

MESSAGE FROM THE CHAIRMAN

I am delighted to share with you that KWAP has continued to perform exceptionally well in both financial terms and the services we provide to our esteemed pensioners. Despite the complexities arising from the post-pandemic macro environment, which has introduced unprecedented uncertainties into the global economy, KWAP has achieved remarkable results.

For one, the global economy has grappled with various macroeconomic challenges since the pandemic outbreak. Pervasive global inflationary pressures and consequently tighter international monetary policies both combined to complicate the investment landscape. Additionally, geopolitical upheavals also persist, further heightening uncertainty on the global stage. Like most countries, Malaysia was not spared from this difficult environment but nonetheless, managed to register a respectable economic growth of 3.6% last year.

In 2023, Malaysia achieved a significant milestone by attracting a staggering RM329.5 billion in approved investments. This impressive figure represents a substantial 23.0% increase compared to the RM267.8 billion of investments secured in the previous year. Notably, Foreign Direct Investment (FDI) played a pivotal role, contributing an impressive 57.2% (equivalent to RM188.4 billion) to the total approved investments. This underscores the trust and confidence that the global business community places in Malaysia as an attractive investment destination.

These figures reflect the resilience of our nation's economic ecosystem.

They also highlight the concerted efforts made by both public and private sectors to create an investment-friendly environment. In alignment with the *Ekonomi MADANI* framework, Malaysia's economic momentum is poised for further improvement this year with economic growth projected to be between 4.0% and 5.0% as the Government's pro-growth and investor-friendly policies continue to take shape and produce solid economic results.

NAVIGATING GROWTH AND PRUDENT MANAGEMENT

Our fiduciary duty remains unwavering – to protect and sustainably grow the retirement fund whilst assisting the Federal Government in funding its pension liabilities. Our historical efforts have borne fruit, with the pension fund growing from RM41.94 billion in 2007 to an impressive RM169.82 billion as at end 2023. Looking ahead, KWAP aspires to achieve an Accumulated Adjusted Fund Size of RM200 billion by 2025, inclusive of cumulative withdrawals.

Despite global uncertainties, KWAP achieved an impressive Time-Weighted Rate of Return (TWRR) of 8.2% for the financial year 2023.

This success reflects the effectiveness of our investment strategies and asset allocation decisions. As a long-term pension fund, our focus extends beyond single-year performance as we can adopt a patient capital approach. Over a 10-year rolling period, our annualised TWRR of 5.1% outperformed the benchmark by 313 basis points. We remain on track to achieve our 10-year target growth of 7% TWRR.

KWAP's Strategic Asset Allocation (SAA) is our compass for achieving sustainable long-term risk-adjusted returns. Adhering firmly to our robust risk appetite framework, we strategically allocate our investments across multiple asset classes with a strong emphasis on fund growth. Central to this investment strategy is our commitment to diversify our investments in private markets.

To augment our solid investment performance, we emphasise prudent and effective spending. Every expenditure is aligned with our strategic objectives, contributing to the overall efficiency of our operations at the same time enabling us to execute all our initiatives effectively and fulfil our role as a reputable and prudent institutional investor.



Fund Size
RM169.82 billion



Time-Weighted Rate Of Return
8.2%



MESSAGE FROM THE CHAIRMAN (CONTINUED)

STRENGTHENING STAKEHOLDER ENGAGEMENT

Our tagline, “*Teman Persaraan Anda,*” or “Your Retirement Companion” encapsulates KWAP’s core existence and primary mandate. We are committed to providing unwavering support and guidance to our primary stakeholders – the pensioners, future pensioners and recipients of pension derivatives.

Leveraging on this tagline and KWAP’s Brand Strategy Plan and Roadmap, which received approval in 2022, we have consistently intensified our efforts in targeted publicity and through our engagement with our key stakeholders. At KWAP, our proactive outreach is more than just a strategy – it’s our commitment.

Our outreach programmes are purpose-driven. We engage with pensioners to promote financial literacy and retirement planning. Additionally, we conduct courtesy visits to express our heartfelt appreciation and address the challenges faced by pensioners. These initiatives have positively impacted over 8,000 participants, including both current and future pensioners.

The highlight of our outreach calendar was *Karnival MyPesara 2023*, held on 25th and 26th November at Dataran Karnival, Stadium Shah Alam. This two-day carnival epitomised KWAP’s commitment towards active stakeholder engagement, with the goal to promote active ageing and healthy lifestyle, especially amongst pensioners and future pensioners.

Karnival MyPesara provided an ideal platform for us to forge stronger bonds with our ultimate stakeholders. *Karnival MyPesara* kicked off with *Larian MyPesara*, a fun run programme that drew over 8,700 visitors – 45% of whom were pensioners.

FOSTERING PROSPERITY

KWAP remains committed to our vision – to be the trusted retirement fund that supports nation building through innovative and sustainable benefits. Our focus on Malaysian-specific investments plays a crucial role in contributing meaningfully to our nation’s prosperity.

HIGH EMPHASIS ON DOMESTIC INVESTMENTS

Integral to KWAP’s commitment to support nation building, KWAP’s presence in the domestic market has and will always be significant. For the record, our domestic investments account for 76% of our total investments in 2023. In fact, KWAP’s investments in the domestic market have tripled – from RM41.90 billion in March 2007 to an impressive RM128.40 billion as at December 2023.

DANA PERINTIS: PIONEERING INNOVATION IN MALAYSIA

To further strengthen our commitment to support the national agenda, to help develop and strengthen the Malaysian venture capital landscape and ecosystem, KWAP successfully launched Dana Perintis in 2023, with a targeted deployment of RM500 million. Dana Perintis focuses on six key areas: digital economy, financial

inclusion, food security, education, silver economy and energy transition. These areas align with the *Ekonomi MADANI* framework, reflecting our dedication to nurturing innovative ideas domestically.

Dana Perintis also serves as a platform for ESG integration in investments, driving knowledge transfer and industry networking. As the 2023 budget highlights the pivotal role of Government-Linked Investment Companies (GLICs) in our nation’s economy, KWAP’s Dana Perintis will also help position Malaysia as a preferred regional venture capital hub. Our diversified approach spans various venture capital stages, capitalising on local and regional opportunities.

As stewards of public funds, KWAP bears the responsibility of making investments that yield commercial financial returns whilst driving sustainable development. Our targeted investments across diverse sectors contribute to building a more equitable and resilient society, catalysing positive societal transformation.

Importantly, our commitment extends beyond generating returns and helping develop the investment ecosystem in Malaysia, as custodian to the country’s largest public sector pension fund, KWAP stands ready to support all government efforts related to pension reforms and endeavours to contribute impactfully to address this important economic agenda.

RISK MANAGEMENT

The Principles on Good Governance for Government-Linked Investment Companies (PGG) was launched by the Ministry of Finance on 15 April 2022, with the primary goal to enhance the governance and sustainability standards and practices across all GLICs, including KWAP.

Good governance is fundamental to shape the culture of an institution as well as the behaviour of individuals. It is also essential that the leadership of institutions promote integrity, accountability, respect for the rule of law and transparency in order to build confidence and trust of stakeholders.

To conform with the PGG requirements, we had initiated a project to identify gaps and develop action plans to address them. As at 31 December 2023, KWAP had completed 97% of the identified action plans and aims to fully conform by the end of 2024, well ahead of the 15 April 2025 deadline.

To address emerging sustainability risks, the Enterprise Sustainability Governance Framework and Sustainability Risk Policy were the latest additions to our arsenal of risk management tools. These frameworks are crucial for embedding sustainability risk into our Enterprise Risk Management (ERM) process, enabling a systematic approach to identifying, assessing, and responding to sustainability risks in investments and business operations, ensuring our sustainability objectives are met.

INTEGRITY AND GOVERNANCE

In our relentless effort towards creating a culture of integrity in KWAP, I want to emphasise that the fight against corruption is everyone's responsibility and paramount in upholding KWAP's "zero tolerance to corruption" principle.

Everyone's commitment to act against corruption through whistleblowing channels as well as participation and support in the implementation of other anti-corruption controls and measures, plays a vital role in our ongoing efforts to safeguard KWAP's business and our reputation as a trustworthy organisation that is built on the values of good governance, transparency and accountability. In line with this, I am happy to share that the Malaysian Anti-Corruption Commission (MACC) has reclassified KWAP as a Low-Risk organisation in terms of our exposure to corruption, which is the best rating for such assessment.

KWAP had also successfully conducted its second-year ISO 37001 Anti-Bribery Management System (ABMS) surveillance audit on all four audited sites, with no non-conformance report for two consecutive years.

Accountability is the bedrock upon which good governance stands. As stewards of pension funds, we bear the responsibility of managing assets with diligence and integrity. Every decision we make, every investment we undertake, must be held to the highest standards of accountability and integrity. This commitment is not just a duty – it is our pledge to those who have entrusted us with their financial future.

ACKNOWLEDGEMENTS

I would like to extend my heartfelt gratitude to my fellow Board members and KWAP Investment Panel members for their unwavering dedication and insightful contributions. Your commitment has been instrumental in guiding KWAP towards continued success.

I am also delighted to welcome our new board members, Datuk Dr Shahrazat Haji Ahmad, Datuk Ahmad Terrirudin Mohd Salleh, Puan Nor Yati Ahmad and Dato' Maznah Abdul Jalil. We are excited to have you on board and look forward to the fresh perspectives and innovative ideas you will bring to the table.

I would also like to acknowledge the meaningful contributions of Dato' Sri Sharifah Sofianny Syed Hussain, Datuk Siti Zainab Omar, Datuk Dr. Yacob Mustafa, Dato' Anis Rizana Mohd Zainudin @ Mohd Zainuddin and Dato' Mohd Shaiful Ibrahim who have respectively retired and resigned as Board members during the year. I offer my deepest appreciation for your service and leadership. Your efforts have significantly shaped KWAP's direction and achievements.

Lastly, I would like to extend a special thank you to our Chief Executive Officer. Your exceptional leadership and vision have been pivotal in making KWAP future-proof, and we are immensely grateful for your hard work and dedication.

**DATUK JOHAN MAHMOOD
MERICAN**

Chairman