaysia	55.9%	3.2%	-7.4%	14.0%	-4.2%	1.1%	Global markets exposure & liquidity
Public Markets: Global	13.4%	27.5%	26.2%	1.6%	-16.3%	8.1%	
Private Markets: Malaysia	9.2%	5.9%	-4.7%	12.2%	16.8%	7.2%	Relatively higher long-term returns, through programmatic deployment
Private Markets: Global	13.5%	6.1%	-1.3%	19.1%	3.9%	6.7%	
Real Assets	8.0%	10.5%	0.1%	11.2%	23.5%	11.0%	Yield and counter cyclical to equities

¹ as of 31 Dec 2022

Achieved RM1.6b profit from operations with RAV Cover at 2.7x

PROFIT FROM OPERATIONS

RM 1.6b

2021: RM670m

Global turmoil and adverse market conditions caused losses to our trading portfolio

However, this loss was cushioned by:

- Investments Portfolio divestment gains
- Lower impairment

CONTRIBUTION TO GOVERNMENT (RM m)

RM m	2019	2020	2021	2022
Dividends	1,000	2,000	2,000	500
Tax Paid	50	80	227	133
Contribution to Government Request and Social Initiatives ¹	50	70	101	166

¹ Film in Malaysia Incentive, MySTEP, Tabung Cerdik, COVID-19 and Flood relief

DEBT (RM b)

RAV
Cover²

3.0x

2.9x

2.8x

2.7x

45.8

43.1

48.5

49.1

2019

2020

2021

2022

² RAV Cover = RAV / Debt
Long term target level of 3.0x – 4.0x.

We executed value creation plans across our portfolio, key highlights include Farm Fresh, Cenviro and Axiata (Celcom-Digi)



Farm Fresh was the Largest IPO on Bursa in March 2022 valued RM2.51b

- Domestically developed and entrepreneur-led market leader



Strategic partnership between Khazanah and SK ecoplant in May 2022 to advance Cenviro to be a regional waste management champion

- Continue making Malaysia an attractive destination for foreign investors and flow of knowledge and know-how



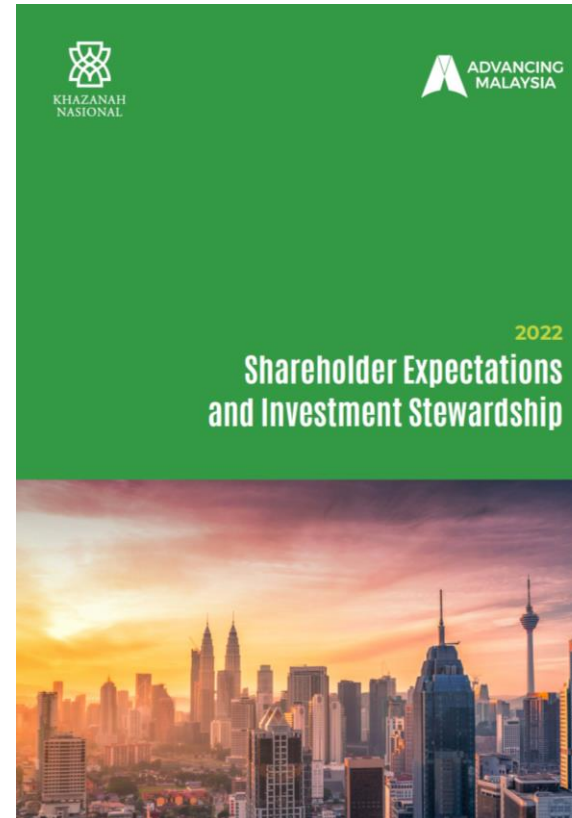
Completion of Celcom-Digi merger in Nov 2022, forming the largest telecommunications company on Bursa Malaysia

- Creates greater scale and resilience to drive innovation as well as enhance digital connectivity & digital services for Malaysia

We cemented our active engagement with investee companies with a set of Khazanah's Shareholder Expectations that are aligned to long-term shareholder value

Six (6) core expectations to promote long-term performance of our portfolio

- 1 Companies must generate long-term shareholder value
- 2 The Board of Directors hold ultimate responsibility for corporate strategy, monitoring and oversight
- 3 The Chairperson as a leader who sets the right culture
- 4 The right management team must be selected and then incentivised to be aligned with the company's success
- 5 Protection of shareholder rights
- 6 Sustainability considerations to future proof investee companies



We embarked on the execution of Dana Impak initiatives, seeking to deliver socioeconomic benefits for the nation

Dana Impak

A RM6b allocation over 5 years up to 2026 to invest in increasing Malaysia's economic competitiveness and in building national resilience across 6 key themes



Digital Society & Technology Hub



Quality Health & Education for all



Building Climate Resilience



Decent Work & Social Mobility



Food & Energy Security

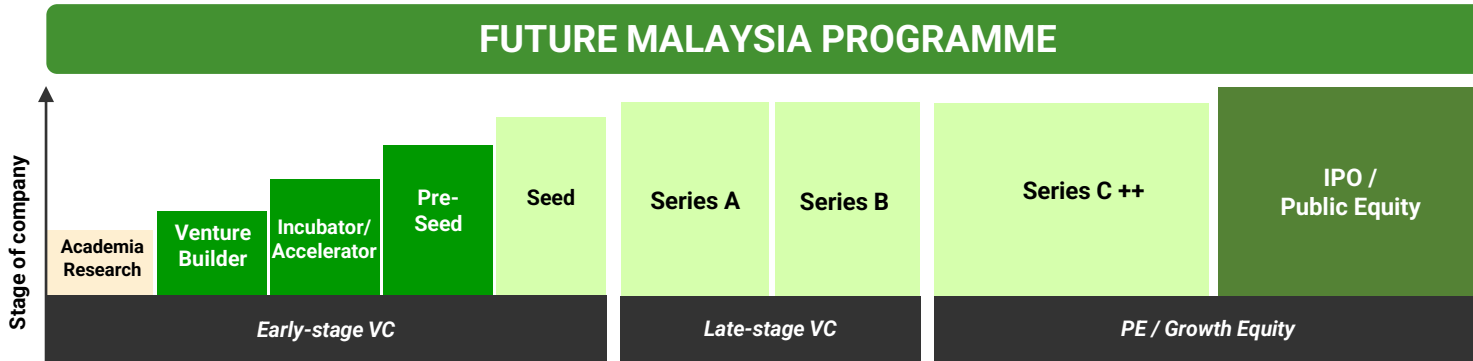


Competing in Global Markets

2022 Key Highlights

- 1 Commitment to support entrepreneurs & VC ecosystem
- 2 Investments in digital up-skilling & re-skilling venture
- 3 Commitment to catalyse the development of Malaysia's nature-based-solution carbon market
- 4 Commenced nationwide survey of agri smallholders to understand challenges & identify opportunities for income uplift
- 5 Developed the SEMARAK framework, i.e. an impact assessment tool

As part of our Dana Impak initiatives, we launched *Future Malaysia Programme & Future Malaysia Skills* to bolster Malaysia's start-up ecosystem and generate a technically adept talent pool



FUTURE MALAYSIA SKILLS



Preparing Malaysia's talent pool for the Future of Work and spur more local champions



Investment into an innovative peer-to-peer computer science school to generate 10,000 skilled tech talent nationwide in 10 years



PETRONAS FUTURETECH 3.0 

500 GOBI PARTNERS 

KHAZANAH IMPACT INNOVATION CHALLENGE KiIC 

PLUGANDPLAY 

Invest in early-stage companies which require risk capital to scale innovation and the business

Direct Investments
Examples

CARSOME 

FARM FRESH 

Follow-on direct investments in late-stage companies to become global champions

We launched our Sustainability Framework, which provides a structured approach in delivering equitable and responsible transition of our portfolio and companies



Launched Khazanah's **Sustainability Framework and eight (8) time-bound Targets**



Updated Khazanah's **Voting Guidelines**, outlining our **expectations and stances on ESG adoption** at our investee companies



Continued awareness and efforts to **reduce waste and emissions**, including rollout of **sustainability training** to Khazanah employees



Collaboration with **What A Waste**
Excess food saved from various Khazanah events were distributed to communities around Kuala Lumpur



Khazanah's Enterprise Sustainability Working Group

Khazanah's affiliated organisations continue to deliver societal value and impact for Malaysians



- **RM54m** allocated for **164 projects** on key impact areas
- **RM2.2m** contributed for **disaster relief assistance**, impacting **12,370 families**



- **26 research publications** focused on national priorities, e.g. food security and unemployment
- Continuous **engagement with relevant Ministries** to ensure **solid policy support**



- **Completed handover** of the land to **Amanah Warisan Negara**
- Opened the **Taman Tugu Lawn** and completed **6km** of trails across the Park
- More than **700,000** visitors to-date



- Partnership with **Johor Bahru City Council** to enhance **functionality and highlight cultural heritage conservation** of Coronation Avenue
- Delivered **Archaeotourism Network Programme** in Perak

We also facilitated the sharing of knowledge and experience, as well as celebrate the nation's diversity and heritage



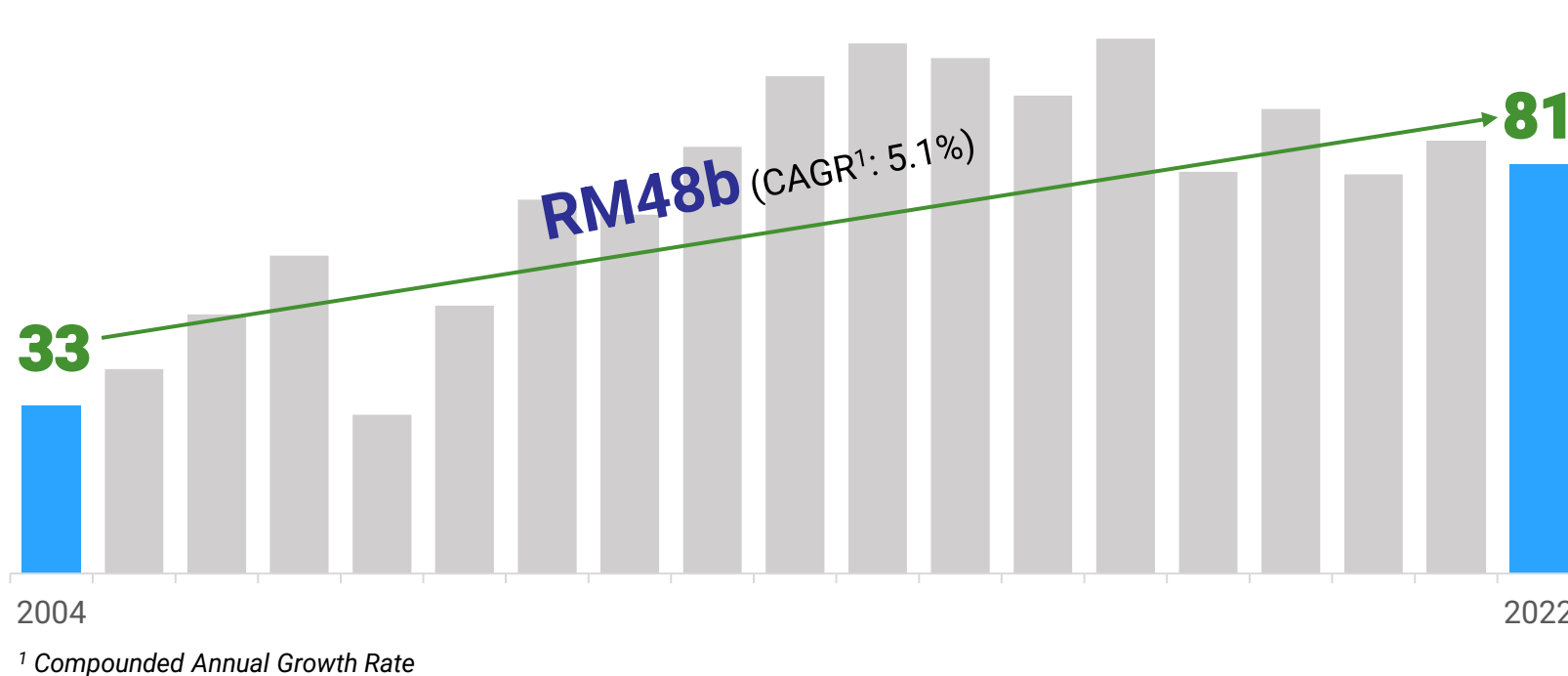
- Khazanah Megatrends Forum was held on 3-4 Oct 2022 under the theme “**Development and its Complexity: Steering our way through a perfect storm**”
- **Attended by 1,841** thought leaders, corporate, academia, NGO, think tank and community members

- **57 artworks by 29 local artists** showcased in the first round of virtual art gallery (Jul 2022 – Jan 2023)
- Aimed to offer local and global audiences a glimpse of **our cultural heritage** through the perspective of Malaysian artists

Despite a challenging 2022, Khazanah remains steadfast to grow and safeguard its assets for the country



Overall Khazanah Portfolio NAV Growth (RM b)



RM17.1b
Cumulative Dividends
paid to Government of
Malaysia

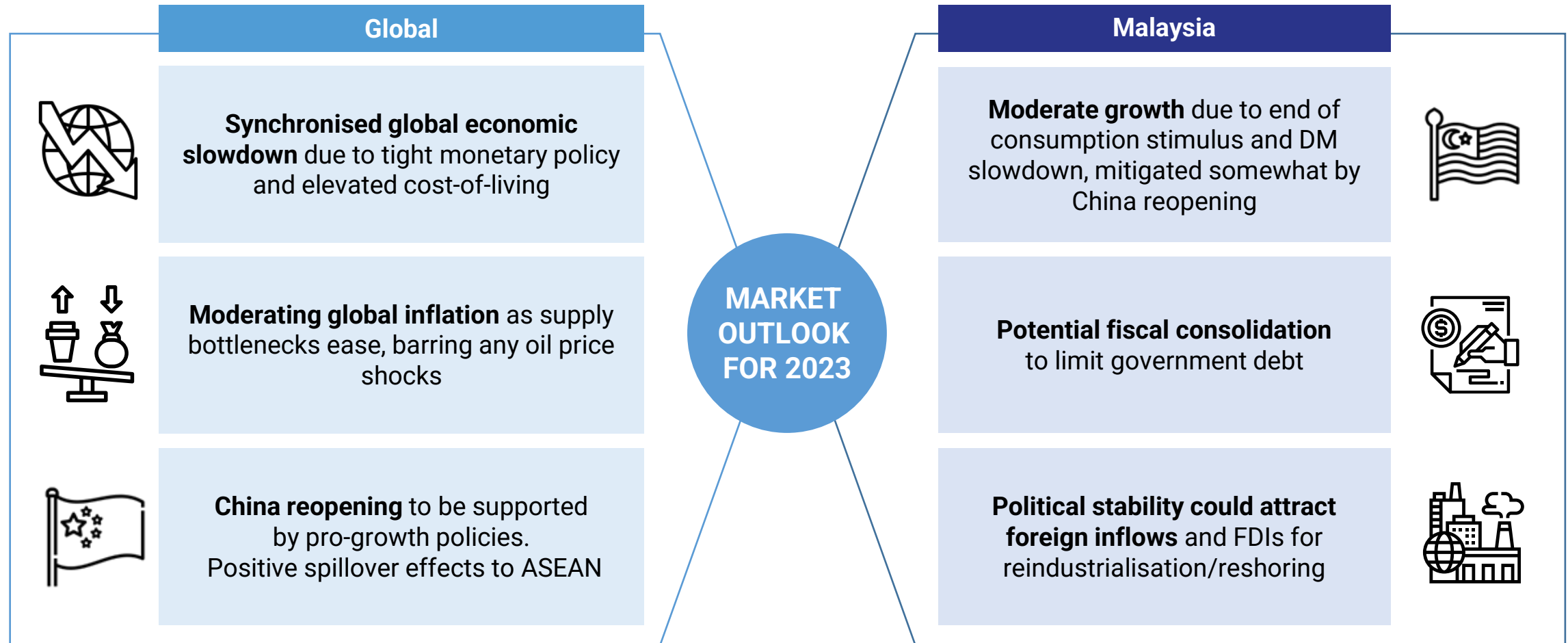
RM65.1b
Cumulative
Shareholder Return

01

2022 In Review

02 MOVING FORWARD

In 2023, we expect continued volatility across global markets, including Malaysia. Green shoots may come in the form of China's reopening and moderating inflation levels



As we carefully manage our investments in an evolving environment, we remain committed to our strategy in delivering our part towards Advancing Malaysia for the long-term



Focus **value creation efforts** on the Malaysian assets we are invested in



Execute **Dana Impak projects**, with application of **SEMARAK** as guidance



Continue **deployment of investments** globally, while maintaining a disciplined portfolio rebalancing approach



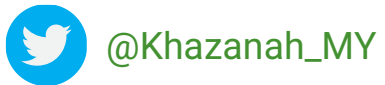
Execute **Sustainability Framework**, while incorporating principles of Just Transition



Deliver societal value through **Building Capacity and Vibrant Communities** for the benefit of Malaysians



THANK YOU



Visit our website at
www.khazanah.com.my