



KHAZANAH
NASIONAL

KHAZANAH ANNUAL REVIEW 2024

11 March 2024

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Khazanah remains anchored by our Advancing Malaysia theme, shaping our investment strategies to deliver long-term returns and sustainable value for the nation

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







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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>RM126.2b RAV¹</p> <p>Investments with commercial returns expectations</p>	<p>RM6.0b allocated</p> <p>Investments with clearly defined targeted socioeconomic outcomes</p> 	<p>RM5.1b RAV¹</p> <p>Long-term developmental investments with the potential to deliver economic impact</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>

¹ RAV: Realisable Asset Value; as at 31 Dec 2023

COMMUNITY DEVELOPMENT

> RM2.2b
contributed since 2006



Societal values focused on 5 areas
– Education, Community Development, Environment, Knowledge and Arts, Heritage & Culture



01 2023 IN REVIEW

02 Moving Forward



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Global markets in 2023 were driven by expectations of peak Fed rates, slowing down of elevated inflation, tight monetary conditions, concentrated AI rally and weak growth in China



2023 Global

Higher for longer rates

- tightened monetary policy globally to fight inflation

China's weak economic growth driven by debt, deflation and demographics

Ongoing geopolitical tensions

(Russia-NATO tension, Israel-Palestine conflict, US-China tensions over Taiwan)

AI supercharges financial markets, with remarkable Magnificent 7 rally



2023 Malaysia

BNM hiked OPR to 3.0% in May 2023

Release of Ekonomi MADANI, National Energy Transition Roadmap, New Industrial Master Plan

Record high RM329.5b in approved investments in 2023
(57.2% or RM188.4b in FDI)

USD/MYR hit 10Y low of RM4.79 in Oct 23



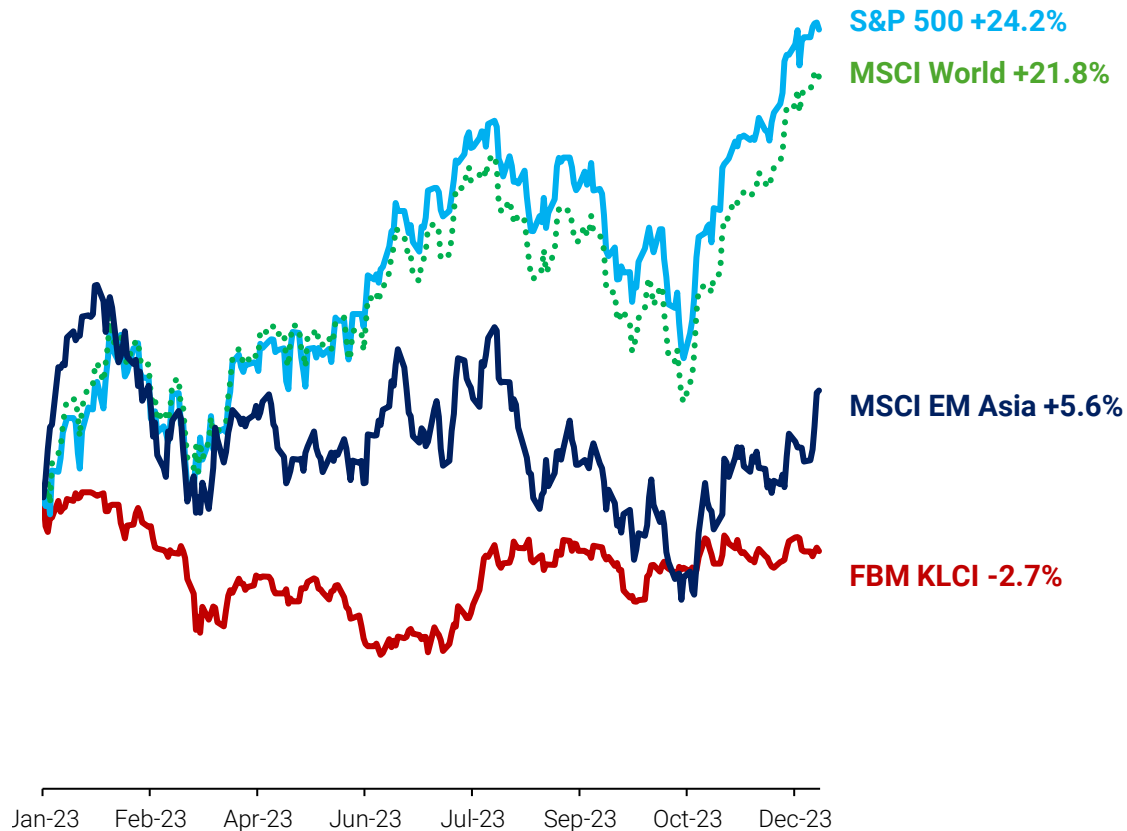
Source: Various news articles from 2023, MIDA



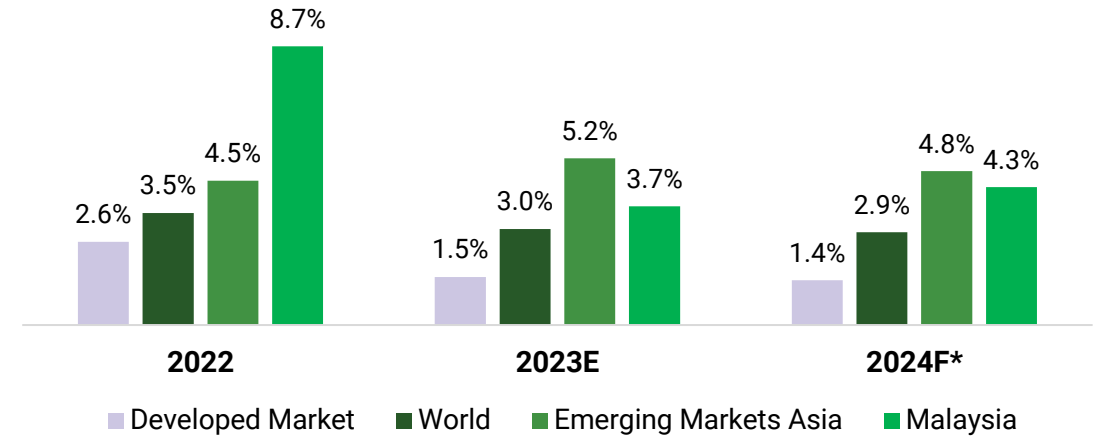
In 2023, Emerging Markets Asia including Malaysia lagged global peers in terms of macro and market performance

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GLOBAL MARKET PERFORMANCE IN 2023



GLOBAL REAL GDP GROWTH (YoY) COMPARISON



COMPARISON OF MALAYSIA WITH GLOBAL PEERS IN 2023E

Geography	Inward FDI flows (%GDP)	Exports Growth (%YoY)	Fiscal Deficit (% GDP)
Malaysia	2.2	-7.9	-5.0
ASEAN	5.9	-0.8	-3.3
Emerging Markets – Asia	0.5	1.4	-4.2
Developed Markets	1.6	0.7	-4.3



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Khazanah navigated the volatile markets with disciplined capital allocation to deliver sustainable returns whilst investing for the future and embedding sustainability in our operations

Financial Strength and Resilience



Portfolio Performance

- Investments Portfolio **5-year** rolling NAV Time-Weighted Rate of Return ("TWRR") of **2.9%**
- Investments Portfolio **2023** NAV TWRR of **5.7%**



Financial Performance

- RAV cover of **2.7x**
- Recorded profit from operations of **RM5.9b**
- Rated A3/A-** by Moody's and S&P respectively

Value Creation for Malaysia



Green Investments

- Established green investment platform, UEM Lestra** to invest in and build domestic champions in green sectors
- Advanced the **development of multiple renewable energy projects**



Dana Impak

- Identified RM877m** of Dana Impak projects
- Awarded grants to 15 finalists** under the Khazanah Impact Innovation Challenge



Airline and Tourism

- MAGB recorded **first full year of positive NIAT** since 2010
- Desaru Coast **welcomed >750,000 cumulative visitors**



Societal Values

- Yayasan Hasanah **allocated RM54m** for 119 impact-based projects
- Policy recommendations** by KRI on *Projek Perumahan Rakyat & Malaysian Labour Wage Gap*

Sustainable Future



Environmental

Achieved **carbon neutral** operations



Social

Established **Diversity, Equity & Inclusion Framework**



Governance

Incorporated **ESG-linked KPIs for key leadership positions** across our portfolio companies





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Our Investments Portfolio achieved a 5-Year Rolling Return of 2.9% and a 1-year Return of 5.7% amidst the challenging market landscape within this period

5Y Rolling NAV TWRR
(Long-Term Target: CPI + 3%)

2.9%

2023 NAV TWRR²

5.7%

(-5.7% in 2022)

Investments Portfolio RAV¹

RM126.2b

(RM122.5b in 2022)

- The Investments Portfolio's 5-Year Rolling NAV TWRR is predominantly driven by the overall weak domestic listed equities and in China in the past 3 years, offset by the performance of our global listed investments.
- We deployed in a disciplined manner to achieve diversification for the Investments Portfolio and invest prudently through our Public Markets and Private Markets programmes which forms our strategy to build portfolio resilience for the long-term.

Notes:

1. RAV includes Cash and Cash Equivalents, Other Current Assets, Other Current Liabilities and Bond Assets for the Investments Portfolio only.
2. The absolute value of NAV created in 2023 amount to RM4.2b.





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Portfolio performance improved in 2023 due to the listed Developed Markets portfolio which we seeded in 2020 and the partial recovery of our listed investee companies in Malaysia

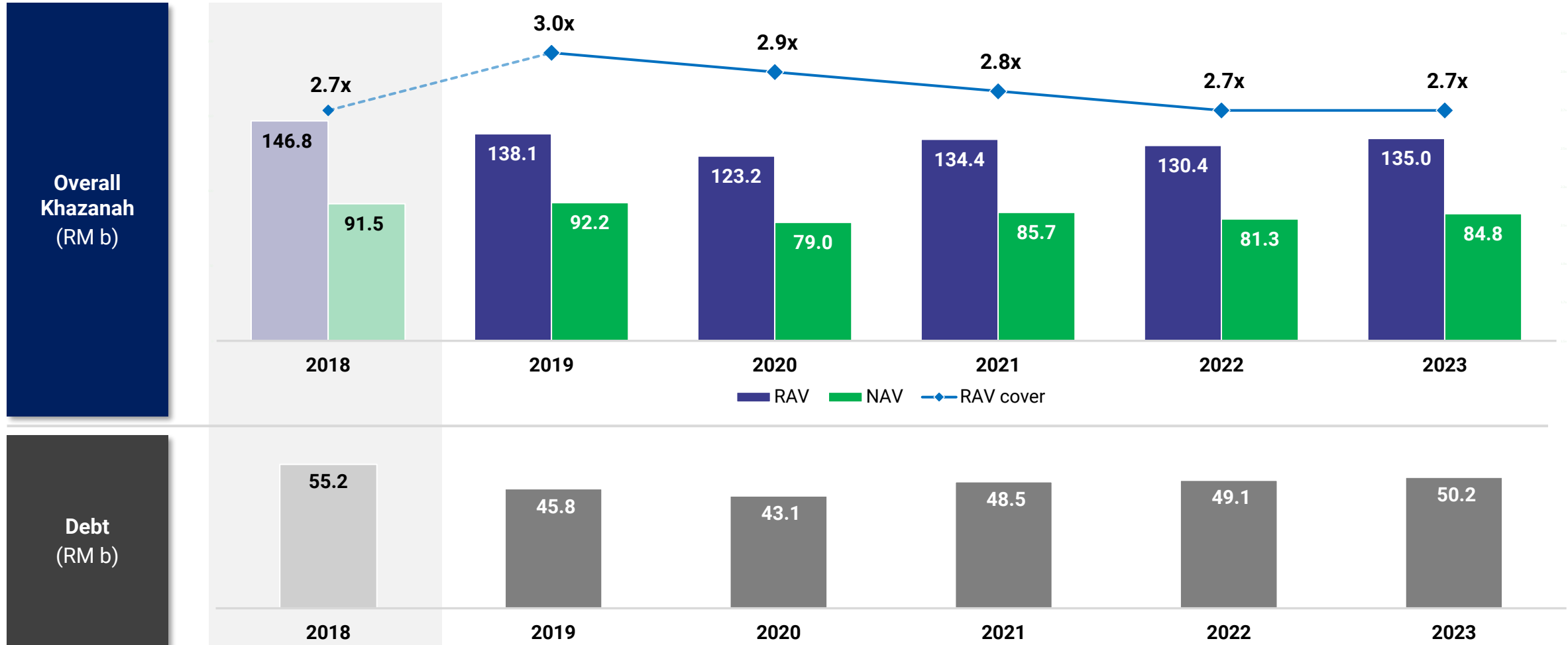
Investments Portfolio RAV TWRR by Asset Class	% of portfolio ¹	2019	2020	2021	2022	2023	5-Year Rolling	Role of Asset Class
Public Markets: Malaysia	52.9%	3.2%	-7.4%	14.0%	-4.2%	4.5%	1.8%	Exposure to domestic & global growth & liquidity
Public Markets: Global	17.2%	27.5%	26.2%	1.6%	-16.3%	15.9%	9.7%	
Private Markets: Malaysia	5.8%	5.9%	-4.7%	12.2%	16.8%	4.4%	6.7%	Higher expected long-term returns achieved through programmatic deployment
Private Markets: Global	14.7%	6.1%	-1.3%	19.1%	3.9%	2.4%	5.8%	
Real Assets	9.4%	10.5%	0.1%	11.2%	23.5%	8.7%	10.6%	Yield and diversifier to equities

¹ as of 31 Dec 2023



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The recovery in 2023 puts the Overall Khazanah portfolio back on track after a challenging 5-year period (pandemic in 2020, tightened financial conditions in 2022 and policy uncertainty in China, 2021-2023)



Notes:

1. RAV and NAV include Cash and Cash Equivalents, Other Current Assets, Other Current Liabilities and Bond Assets.
2. RAV and NAV include Investments Portfolio, Dana Impak Portfolio, Developmental Assets and Special Situations.



Recorded RM5.9b profit from operations with RAV cover of 2.7x

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PROFIT FROM OPERATIONS

RM5.9b

(2022: RM1.6b)

Profit increased by more than 3x contributed by:

- Higher dividends and distributions from investee companies
- Fair value gains from trading portfolio

CONTRIBUTION TO GOVERNMENT

RM m	2019	2020	2021	2022	2023
Dividends	1,000	2,000	2,000	500	1,000
Tax Paid	50	80	227	133	38
Contribution to Government Request & Social Initiatives ¹	50	70	101	166	142

¹ Youth Employability Initiatives (K-Youth, MySTEP), Film in Malaysia Incentives, COVID-19 and flood relief

DEBT (RM b)

RAV Cover²

3.0x

2.9x

2.8x

2.7x

2.7x

45.8

43.1

48.5

49.1

50.2

2019

2020

2021

2022

2023

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





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Khazanah is rated **A3/A-** by Moody's and **S&P** respectively, mirroring Malaysia's sovereign rating – this endorsement stands as a testament to our financial strength and resilience



Role as strategic investor to deliver **long-term financial returns** and **sustainable economic benefits** to Malaysia



Integral link and close coordination with Malaysian Government and government-owned entities



Track record of **robust investment & funding policies**



Strong ability to **meet financial commitments** and **access to external funding**



Deliver socioeconomic impact for the nation



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The establishment of our green investment platform reaffirms our commitment towards Malaysia's sustainability and energy transition agenda



Under UEM Group, we have launched a green investment platform, UEM Lestra to undertake our energy transition initiatives by **investing in and building domestic champions in green sectors**



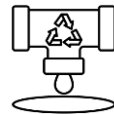
Renewables & storage



Green/electric mobility



Integrated energy solutions



Waste management & recycling

Development of 170 MWp solar plant



Development of 500MWac solar plant



Development of 1GWac solar plant & green industrial park



in partnership with 3 foreign investors





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Dana Impak continues being a catalyst to enhance Malaysia's economic competitiveness and deliver socio-economic benefits

As a key pillar under Advancing Malaysia strategy, Dana Impak is a **RM6b allocation** across six key themes:



1



Digital Society & Technology Hub

2



Decent Work & Social Mobility

3



Food & Energy Security

4



Quality Health & Education for all

5



Building Climate Resilience

6



Competing in Global Markets

Future Malaysia Programme

Boosting Malaysia's start-up ecosystem through collaborations with domestic and international partners



Future Malaysia Skills

Enhancing Malaysia's talent base across focus sectors for the future of work to address the widening skills supply-demand gap



MSME Digitalisation

Strengthening and empowering local MSME, with a focus on financial inclusion and digitalisation for the underserved



Khazanah Impact Innovation Challenge

Platform to identify and support new business models with grants awarded to 15 finalists





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Our Airline & Tourism assets demonstrated strong financial & operational performance



First full year of positive NIAT since 2010



Strong demand on the back of recovery in international & domestic travels



Passenger capacity recovering to pre-Covid levels



Effective cost management & cashflow optimisation

Key 2023 highlights



Positive
NIAT recorded



Nil
capital injection



Strong performance driven by demand momentum



Resilient domestic demand



Influx of international travelers



Curated attractions to elevate destination's attractiveness

Key 2023 highlights



750k
Desaru Coast visitors



29
awards across assets & destinations





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We achieved our 2023 ESG targets, underscoring our commitment to shaping an equitable and responsible transition for Corporate Malaysia

Our 2023 ESG Achievements

E

ENVIRONMENTAL



Achieved carbon neutral operations in 2023

S

SOCIAL



Established organisation-wide diversity, equity and inclusion framework

G

GOVERNANCE



Enhanced board effectiveness through the launch of internal Nominee Directors Management Programme



Inclusion of ESG-linked KPIs for key leadership positions for portfolio companies

Other ESG Initiatives

Khazanah-Linked Companies (“KLC”) Sustainability Circle



Engaged with KLCs on key sustainability topics to foster collaboration and knowledge-sharing

Impact measurement framework

Implemented the **SEMARAK Impact Measurement Framework** for Dana Impak projects

Environmental awareness



River cleanup at Sungai Keroh, Segambut with Khazanah Volunteer Network





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We remain steadfast in our commitment to delivering societal value and building capacity through our affiliated entities

YAYASAN HASANAH
A foundation of Khazanah Nasional



- **RM54m allocated for 119 impact-based projects** across education, community development, environment, art & public spaces, and knowledge impact areas
- Co-hosted the **AVPN Global Conference 2023 and Hasanah Forum**, bringing together 1,300 delegates and 250 speakers

KHAZANAH RESEARCH INSTITUTE



- **Spearheaded policy recommendations** through 39 published reports & papers:
 - **“Decent Shelter for the Urban Poor: A Study of Program Perumahan Rakyat (PPR)”** - findings of the public policy study on PPR
 - **“The Returns to Malaysian Labour Part II – Wage gaps within and between subgroups from 2010 to 2019”** - findings of wage inequality trends and wage differentials by demographics

TAMAN TUGU MALAYSIA



- Surpassed **1 million visitors** since the park’s operationalisation in 2018
- **Climate change and sustainability engagement** with renowned environmental scientist, Professor. Dr Mike Rands

thinkCITY
Making Cities Liveable, Together.



- Organised **Pentas Seni Merdeka 2023** with over 13,000 visitors
- Launched the **Kita-Untuk-Kita (“K2K”)** programme to improve the lives of public housing communities
- Launched the **Creative KL Urban Challenge** in line with the **Kuala Lumpur Creative and Cultural District (“KLCCD”) Strategic Master Plan** to transform Downtown KL into a thriving creative and cultural district

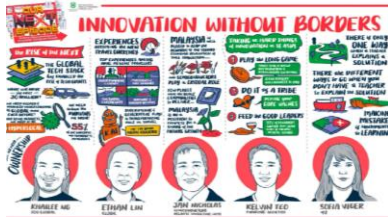


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We continue to uphold our role as a learning organisation, building talent capacity through knowledge-sharing platforms and upskilling opportunities

Khazanah Megatrends Forum 2023

14 sessions | >1,300 physical attendees | 1,300 virtual attendees



Khazanah Knowledge Exchange ("KKE") & Tea Talk Series

In 2023, we organised

23 KKE sessions | 13 Tea Talk sessions

...covering a wide spectrum of topics



ESG & sustainability



Climate change



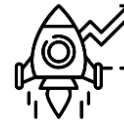
Geopolitics



Consumer



Artificial Intelligence (AI)



Social entrepreneurship

Talent Empowerment & Upskilling



Launched the inaugural Khazanah Residency Sustainability programme



8,381 youths trained & placed in training opportunities within the focus sectors



Internal talent & professional development programmes to build & nurture in-house talent pool



Rolled out firmwide digital upskilling programmes focusing on Agile Mindset and Data, Analytics & AI

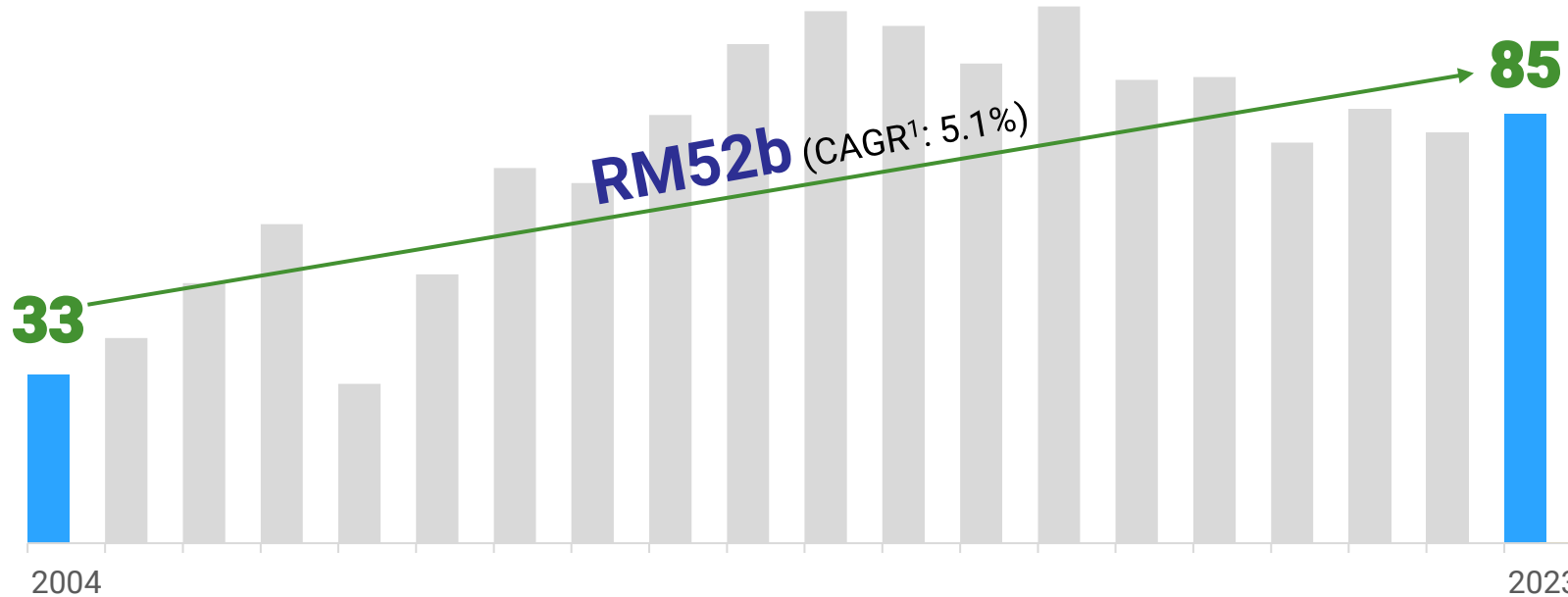




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Khazanah remains committed in fulfilling its mandate to deliver sustainable returns to the nation and growing Malaysia's long-term wealth

Overall Khazanah Portfolio NAV Growth (RM b)



¹ Compounded Annual Growth Rate

RM18.1b

Cumulative Dividends
paid to the Government
of Malaysia

RM70.1b

Cumulative Shareholder
Return



01 2023 In Review

02 MOVING FORWARD





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2024 global macro and market landscape will be challenging on the back of heightened political uncertainties, requiring astute active investment management to navigate the dynamic market landscape

2024 Global



Weaker global growth & trade due to tight monetary policy and fiscal tailwinds fading



Dampened growth in China due to deflationary and deleveraging feedback loop



Elevated political and geopolitical uncertainty due to elections in over 60% of the global GDP



Global disinflation on the back of softer demand and services prices moderating

2024 Malaysia



Modest domestic growth underpinned by a weak China and soft domestic investments



Fiscal discipline and Government debt position



Potential implementation of **fiscal reforms**






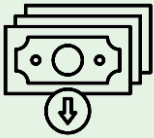




Investments to be driven by FDIs on the back of global supply chain relocation from China



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For Malaysia to achieve a 4 – 5% GDP growth in 2024, corporate investments need to proactively drive growth to mitigate subdued domestic consumption, fiscal discipline requirements and weak external demand

	Consumption	Investments	Government	Net exports
GDP growth drivers	 <p>Dampened domestic consumption on moderate household spending</p>	 <p>GLCs investments and DDIs to support economic growth and jobs creation</p>	 <p>Need for fiscal discipline</p>	 <p>Weak external demand dragged by China</p>
Challenges	 <p>Relatively high household debt & low savings</p>	 <ul style="list-style-type: none"> ▪ DDIs lag FDIs in increasing economic complexity ▪ Falling private investments 	 <ul style="list-style-type: none"> ▪ Implementation of fiscal reforms ▪ Subsidy retargeting 	 <ul style="list-style-type: none"> ▪ Weaker global growth due to tight monetary policy ▪ Trade partners' weak demand





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Khazanah's Malaysia Strategy will serve as the guiding framework as we reshape the Malaysian portfolio via a mission-based approach to drive long-term returns and sustainable value for the nation

Four (4) Key Areas of Khazanah's Malaysia Strategy

1



Connectivity

to preserve and enhance Malaysia's integration, domestically and across borders

2



Energy Transition

as a catalyst to achieve Malaysia's net zero emissions target by 2050

3



Digitalisation

to keep pace with the speed of digital adoption and technological advancements globally

4



Catalytic / New Growth Areas

to increase Malaysia's economic competitiveness and national resilience



Raising the Ceiling
& Raising the Floor



Guide the success of the
Malaysia Investments
amidst evolving global
megatrends





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Moving forward, we will continue Advancing Malaysia by optimising our long-term portfolio performance & delivering socioeconomic impact whilst being mindful of the evolving global landscape

Execute value creation plans for Malaysian investments



Invest globally with disciplined portfolio rebalancing approach to grow a diversified portfolio



Execute Dana Impak projects with a focus on creating long-term societal impact



Create a sustainable future with the adoption of sustainability practices



Continue delivering societal value through **Building Capacity and Vibrant Communities**





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THANK YOU



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