



KWAP

Kumpulan Wang Persaraan (Diperbadankan)
RETIREMENT FUND INCORPORATED

CHALLENGES^{into} **Opportunities**

Annual Report 2010

DANA YANG BERKAT

Usia tua sesantainya angin nyaman yang sihat,
renyai hayat anugerah Tuhan yang teramat nikmat.

Kini kita maruahi lagi sejarah kebajikan,
Menyemainya dengan benih jerih perih pendapatan
agar usia tua akan waras terpelihara:
damai di tangan, nikmat di hati dan indah di mata.

Dan tarikh lahirnya badan dana yang amat bertuah -
Mac - kini bulan yang molek, cahaya manis sejarah;
dengan wang dirancang untuk ranum ke usia sarat
peluh jujur rezeki subur mengisi dana berkat.

Sopan di tangan, jernih di mata dan santun di kalbu,
peranum labur jimat tercermat yang mengembang gebu.
Diurus tangan canggih amanah yang tulus berhemah
sehingga pepohon rezeki sempat merimbun buah.

Tulus petugas setia serasi bakti pekerja
ringani bahu pentadbir, subur harta pesara,
alir pencen sumber harta yang luhur sepanjang hayat
tersimbah tuahnya ke yatim diri, ke badan sihat.

Dengan tekun berilmu, tindakan yang bersanubari,
yakini dipasti taman labur terindah harum ini.

5 - 15, Februari, 2007
A.SAMAD SAID

COVER RATIONALE



CHALLENGES INTO OPPORTUNITIES

At Kumpulan Wang Persaraan (Diperbadankan) (KWAP), we take opportunities towards greater heights. In spite of greater challenges, we strive to make investments more sustainable through our wealth of expertise. This visionary outlook is an important asset towards your future. Like the towering Japanese Cedar Tree that reaches heights of 70 metres, depicted on our cover, we see hurdles as the stimulus for growth. Our long term view is one that is firmly rooted to overcome barriers and continues to grow resiliently. After all, the biggest challenges often bring the most lasting rewards. KWAP's solid foundation provide the right environment to grow these challenges into opportunities.

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Section I

OVERVIEW OF 2010

- Highlights of 2010 • Financial Overview (4-Year Summary) • Summary of Ethical Practices
- Vision, Mission and Core Values • Background and Role of KWAP
- Overview of Pension System in Malaysia • Chairman's Statement • CEO's Statement

HIGHLIGHTS OF 2010

ENHANCING OUR RELATIONSHIP WITH KEY STAKEHOLDERS

- Obtained approval from the Cabinet on the proposed role of KWAP in assisting the Federal Government in funding its pension liability
- Conducted Board Study Visit to California Public Employee's Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS)
- Announcement of 2009 Financial Results and Launch of New Website by Minister of Finance II, YB Dato' Seri Ahmad Husni Bin Mohamad Hanadzlah
- One of KWAP's employees participated as a speaker at the 2010 Asian Pension Fund Roundtable held in Hong Kong, organised by the Pacific Pension Institute, California
- Held a one-day 'Financial Planning for Retirement' seminar for Government employees
- Leadership series talk by YABhg. Datin Paduka Seri Rosmah Mansor, wife of the Honourable Prime Minister of Malaysia titled 'Women and Leadership'
- Conducted English Workshop for Sekolah Kebangsaan Bukit Tampoi (A), Dengkil and Sekolah Kebangsaan Salak, Sepang aimed at increasing interest among students to communicate in English

ACCELERATING OUR PORTFOLIO DIVERSIFICATION

- Appointed State Street Global Advisors and World Bank Treasury as external fund managers to manage KWAP's international equity and fixed income investment respectively
- Acquired one property in Melbourne, Australia and initiated a joint venture with the Employees Provident Fund (EPF) to purchase properties in UK
- Approved investment in four new private equity funds

STRENGTHENING OUR RISK MANAGEMENT AND OPERATIONAL INFRASTRUCTURE

- Developed Internal Credit Rating Scoring Model
- Completed procurement of Enterprise Risk Management (ERM) System
- Business Continuity Plan (BCP) for all critical and non critical functions developed and Disaster Recovery (DR) Plan tested

CONTINUOUS LEARNING AND GROWTH

- Participated in the Ministry of Finance's (MOF) Cross Fertilisation Program
- Key learning programs in which KWAP employees participated during the year:
 - ❑ Senior Management Development Program, Harvard Business School Alumni Club of Malaysia, Genting Highlands
 - ❑ Cranfield General Management Program, Cranfield Business School, Cranfield University, UK
 - ❑ Senior Managers Program, Melbourne Business School, Australia
 - ❑ Executive Forum on Change Management, World Bank, Washington DC

ANNUAL REPORT 2010

RETIREMENT FUND (INCORPORATED)

- Total fund size grew by 14.67% from RM61.50 billion to RM70.52 billion in 2010
- Gross investment income increased from RM3.24 billion in 2009 to RM4.62 billion this year
- Net income reduced by RM0.85 billion from RM5.70 billion to RM4.85 billion in 2010 due to lower writeback of allowances for diminution in value
- Achieved Gross Return on Investment (ROI) of 7.07% and Total Weighted Rate of Return (TWRR) of 8.88%
- Employers' net contribution (excluding Federal contribution) increased by RM0.52 billion from RM2.66 billion in 2009 to RM3.18 billion in 2010

	TWRR (%)	BENCHMARK (%)	OUTPERFORMANCE/ (UNDERPERFORMANCE) (%)	GROSS ROI (%)
Internal Equity	20.71	21.76	(1.05)	15.30
External Equity	22.23	21.76	0.47	13.42
Malaysian Government Securities (MGS)	5.41	3.46	1.95	5.41
Private Debt Securities (PDS)	5.35	4.39	0.96	5.35
External Fixed Income	7.17	6.36	0.81	6.18
Loans	4.79	3.96	0.83	4.79
Money Market	2.58	2.72	(0.14)	2.58

FINANCIAL OVERVIEW

(4-Year Summary)

	2010 (1 Jan-31 Dec)	2009 (1 Jan-31 Dec)	2008 (1 Jan-31 Dec)	2007 (1 Mar-31 Dec)
Fund Size at cost (RM Billion)	70.52	61.50	52.04	48.08
Income and Expenses (RM)				
Gross Investment Income (Billion)	4.62	3.24	2.98	3.44
Operating Expenses (Million)	40.07	25.63	28.17	18.33
Net Investment Income (Billion)	4.85	5.70	0.56	3.67
Income and Expenses (%)				
Gross ROI	7.07	5.62	5.86	9.21
Accounting Rate of Return (Net ROI)	7.34	10.04	1.12	9.79
Operating Expenditure to Gross Income	0.87	0.79	0.95	0.53
Operating Expenditure to Average Fund Size	0.06	0.05	0.06	0.04
Return and Risk (%)				
TWRR	8.88	11.64	NA	NA
Volatility	1.97	2.64	NA	NA
Contribution (RM)				
Net Pension Contribution (Billion)	3.18	2.66	1.76	1.29
Federal Contribution (Billion)	1.00	1.10	1.65	1.18
Investment Portfolio Composition at cost (RM Billion)				
Equity	16.08	16.16	13.52	11.54
International Equity	0.63	0.00	0.00	0.00
Loan and PDS	17.74	17.35	15.85	13.66
MGS	15.64	15.53	10.06	8.74
Money Market Deposit	18.31	11.69	14.17	13.00
Private Equity	0.55	0.52	0.52	0.48
International Property	0.38	0.00	0.00	0.00
Management of Fund (%)				
Internally Managed	94.69	95.25	94.69	94.98
Externally Managed	5.31	4.75	5.31	5.02
Number of Contributing Employers	568	538	493	475
Number of Members	126,384	121,572	106,944	104,081
Number of KWAP's Employees	126	108	99	93
Income Per Employee (RM Million)	36.25	30.33	30.41	39.99

SUMMARY OF
ETHICAL PRACTICES

As a trusted custodian and manager of the retirement fund established under Section 3 of the Retirement Fund Act 2007 (Act 662), the key assets of KWAP are its integrity and reputation for professional and ethical conduct in all of its business activities and dealings. The credibility of the organisation and the stakeholders' confidence in the organisation are vital to its success.

KWAP is committed to the highest standards of honesty, integrity and accountability in its business and operations. We are determined to maintain these standards among our employees and ensure that the interest of the organisation is upheld at all times.

As a statutory body, KWAP has adopted the Statutory Bodies (Discipline and Surcharge) Act 2000 as part of its Terms and Conditions of Employment that forms KWAP's Code of Ethics and Conduct. The Code aims to create awareness of the standard of conduct among all employees and outlines the principles we are committed in discharging our duties. Through this Code of Ethics and Conduct, KWAP will be able to foster a healthy and professional corporate environment.

VISION, MISSION AND CORE VALUES

OUR VISION

A high performing fund assuring sustainable pension benefits

OUR MISSION

Maximising returns through benchmarking, dynamic investment framework and sound risk management

CORE VALUES

Achievement Oriented

- Create and sustain a culture of continuous improvement where all members of the organisation, individually or as a team, demonstrate initiative, drive and resilience to do their best
- Putting in our best efforts to obtain the desired results
- Continuously challenge ourselves to deliver results that exceed benchmark

Professionalism

- Adhere to a high ethical and moral standards
- Subordinate our own interest to the interest of the organisation
- Demonstrate a continuing commitment to excellence
- Reflect critically upon our actions and decisions for continuous improvements
- Accept and respond positively to feedback
- Competent in the body of knowledge for which we are responsible

Integrity

- Firm adherence to moral and ethical principles, soundness of moral character and honesty
- To challenge and be challenged
- Listen with an open mind, respect the views, ideas and experiences of others

Transparency

- Openness, clear communication and accountability
- Act visibly and consistently

Teamwork

- Work together for success to achieve our common goal
- Embrace diversity and promote an environment that enables us to reach our full potential
- Collaborate across teams to share ideas and achieve great outcomes

Continuous Learning

- To continuously learn, relearn and unlearn

BACKGROUND AND ROLE OF KWAP

BACKGROUND

The Pensions Trust Fund Act 1991 (Act 454) was enacted to assist the Federal Government in funding its pension liability. With the enactment of this Act, the Pensions Trust Fund was established on 1 June 1991 with a launching grant of RM500 million from the Federal Government. The Pensions Trust Fund was administered by the Pensions Trust Fund Council. On 1 March 2007, KWAP was established under the Retirement Fund Act 2007 (Act 662) replacing the repealed Pensions Trust Fund Act 1991 (Act 454). With the incorporation of KWAP, all powers, functions, activities, assets and liabilities of the Pensions Trust Fund were taken over in totality by KWAP. KWAP's mission is to manage the fund (the Fund) established under Section 3 of Retirement Fund Act 2007 (Act 662) towards achieving maximised returns through benchmarking, dynamic investment framework and sound risk management. The Fund shall be applied towards assisting the Federal Government in financing its pension liability.

FUNCTIONS

The functions of KWAP are as follows:

- Management of contributions from the Federal Government, Statutory Bodies, Local Authorities and other Agencies; and
- Administration, management and investment of the Fund in equity, fixed income securities, money market instruments and other forms of investments as permitted under the Retirement Fund Act 2007 (Act 662).

KWAP's roles in the context of pensionable civil service are as follows:

Managing contributions

The Federal Government contributes 5% of the total annual budgeted emolument of the Federal Government employees while statutory bodies, local authorities and agencies contribute 17.50% of the basic salaries of their pensionable employees respectively to KWAP on a monthly basis.

Setting Investment Policy and Guidelines (IPG)





The Investment Panel and the Board are responsible to approve and review periodically KWAP's IPG which governs KWAP's investment activities.

Investment management and monitoring

The Fund is invested in asset classes in accordance with KWAP's Strategic Asset Allocation (SAA) and in accordance with the IPG as approved by the Investment Panel and the Board. The investment activities of the Fund are carried out by a team of competent and experienced investment professionals. The status and performance of the Fund are reported monthly to the Investment Panel and the Board. The performance analysis includes relative performance against benchmark indices as well as absolute target return for each of the asset classes.

OVERVIEW OF PENSION SYSTEM IN MALAYSIA

The old age pension system in Malaysia is made up of four components and managed by different entities as illustrated below:

COMPONENTS	PENSION MANAGEMENT ENTITIES	TYPE OF PENSION SCHEME
Pensionable public sector employees	<ul style="list-style-type: none"> Public Service Department Ministry of Finance Kumpulan Wang Persaraan (Diperbadankan) 	Defined benefits
Armed Forces	Ministry of Defense Armed Forces Fund Board 	<ul style="list-style-type: none"> Non pensionable compulsory contribution Pensionable compulsory contribution Voluntary contribution
Private and non pensionable public sector employees	Employees Provident Fund 	Defined mandatory contribution scheme
Self-employed and individuals without fixed monthly income	Employees Provident Fund 	Voluntary contribution scheme

(a) Pensionable public sector employees

The pension scheme of pensionable public sector employees is managed by the Public Service Department (PSD) which is responsible for setting up the pension scheme policy and managing payment of retirement benefits to members. Currently, payment of the retirement benefits is fully funded by the Federal Government.

Forming part of the pensionable public sector employees' administration structure is KWAP with functions as prescribed in the section - Background and Role of KWAP.

Employees Provident Fund Act 1991 (Act 452) which provides retirement benefits for members through management of their savings in an efficient and reliable manner.

The retirement scheme managed by EPF is considered as defined contribution pension scheme whereby members have to make monthly mandatory contribution calculated based on their monthly wages. The current rate of contribution is a minimum 20% of the employee's wages of which 8% is from the employee's monthly wage while 12% is contributed by the employer.

(b) Armed forces

Retirement benefits policy of armed forces is administered by the Ministry of Defense with contribution collection and management of members in service managed by the Armed Forces Fund Board (LTAT). Upon retirement, the administration of members' account would be managed by the Veteran Affairs of Ministry of Defense.

(d) Self-employed and individuals without fixed monthly income

Following the announcement from the Prime Minister, YAB Datuk Seri Najib Tun Razak in the 2010 Budget tabling, the 1Malaysia Retirement Savings Scheme has been introduced to ensure the self-employed and individuals without fixed monthly income have their own savings plan upon reaching the retirement age.

(c) Private and non-pensionable public sector employees

Retirement scheme of private and non-pensionable public sector employees are managed by EPF. EPF is a social security institution formed under the

This is a voluntary contributory scheme whereby members can contribute voluntarily based on affordability and the contribution is managed by the EPF.

CHAIRMAN'S STATEMENT

On behalf of the Board,
I am pleased to present
our Annual Report for the
financial year ended
31 December 2010.

OPERATING ENVIRONMENT

The world economy resumed its recovery momentum in 2010, led by a surge in inventory build-up as well as investments following a dramatic rise in manufacturing and global trade.

However, as the year progressed, the impact from the various stimulus plans faded. Inventory restocking normalised and the growth trajectory between developed and emerging economies began to diverge. Most economies in the region experienced V-shaped recoveries, particularly in the first half of 2010.

Malaysia benefited strongly from the upturn in global demand propelled primarily by intra-Asian trade, spurred by China and buoyant domestic demand. The double-digit rebound of exports in the first 10 months of the year was a testament to this growth. While economic trends have lost some momentum, real Gross Domestic Product (GDP) growth in the first three quarters of 2010 averaged

a healthy 8.10%. The country is likely to meet the official 7% GDP growth forecast for the year. The government's economic transformation programmes to push us into a high-income economy also offered growth opportunities.

The vigorous pace of recovery across regional and emerging economies paved the way for policy changes. As economic growth continued, inflation rose, leading to intervention in the emerging economies. Tightening monetary policy pushed regional currencies higher and raised the allure of financial markets.

The local stock market gained a handsome 21.76% return in 2010, despite intermittent fears over the sustainability of the recovery. Expectation of rising domestic interest rates coupled with a stronger Ringgit encouraged more active foreign participation in the domestic bond market. This pushed yields on the three-year MGS lower to 3.10%.



TAN SRI DR. WAN ABDUL AZIZ BIN WAN ABDULLAH
Chairman

ANNUAL REPORT 2010

RETIREMENT FUND (INCORPORATED)

FINANCIAL PERFORMANCE

The strong underlying economic fundamentals supported further improvements in the domestic financial markets. In tandem with the rebound in the Malaysian economy, I am delighted to announce that KWAP managed to reap higher returns on its investments in 2010. For the year ending December 2010, KWAP's gross ROI and net ROI were 7.07% and 7.34% respectively.

PENSION LIABILITY STUDY

One of the more significant achievements in 2010 was the completion of the joint Pension Liability Study (the Study) involving MOF, PSD and KWAP. The option recommended by KWAP was approved in December 2010 whereby KWAP would partially finance the government's pension and gratuity costs for civil servants who joined the service post 1 June 1991. In return, the government's contribution will be increased by 0.625% every year up to a maximum of 17.50% and remain thereafter.

The figure was calculated based on the projection that the pension and gratuity costs would grow faster than KWAP's fund size. Hence, KWAP would be able to finance only a portion of the total costs, which will take effect in 2011.

For employees who joined prior to 1 June 1991, the government will continue to finance their pension and gratuity.

I am excited by this development as it enables KWAP to chart its strategic road map. KWAP will start to have active interactions with policy makers during any decision-making process.

Another feature of the Study was the knowledge transfer programme between the actuarial consultant and MOF's Actuarial Division, PSD's Post-Service Division and KWAP.

SAA REVISION

As we continue to emphasise on recalibrating and realigning our strategic orientation given the changes in market fundamentals, intense discussions on the fund's strategic asset allocation were held. Following these discussions and inputs garnered from the Board, the Investment Panel and senior management, changes were made to the SAA, taking into account the fund's objectives and risk thresholds.

KNOWLEDGE EXCHANGE

To build the foundation for a stronger and dynamic organisation, it is crucial that the concept of continuous learning is embraced at all levels. To accelerate the familiarisation process and develop a clearer understanding of the pension fund industry, several initiatives were undertaken in 2010.

In June, the Board together with KWAP's senior management visited two large pension funds, namely CalPERS and CalSTRS - both of which provide retirement and health benefit services to California's public sector workforce.

KWAP will be the in-country host for the 2011 Asian Pension Fund Roundtable organised by the Pacific Pension Institute. The annual roundtable is set for November 2011 and will gather high-level representatives from various pension funds around the world and renowned speakers in the areas of investment, risk management and pension policies.

CHAIRMAN'S STATEMENT

HUMAN RESOURCES

To ensure KWAP has a pool of human capital to propel and sustain its expansion, a 360 degree performance assessment was conducted for the senior management level. Several senior managers attended management programmes organised by global learning institutions such as Harvard Business School, Cranfield Business School, Melbourne Business School and the World Bank.

2011 ECONOMIC FORECAST

2010 was indeed a strong year for KWAP as far as its investment performance is concerned. In my opinion, this is the culmination of the effective strategies and plans adopted by KWAP's senior management.

From an economic standpoint, the world economy will continue to grow, albeit in varying degrees. While recovery will remain the base case for 2011, the pace of recovery in the more developed economies will likely unveil stress points. I am cautiously hopeful with the recent public sector policy inclinations adopted by the United States, combined with the US Federal Reserve's second quantitative easing, can lead global growth. However, the patchy recovery in Europe burdened by sovereign debt worries and Japan's struggle with deflation may cap excessive optimism.

The drivers for regional growth continue to be well entrenched. Similarly, the outlook for the Malaysian economy remains positive, bolstered by a strong domestic economy compensating for a more subdued external environment. The government's drive to establish new sources of growth and initiatives to exploit untapped economic drivers will provide a strong catalyst for medium to long-term growth and macro-economic fundamentals.

I am confident that KWAP's experience in the last three years will enable it to navigate through volatile market conditions with a stronger sense of vigilance and a high level of preparedness.

REAPPOINTMENT OF BOARD AND INVESTMENT PANEL

I wish to express my gratitude to fellow members of our Board for devoting so much time and effort to ensure that KWAP fulfills its mandate. I wish to convey my special thanks to the four esteemed former Board Members who have left the Board and the Investment Panel, namely Tan Sri Ismail Bin Adam, Dato' Mohd Salleh Bin Mahmud, Datuk Latifah Binti Datuk Abu Mansor, Dato' V. Danapalan, Dato' Izzaddin Bin Idris and Tengku Dato' Azmil Zahrudin Bin Raja Dato' Seri Abdul Aziz for their exemplary commitment and outstanding contributions.

I take this opportunity to welcome new Board and Investment Panel members, namely Dato' Ahmad Johan Bin Mohammad Raslan, Dato' Yeow Chin Kiong, Dato' Mohammed Azlan Bin Hashim and Mr Cheah Teik Seng, all of whom have extensive experience and expertise in their respective professions.

CLOSING STATEMENT

Finally, on behalf of the Board, I congratulate the CEO and her dedicated management team, as well as all employees of KWAP for their hard work and commitment over the course of another challenging yet exciting year. With the endless dedication and high commitment among the Board, the Investment Panel and all employees, KWAP will carve many more milestones in the years ahead.

CEO'S STATEMENT

A portrait of Dato' Azian Binti Mohd Noh, the Chief Executive Officer, wearing a black hijab and a black jacket. She is smiling and looking towards the camera. The background is a light blue wall with a framed abstract painting and a potted plant.

I am pleased to note that the investment climate continued to improve considerably in 2010 as demonstrated by the impressive performance in the domestic equity market.

DATO' AZIAN BINTI MOHD NOH
Chief Executive Officer

CEO'S STATEMENT

FINANCIAL PERFORMANCE

Although the local stock market performance was affected by occasional periods of consolidation attributable to external fears such as the possible relapse into recession and European sovereign debt crisis, it remained generally firm. Though lower than last year's stellar climb of 48.00%, the FBM100 index, one of the key barometers of Malaysian stock market, resumed its uptrend and recorded another gain of 21.76%, to end the year at 10,116.56 points. As a reflection of strong fundamentals and rising confidence, the periodic pullbacks in the equity market were momentary.

Bank Negara Malaysia (BNM) resumed its stance to normalise monetary policy early in the year as the recovery became more entrenched. The OPR was raised by 75 basis points during the first 3 meetings held by the MPC, a move largely symbolic of BNM's desire to front-load its monetary policy. While government bond yields rose as a result, expectations of a stronger Ringgit attracted inflows negating the customary impact pursuant to a typical rate hike cycle.

I am happy to note that these positive trends worked in our favour. Our fund achieved a gross ROI of 7.07% in 2010 which was higher than the gross ROI of 5.62% in 2009 and even surpassed our stretched targets. From the TWRR perspective, KWAP generated a total return of 8.88% in 2010.

In absolute terms, the fund's gross ROI rose to a staggering RM4.62 billion compared with RM3.24 billion in the preceding year. Over a 4-year period, our gross ROI averaged 6.94%.

Each of our core asset classes registered impressive gains during the year. KWAP's overall investment performance was attributed largely to our equity portfolio which recorded a gross ROI of 15.06% in 2010 followed by private equity at 10.68%. Meanwhile, both our MGS and PDS investments yielded gross ROI of 5.41% and 5.14% respectively.

KWAP's strong performance was due to the various investment strategies adopted. They exemplify our investment and strategic orientation in 2010.

Capitalising on our conviction in the equity market, KWAP tactically raised its allocation in domestic equity investment by another 5.00%, which brought total exposure from 25.00% to 30.00%. This decision allowed us room to manoeuvre the equity portfolio in anticipation of the ascending trend of the FBM100 index.

Active trading particularly in MGS also enhanced our income last year. We adopted various yield curve strategies in tandem with the economic outlook, interest rate environment and the Ringgit. The shift from the long end to the shorter end of the yield curve, in line with our interest rates view, yielded success last year.

CONTRIBUTIONS

KWAP successfully collected RM3.18 billion of net contribution from employers comprising statutory bodies, local authorities and other agencies in 2010, an increase of RM520 million or 19.63% compared with RM2.67 billion collected in 2009. This is the result of awareness and diligent enforcement efforts undertaken over the past years.

DIVERSIFICATION THROUGH FOREIGN INVESTMENTS

As part of our plans to enhance investment returns and mobilise allocation, we implemented several initiatives last year. The most important task was to increase overseas investments in asset classes such as equity, fixed income and property. The aim is to identify investment opportunities that will help the fund diversify its risks.

To leverage on foreign expertise, we have appointed external fund managers to manage our international equity and fixed income mandates. We also participated in the initial public offering of AIA, which was listed on the Hong Kong Stock Exchange in October 2010. It marked our initial investment in a foreign-listed company.

2010 also marked the first time KWAP ventured into real estate overseas. A joint venture between EPF and KWAP was initiated in 2010 to facilitate the acquisition of attractive-yielding UK real estate. As part of its diversification strategy, KWAP invested in Australian real estate. These investments are intended to generate a steady income stream with prospect of growth.

As the fund becomes more active in its international ventures, KWAP also appointed a global custodian to manage its investments.

OPERATIONAL ACHIEVEMENTS

KWAP is a relatively young organisation, having been incorporated only in March 2007. As investment represents a core focus and integral part of the organisation, operational and ancillary functions serve as an important anchor to support the fund's investment operations.

To meet its goals, KWAP rolled out several wide-ranging initiatives, encompassing key areas in systems, risk management, performance, control and governance. The fund's business continuity management framework, established in 2009, was also tested with two disaster recovery exercises designed to test our ability to resume critical business functions in a crisis.

I am also delighted to announce that several initiatives, embarked upon in 2009, produced positive results last year.

One of the initiatives is the implementation of KWAP's Integrated Fund Investment Management System (IFIMS). IFIMS provides an integrated solution for our fund management activities while enhancing the level of effectiveness and efficiency of funding.

An equally important initiative formalised in 2010 was the reinforcement of the compliance function in KWAP. The compliance unit exists within the Risk Management and Compliance Department (RMCD) and is responsible for ensuring that KWAP is in full compliance with the relevant laws, regulations, policy and guidelines, standards and best practices.

Investment performance management plays a critical part of KWAP and falls under the purview of Business Performance Department.

As the scope of performance measurement and management becomes increasingly sophisticated, variations of performance reporting were introduced in 2010. These refinements provide a more complete and wider diagnostic tool of how funds are measured and managed. The enhanced analytical features include detailed attribution analysis to enable portfolio managers to understand the drivers of portfolio performance. Ultimately, the aim is to develop better investment strategies.

Other initiatives include formulating KWAP Corporate Governance : Principles and Voting Guidelines and the setting up of equity and economic database.

The Information Technology (IT) Department had a busy year too. It undertook several projects simultaneously such as implementation of IFIMS, launching of our new Web portal and development of KWAP research library system and knowledge database.

KWAP is constantly exploring ways to strengthen its IT governance framework and capabilities. In relation to this, KWAP appointed an external consultant to conduct a study to provide an objective and independent review of KWAP's IT operations. Amongst others, the consultant was tasked to identify the right skill sets and number of IT staff needed to support and augment KWAP's investment operations and business activities. Consequently, the manpower requirement of the IT Department was considerably increased in 2010 with several key posts filled up last year. I believe the department will be in a much stronger position to implement various IT-related initiatives in 2011.

CEO'S STATEMENT

Risk-management initiatives last year included conducting in-house seminars and workshops on risk awareness, completed credit risk-scoring methodology and procured ERM system.

CORPORATE GOVERNANCE AND CODE OF CONDUCT

To enhance our corporate governance framework and instil a strong sense of ethics within the organisation, we introduced the code of conduct for investment activities in 2010. We are in the process of drafting a Whistle-Blowing Policy which amongst others will provide an effective channel and mechanism for employees to convey their concerns and alert management of malpractice. The policy is likely to be implemented in 2011.

HUMAN RESOURCES INITIATIVES

Human resource is the heartbeat of any organisation. At KWAP, the drive, commitment and performance of our employees hold great significance for us to become a high performance organisation. Hence, it is important for KWAP to utilise and leverage on each employee's ability. We also encourage our employees to seek new challenges within the organisation. This in essence is part and parcel of management's commitment towards developing a holistic person within the organisation. Among key talent management initiatives during the year include active recruitment in line with organisational growth and development of a Talent Exchange Program (TEx Program).

CORPORATE SOCIAL RESPONSIBILITY

We are always supportive of knowledge development. As part of this effort, several distinguished speakers were invited to our leadership series. In addition, the Golden Hour Series, Harvard case studies as well as knowledge-sharing sessions also serve as relevant avenues for KWAP to espouse knowledge enhancement internally.

To fulfil our responsibility to the community, a financial planning retirement seminar and English workshops at two rural primary schools were also held.

CLOSING STATEMENT

I would like to thank our Chairman, members of our Board and the Investment Panel for their high level of engagement and commitment towards overseeing the fund's continuous growth and development. Finally, I thank all our employees for their hard work and dedication throughout financial year 2010.

Section II

OUR STRATEGIES

- Progress of Transformation Program
- Aim to Fund Government's Pension Liability • New Strategic Asset Allocation

PROGRESS OF TRANSFORMATION PROGRAM

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This is the third year since KWAP first implemented its Transformation Program which entails the implementation of 20 initiatives. Highlighted below are the progress status and outcomes of the respective initiatives.

NO.	INITIATIVE	3 YEAR PROGRESS STATUS	OUTCOME
ORGANISATION			
1.	Revise grading, compensation and KPIs	Implementation completed in 2009	As a continuation from the implementation of the new salary scheme, a Promotion and Upgrading Policy was developed and approved by the Board in August 2010. Subsequent to the approval, a promotion and upgrading exercise was conducted in November 2010 as part of overall talent management.
2.	Move to new organisation structure	Implementation completed in 2010	To further enhance coordination, effectiveness and efficiency of support functions, the post of Chief Operating Officer was created and filled-up in 2010. To strengthen various aspects of operations, 22 new staff were recruited which increased the total staff strength to 126 at the end of 2010.
3.	Redesign office layout	Implementation completed in 2009	
4.	Develop management trainee program and scholarship	This initiative has been replaced with the TEx Program which was approved by the Board in October 2010.	The TEx Program will be implemented in 2011.

NO.	INITIATIVE	3 YEAR PROGRESS STATUS	OUTCOME
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INVESTMENT MANAGEMENT

1.	Amend IPG	Annual review conducted in 2010	Annual review on the IPG conducted in 2010 enabled alignment between the IPG and prevailing requirements and developments.
2.	Migrate to the new SAA	The SAA has been revised and approved by the Investment Panel and Board in October 2010	The revised SAA and return target were aligned with prevailing (post financial crisis) risk-return assumptions and took into account implementation feasibility. This provides clear direction on formulation of short to medium term investment strategy.
3.	Adopt new Equity Investment Model	Implementation completed in 2009	Segregation of core portfolios into four different portfolios to provide separation of performance and accountability. This exercise also enhances the flexibility of the portfolios that further improves investment return.
4.	Adopt new Fixed Income Investment Model	Implementation completed in 2009	Establishment of internal credit analysis function enabled Fixed Income Department to undertake independent credit analysis on KWAP's existing and proposed new investments in PDS and Loans. 73 credit reviews were issued in 2010.
5.	Set up External Fund Management (EFM) function	Implementation completed in 2008	The focus of EFM Department in 2010 was to spearhead KWAP's international investment initiatives for equity and fixed income through the appointment of 2 foreign external fund managers. The investment scope or mandate for international equity is MSCI Index Asia ex Japan while the mandate for international fixed income is Short Term Duration Government Portfolio.

Progress of Transformation Program

NO.	INITIATIVE	3 YEAR PROGRESS STATUS	OUTCOME
6.	Set up Business Performance function	Implementation completed in 2009	The coverage of the Business Performance Report has been expanded to include external fund managers. The report also includes market risk aspect to provide a complete review of investment position and introduces new performance matrices namely Alpha (Excess Return), Tracking Error (TE), Information Ratio and Volatility.
7.	Implement IFIMS	System completed and rolled-out in 2010	The embedded pre-determined and automated internal controls and risk management features built in the system have been tested and met the desired outcomes. This enabled more effective and efficient compliance monitoring activities.
8.	Set up Custodian Department and Investment Settlement Department	Implementation completed in 2009	Custodian Department played a major role pertaining to the selection and appointment of Global Custodial Service Provider (GCSP). GCSP is required as part of KWAP's international investment initiative with the primary role to ensure safekeeping of KWAP's assets.
9.	Set up Portfolio Strategy Department	Implementation completed in 2009	Apart from performing periodic economic review, Portfolio Strategy Department played a key role in formulating the revised SAA. This reflects the success of the knowledge transfer program conducted by the external consultant.
10.	Set up Tactical Asset Allocation (TAA) function	Implementation completed in 2009	Commenced implementation of TAA function by applying 5% TAA for equity (This is in addition to the 24% SAA for equity).

NO.	INITIATIVE	3 YEAR PROGRESS STATUS	OUTCOME
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RISK MANAGEMENT

1.	Build Risk Management function	Implementation completed in 2010	Compliance function which entails the development, completion and roll out of Compliance Framework to all departments was fully operational in 2010. Operationalisation of compliance function provides further assurance on the level of compliance against internal policies and procedures and external regulations.
2.	Implement operational risk standards	Implementation completed in 2010	All 24 operational risk standards have been implemented and embedded within policies or operational standard operating procedures.
3.	Implement BCP	Implementation completed in 2010	The two DR exercises conducted during the year placed KWAP in a better position to handle and resume its critical functions in the event of a disaster occurrence.
4.	Implement Strategic Risk Plan	Implementation completed in 2010	A strategic risk framework has been developed and rolled-out with Corporate Planning & Development Department and Portfolio Strategy Department performing a key role in monitoring the implementation of the Annual Business Plan and SAA.

Progress of
Transformation Program

NO.	INITIATIVE	3 YEAR PROGRESS STATUS	OUTCOME
5.	Implement Risk Management System	To be implemented in 2011	<p>The recently procured ERM System will enable the process of identifying, evaluating, monitoring, managing and reporting of risks associated with KWAP's investment activities and operations on an automated platform.</p> <p>The Market Risk System will be replaced by an integrated system in 2011 that meets the requirements not only of market risk but also of business performance and portfolio strategy.</p>
6.	Set up internal audit function	To be implemented in 2011	<p>In the interim, a professional external audit firm has been appointed to perform KWAP's internal audit function. In 2010, 6 operational areas were audited.</p>

The progress and outcomes of each initiative are further elaborated in various sections of this Annual Report.

AIM TO FUND GOVERNMENT'S PENSION LIABILITY

In the last quarter of 2009, KWAP initiated a joint Pension Liability Study (the Study) with the Ministry of Finance and Public Service Department. The Study was completed in mid 2010.

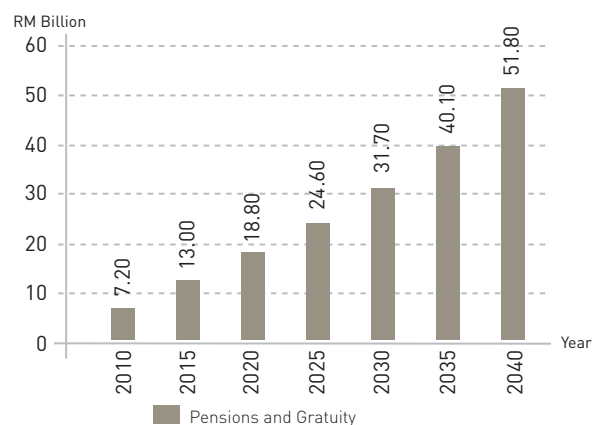
The primary aim of the Study is to identify a financially feasible and sustainable arrangement for KWAP to assist the Federal Government in funding its pension and gratuity liability.

Based on established actuarial assumptions such as the expected increase in life expectancy as well as annual increment rates of salary and pension benefits, the Study has identified a trend of escalating costs for pensions and gratuities over the next 30 years.

To assist the government in funding the pension liability, the Study made the following recommendations which have been agreed by the Government:

1. KWAP shall pay pensions and gratuities to retirees who commenced service in the public sector from 1 June 1991 onwards.
2. The pensions and gratuities of retirees who commenced service in the public sector before 1 June 1991 shall remain to be borne by the Government.
3. To ensure KWAP's financial sustainability in meeting pension and gratuity costs under its obligation, the contribution rate from the Federal Government to KWAP shall be increased annually that is capped at a certain limit.

Pension and Gratuity Payments



In line with KWAP's aspiration to play a greater role in the public service pension sector, KWAP will be actively involved in decision making process which impacts the pension liability and gratuity (including the Government's annual contribution to KWAP).

The Study was also beneficial to KWAP in the following areas:

- (a) It provided KWAP with a view on the future value and trend of pension and gratuity liabilities under its responsibility, the growth rate of its assets and the gap between the two;
- (b) The liability projection serves as a strategic input for KWAP's SAA Review Exercise; and
- (c) The Study enables KWAP to be recognised as an important and crucial institution in future discussions that have impact on the funding of pension and gratuity liability.

In 2010, KWAP conducted a review of its SAA as part of its ongoing initiative to strengthen its investment strategies.

The existing SAA was conceptualised and conceived prior to the recent financial crisis which was anything but exceptional in terms of its severity and impact. Among the observations made from the crisis was the high correlation observed across all asset classes and the inherent changes in risk and return dynamics. For starters, the evidence of tail risks and non-normality was clear and particularly persuasive and imposing. At a strategic level, such exercise provides KWAP with the ability to better understand its capacity and capabilities to assume risks as well as instil discipline.

Having studied the reactions of many leading pension funds as a result of the crisis, there was a compelling need and urgency for KWAP to relook and reassess the investment environment post crisis. Central to this theme was a revisit of the underlying drivers of asset class returns and risks. It was imperative for KWAP to re-examine the underlying assumptions, in order to have a better understanding of the long-term implications of a crisis of this scale and the opportunity sets inherent in each asset class under KWAP's purview. This approach culminated in the formulation of clearer high level risk tolerance or appetite. The review also allows KWAP to consider making changes to how the fund is evaluated and benchmarked.

Being a defined benefit pension scheme, the SAA review could not be done in isolation but would need to combine and integrate both asset and liability as part of a more wholesome approach. The ability of the fund to generate

sufficient returns to fulfill its mandate, objectives and actual payout stream is highly dependent on the composition of its investments. Hence, the Study jointly conducted by KWAP, MOF and PSD provided the avenue to offer practical value-added propositions to the Government in relation to the domestic public pension fund space, as well as to constructively complement the SAA review.

While the need to have optimal and superior returns on a consistent and sustainable basis remains a critical motivation behind KWAP's investment strategy, there is also a need for KWAP to ensure that the SAA is implementable. Having qualitative overlays to supplement the review is also paramount to mitigate over-dependence on models. Ignoring this aspect would undermine the fund's ability to meet its objectives and exposes it to considerable opportunity loss, which invariably is in itself a form of risk. This will also provide a means by which KWAP can align its investments with its plans to build internal capacity and expertise. More meaningful and practicable transition plans can be formulated as a result.

Periodic changes are therefore expected and necessary to facilitate fund mobility. In the final analysis, some degree of dynamism must be attached to the SAA to facilitate fund mobility and to capitalise when new opportunities arise. More importantly, it provides a platform for the fund to maneuver itself in adverse environments.

Section III

EXCELLENT PROGRESS IN 2010

- Review of Corporate Scorecard 2010 • Economic Review • Investment Performance
- Shareholder Activism • International Investment • Contribution Management • Risk Management
- Statement of Corporate Governance • Statement of Internal Control • High Performance Culture
- A Caring Organisation • Corporate Calendar 2010 • Corporate Scorecard 2011

REVIEW OF CORPORATE SCORECARD 2010

NO.	CORPORATE OBJECTIVES	KPI MEASUREMENT	ANNUAL TARGET	FULL YEAR PERFORMANCE
A. STAKEHOLDERS				
1.	To grow asset base	Fund size: Value (RM billion) and percentage growth (%)	To increase the fund size by 9.40% to 9.90% from actual opening balance 2010	<p>Outperformed target</p> <p>Fund size increased from RM61.50 billion as at end 2009 to RM70.52 billion as at end 2010</p> <p>Actual fund size growth is 14.67% or RM9.02 billion contributed by:</p> <ul style="list-style-type: none"> (i) Gross investment income: RM4.62 billion (ii) Employers' net contribution: RM3.18 billion (iii) Federal Government's contribution: RM1.00 billion (iv) Write-back of allowance for diminution: RM0.27 billion (v) (minus) Operating Expenditure: (RM0.04 billion)
2.	To engage stakeholders on pension liability management	Initiatives implemented as per the approved milestones	Complete joint Study as per milestones	<p>Outperformed target</p> <p>The Study delivered 4 milestones with recommendations of the Study tabled and approved by the Cabinet in November 2010</p> <p>The Study's findings were beneficial to KWAP in the following areas:</p> <ul style="list-style-type: none"> (i) Better alignment between KWAP's asset and liability under its responsibility (ii) Inputs into SAA Review Exercise (iii) KWAP will be engaged in future pension liability discussions <p>Completed Knowledge Transfer Program between Mercer and MOF's Actuarial Division, PSD's Post Service Division and KWAP whereby 19 personnel from the 3 organisations were involved in the Knowledge Transfer Program</p> <p>MOF's Actuarial Division produced a Knowledge Transfer Report at the end of the Study</p>

NO.	CORPORATE OBJECTIVES	KPI MEASUREMENT	ANNUAL TARGET	FULL YEAR PERFORMANCE
B. FINANCIALS				
1.	To achieve the targeted ROI	ROI at fund level exceed benchmark (3 year MGS + 150 basis points)	ROI of 4.57% to 5.02%	Outperformed target Actual gross ROI for 2010 is 7.07% and outperformed the benchmark KWAP's 4 year (2007 – 2010) average Gross ROI is 6.94%
2.	To enhance capital preservation measures	% of fund size permanently diminished in value	Less than 1% of total fund size (at cost)	Outperformed target No permanent diminution in value in year 2010
3.	To accelerate portfolio diversification	RM million	(a) Invest up to USD100 million (equal to RM350 million) each in foreign equity and fixed income	Outperformed target Appointed World Bank Treasury (Fixed Income; mandate is Short Term Duration Government Portfolio) and State Street Global Advisors (Equity; mandate is MSCI Index Asia ex Japan) to manage international fixed income and equity investment respectively with USD100 million allocated for each investment Made direct international equity investment by subscribing AIA's Initial Public Offering in Hong Kong Stock Exchange
			(b) Invest up to RM688.6 million in property	(i) Purchase of a property in Melbourne, Australia (ii) Initiated a joint venture with EPF to purchase properties in UK

REVIEW OF CORPORATE
SCORECARD 2010

NO.	CORPORATE OBJECTIVES	KPI MEASUREMENT	ANNUAL TARGET	FULL YEAR PERFORMANCE
C. OPERATIONAL				
1.	To implement new business development initiatives	Number of proposals closed	Closed 2 proposals (either through investment in new instruments or provision of funding solution to potential counterparties)	<p>Met the target</p> <p>Investment in new instruments: Proposal for investment in hedging instruments such as Interest Rate Swap (IRS) and Cross Currency Swap (CCS) approved at the end of 2010 and to be implemented in 2011</p> <p>Provision of funding solution to potential counterparties:</p> <ul style="list-style-type: none"> Completed a financing proposal to a counterparty for RM500 million and subsequently disbursed through a facility agent Another two financing proposals were submitted to two potential counterparties. The proposals are pending review by their management

NO.	CORPORATE OBJECTIVES	KPI MEASUREMENT	ANNUAL TARGET	FULL YEAR PERFORMANCE						
2.	Improve investment management practices	Meet initiative milestones	<p>Continuous improvement of Phase 1 (Performance Measurement)</p> <p>Initiate Phase 2 (Performance Attribution) of Business Performance’s workplan</p>	<p>Met the target</p> <p>Under Phase 1, KWAP expanded the scope of Performance Report to include the calculation of Alpha, TE and Information Ratio</p> <p>Under Phase 2, Business Performance Department has produced basic attribution report which will be enhanced in 2011 upon implementation of business performance related IT analytical tool</p> <p>Other initiatives implemented in 2010 in relation to investment practices were:</p> <p>(i) KWAP’s Corporate Governance: Principles and Voting Guidelines was developed to provide clear and standardised guidelines on how KWAP should vote during AGMs/ EGMs</p> <p>(ii) Set up equity research and economic database</p> <p>(iii) Increased equity’s TAA by additional 5%</p> <p>(iv) Set up sub-equity portfolio to enhance cash utilisation</p>						
3.	Strengthen risk management practices (a) BCP Test	% of target results	Meet 90% of target results	<p>Met the target</p> <p>90% of targeted results were achieved during the second BCP tests conducted in 2010</p> <table><tr><td>BCP Test</td><td>Result</td></tr><tr><td>1st</td><td>78%</td></tr><tr><td>2nd</td><td>92%</td></tr></table>	BCP Test	Result	1st	78%	2nd	92%
BCP Test	Result									
1st	78%									
2nd	92%									

REVIEW OF CORPORATE
SCORECARD 2010

NO.	CORPORATE OBJECTIVES	KPI MEASUREMENT	ANNUAL TARGET	FULL YEAR PERFORMANCE
	(b) Establish compliance function	% of non compliance issues resolved	90% resolution of non compliance issues	100% resolution: All non compliance issues (pertaining to IPG) were successfully resolved
	(c) Implement market, credit and operational risk initiatives	Meet initiative's milestones	Implement Market Risk Management System, Credit Risk Scoring Methodology and ERM System	<p>Met revised target Implementation of Market Risk Management System is deferred to 2011 due to expansion of scope whereby it will be an integrated system to serve the interrelated needs of market risk, business performance and portfolio optimisation</p> <p>Internal Credit Rating Scoring Model was completed in the last quarter of 2010 and to be implemented in 2011</p> <p>ERM System was procured in the last quarter of 2010 with Corporate Risk Profile and IT Risk Profile incorporated into the system. Roll-out at departmental level is scheduled for implementation in 2011</p>
	(d) In-house risk awareness training	Number of risk seminar conducted	4 seminars	<p>Outperformed target 5 seminars and 10 workshops were held throughout 2010</p> <p>Other initiatives completed in 2010 to strengthen risk management practices were:</p> <ul style="list-style-type: none"> (i) Developed risk budgeting model / framework (ii) BCP for all critical and non critical functions (iii) Enhanced Compliance Function by completing the roll-out of Phase I and Phase II of Compliance Framework (iv) Visited 5 external fund managers and 5 external custodians to evaluate their risk management / compliance practices

NO.	CORPORATE OBJECTIVES	KPI MEASUREMENT	ANNUAL TARGET	FULL YEAR PERFORMANCE
4.	Enhance operational efficiencies and corporate governance practices			
	(a) Compliance	(i) Compliance rate (ii) Percentage of audit observations (iii) Opinion by statutory auditor	(i) 100% compliance to legislations / regulations (ii) 100% audit observations closed over stipulated timeline (iii) Unqualified Audit Certificate for the Financial Statements	(i) Met the target (ii) Met the target All audit observations scheduled for closure in 2010 were fully completed (iii) Met the target Received unqualified Audit Certificate for the Financial Statements of 2009 on 16 April 2010
	(b) Contribution management	(i) Meet initiative's milestones	(i) Implement Contribution Management System	(i) Met the revised target The implementation is deferred to 2011 due to revision in technical specifications and evaluation criteria. The project has been re-tendered in December 2010 and will be implemented in 2011
		(ii) Timely collection of contributions	(ii) 90% compliance within the prescribed period of 30 days	(ii) Outperformed target 96% compliance within the prescribed period of 30 days. There was an increase in collection of employer's contribution from RM2.67 billion in 2009 to RM3.18 billion in 2010
	(c) Annual Report	Timeline	Annual Report tabled in Parliament during Second Sitting (June-July 2010)	Met the target Annual Report tabled in Parliament during the Second Sitting (16 June 2010)

REVIEW OF CORPORATE
SCORECARD 2010

NO.	CORPORATE OBJECTIVES	KPI MEASUREMENT	ANNUAL TARGET	FULL YEAR PERFORMANCE
	Enhance operational efficiencies and corporate governance practices (cont'd)			<p>Other initiatives completed in 2010 to enhance operational efficiencies and corporate governance practices were:</p> <p>(i) Commissioned a review by Ernst & Young on KWAP's IT Governance and Organisation, IT Risk Management Framework and IT Project & Vendor Management Framework. As at end 2010, the following initiatives were conducted:</p> <ul style="list-style-type: none"> • New IT organisation chart was tabled and approved by Management, the Audit Committee and the Board • Conducted IT risk study and assessment. Subsequently, a Risk Framework was formulated highlighting KWAP's IT risks. The risks will subsequently be monitored and action plan, control and mitigation steps will be implemented • Formalised Project Management Framework, which include management of projects and system implementation, program change and vendor monitoring <p>(ii) Implementation of Real Time Electronic Transfer of Funds and Securities (RENTAS) facility</p>

NO.	CORPORATE OBJECTIVES	KPI MEASUREMENT	ANNUAL TARGET	FULL YEAR PERFORMANCE
D. LEARNING GROWTH				
1.	Enhance performance and talent management practices	(a) Talent turnover rate	Does not exceed 10% of talent pool	Met the target No turnover from talent pool as at 31 December 2010
		(b) Achievement of performance target	70% of staff rated above 3.5 (based on rating scale between 1 to 5)	Met the target
		(c) Average training days per employee	7 training days per employee	Outperformed target Average training days as at 31 December 2010 is 9.5 days Key training conducted in 2010: Building leadership and management capabilities by sending staff to courses such as: (i) Senior Management Development Program, Harvard Business School Alumni Club of Malaysia, Genting Highlands (ii) Cranfield General Management Program, Cranfield Business School, Cranfield University, UK (iii) Senior Managers Program, Melbourne Business School, Australia (iv) Executive Forum on Change Management, World Bank, Washington DC

REVIEW OF CORPORATE
SCORECARD 2010

NO.	CORPORATE OBJECTIVES	KPI MEASUREMENT	ANNUAL TARGET	FULL YEAR PERFORMANCE
	Enhance performance and talent management practices (cont'd)			<p>Other initiatives completed in 2010 in relation to enhance performance and talent management practices:</p> <ul style="list-style-type: none"> (i) Promotion and Upgrading Policy developed and approved by the Board. Currently in the midst of conducting Promotion and Upgrading Exercise (ii) TEx Program developed and approved by the Board (iii) Board Study Visit to CalPERS and CalSTRS (iv) Intensive recruitment drive whereby 22 staff were recruited in 2010 (v) Participated in MOF's Cross Fertilisation Program (vi) Introduced 360 Degree Assessment Exercise for Senior Management (vii) 3 Leadership Series were conducted (viii) 4 in-house courses (Fixed Income Instruments, ISO Documentation, Microsoft Excel and Powerpoint) (ix) 10 Golden Hour Series were organised with a total of 20 staff speakers involved (x) 11 Knowledge Sharing Sessions (xi) 2 Harvard Case Study Sessions (xii) 3 Management Video Screenings were held

NO.	CORPORATE OBJECTIVES	KPI MEASUREMENT	ANNUAL TARGET	FULL YEAR PERFORMANCE
2.	Corporate Social Responsibility (CSR) programs	Number of completed programs	Three (3) CSR programs completed	<p>Met the target</p> <p>3 key CSR programs completed</p> <p>(i) Financial Planning Seminar attended by 40 attendees from Royal Customs of Malaysia, Valuation and Property Services Department and MOF</p> <p>(ii) English Workshop for 2 primary schools (Sekolah Kebangsaan Bukit Tampoi (A), Dengkil and Sekolah Kebangsaan Salak, Sepang)</p> <p>(iii) Contributed 5 articles to The Edge Financial Daily</p> <p>Initiatives conducted to enhance KWAP's market visibility:</p> <p>(i) A representative from KWAP participated as a speaker in the 2010 Asian Pension Fund Roundtable conducted in Hong Kong</p> <p>(ii) Appointed to be the in-country host of 2011 Asian Pension Fund Roundtable</p> <p>(iii) Launched new web portal</p>

The global economy went through its second year of recovery last year, having emerged from the depths of a recession reminiscent of the 1930's Great Depression.

Much of the economic momentum which was seen during the latter part of 2009 continued well into 2010. The economy gained visible traction particularly during the earlier part of the year. The swift policy interventions by conventional and unorthodox measures provided a quick cure to help world economies resume growth and restore confidence.

Apart from the provision of fiscal and monetary lifelines, driving this impressive spurt of growth resembling a V shaped recovery was the strong rebound in manufacturing, bolstered partly by inventory restocking after a period of acute inventory drawdown. At the early stage of the recovery, many of the forward looking leading indices continued to herald an optimistic outlook for the economy. Given the sharp contraction in economic fundamentals in 2009, the low base factor had an equally powerful impact where growth is concerned.

Real GDP growth in the G3 was quite potent in the first quarter evidenced by the 3.70% growth rate in the US and 5.60% in Japan. In contrast, the Eurozone recovery lagged the momentum shown by the US and Japan, but still managed to record a positive growth. While growth dynamics returned with renewed vigor and defied consensus, the expansion and growth trajectory seemingly followed a dual speed and uneven path. Led by China, economic growth in emerging economies and Asia far outstripped the developed economies, underlining the unique nature of the recovery. The Malaysian economy rebounded strongly in the first quarter with real GDP growth rates of 10.1%, attributed to resurgent exports and manufacturing sector as well as a resilient domestic demand.

With such impressive economic returns, talks of revisiting the pro-growth policies particularly in the context of withdrawing the ultra-generous stimulus plans began to shape the line of thinking held by policy makers. For emerging and Asian economies in particular, the strong economic recovery meant that such normalisations came in relatively quicker. In effect, loose monetary policies were gradually reversed evidenced by a series of interest rate hikes across the Asian region. Malaysia was one of the first off the mark as the BNM raised the OPR in relatively swift successions as BNM thoughtfully conveyed its intent to front-load its policy initiatives. By July 2010, the official OPR was raised by 75 bps to 2.75% from 2.00% at the beginning of the year.

However, months into the recovery which saw a period of vibrant growth, global industrial production began to stall as the impetus from both inventory restocking and stimulus plans waned. Real GDP growth in subsequent quarters of 2010, especially in the developed economies experienced some loss in momentum. In the US, the below-potential growth meant that unemployment rates cannot be reduced meaningfully. Expectedly, US unemployment rates stagnated and remained high at 9.40%, while its housing sector - the genesis of the financial crisis - bordered on sluggishness, offering little scope for optimism, if at all.

Compounding this further was the Greek debacle which intensified in May raising the spectre of contagion risk amidst a series of potential sovereign debt downgrades involving profligate members of the Eurozone. This eventually forced the ECB and IMF to step in with a

EUR110 billion bail-out package for Greece. Shortly after Greece's near bankruptcy experience, Europe's Finance Ministers approved a comprehensive package amounting to USD 1 trillion dollars to ensure financial stability was preserved across Europe. It was also the clarion call for other European countries to begin adopting unpopular austerity measures to pare debt and bring down deficits to more sensible levels. Meanwhile, Japan continued to struggle coping with threat of deflation, the result of which saw continued and deliberate bias for accommodative monetary support.

These divergent economic positions of developed and emerging economies reinforce the need to pursue different policy settings. Developed economies needed the retention of accommodative policies to support a more sustainable recovery culminating in the recent announcement of Quantitative Easing 2 by the Federal Reserve. In contrast, emerging economies faced the dual challenge of sustaining growth and preventing overheating, which involved the measured withdrawal of policy stimulus. As a result of the different policy paths, foreign capital inflows into developing economies became increasingly significant and paved the way for further strengthening in regional currencies. To illustrate this fact, the Malaysian Ringgit appreciated considerably last year reaching a high of RM3.06 against the greenback in tandem with other currencies. Associated with these inflows was the build-up of pockets of bubbles in segments of the economy. Apart from the switch to tighter monetary regimes, several economies have imposed capital controls in one form or another to avert unwarranted excesses.

The Malaysian economy registered strong growth of 8.10% during the first three quarters of 2010. This was supported by sustained expansion in domestic demand and steady growth in exports especially during the first half of the year. In tandem with the deceleration in economic expansion observed in other economies, exports data in subsequent months revealed some degree of moderation. After growing at a double digit pace which averaged at 22.60% for the first 8 months of 2010, exports growth began to move into single digit territory in September. Supply side fundamentals showed continued expansion led by a resilient services sector, compensating the weakening manufacturing sector.

Being a beneficiary of massive liquidity and weak dollar trends, the run up in commodity prices were particularly observable. While this raised inflation expectations and in some cases the actual inflation data, Malaysia's inflation level remained well contained. For the year 2010, inflation averaged only 1.70%, well below the 2.00% to 2.50% forecast for 2010.

Despite the challenging macro-economic environment and subdued pace of recovery in advanced economies, the Malaysian economy continued to leverage on strong domestic demand fundamentals. As with other Asian economies, the Malaysian economy remains on a firm recovery path and grew by 7.20%.

As a major policy thrust and a boost to long-term economic fundamentals, the Government also launched and rolled out the New Economic Model (NEM), which is a significant and comprehensive economic programme aimed at revolutionizing the Malaysian economy and putting the country on a trajectory to achieve high income levels. As an extension to the NEM, the Economic Transformation Programme was conceived and launched in October 2010 to serve as a landmark blue print to fulfill Malaysia's economic agenda.

From an investment perspective, the extended low interest rate environment in the developed economies and massive liquidity continue to build the case for investing in emerging and Asian markets. With relatively more robust macro-economic fundamentals, these economies provide avenues to generate better returns on investments. Malaysia has also emerged as strong contender to garner interest from international investors.

Such diverse options will enable KWAP to gradually diversify its investments beyond local shores in addition to diversifying of risks.

INVESTMENT PERFORMANCE

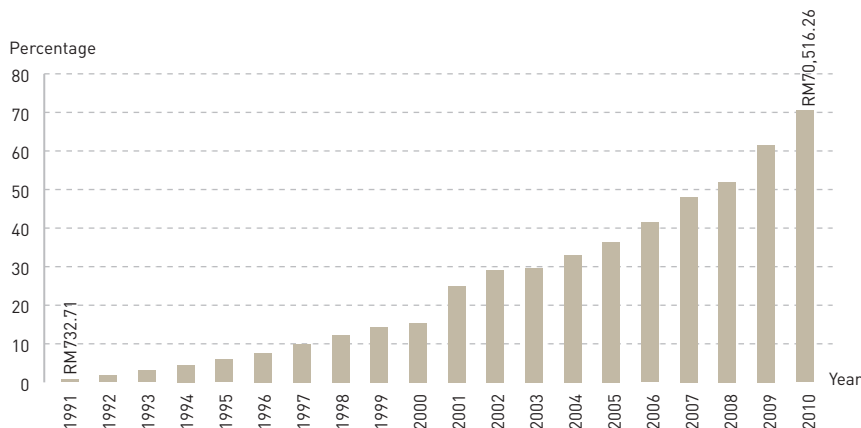
OVERALL FUND PERFORMANCE

For the financial year ended 31 December 2010, KWAP's fund stood at RM70.52 billion, registering 14.67% growth or RM9.02 billion higher from RM61.50 billion in 2009. The double digit increment was largely due to the gross investment income of RM4.62 billion while the other RM4.18 billion was from the Federal Government and employers' contributions.

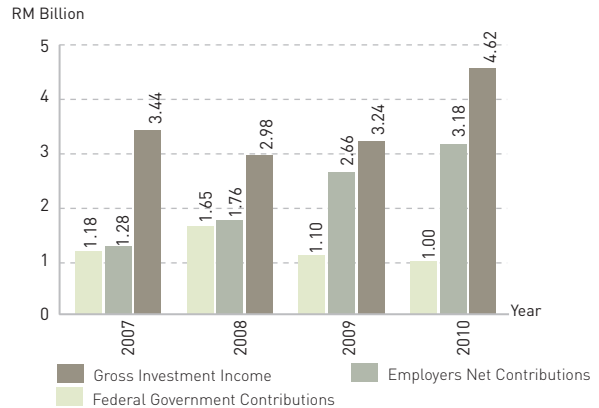
Since KWAP's incorporation in 2007, its assets continue to grow steadily, chalking an average growth rate of 14% per annum. Over the past four years, cumulative income from investments contributed the highest proportion to asset growth by 51% while employers' contributions contributed second largest of about 32%. The remaining 17% was from contributions by the Federal Government. Employers' contributions registered a modest rate of growth due to the phasing out of conversions from the EPF scheme back to the government pension scheme. It is a priority for KWAP to sustain positive asset growth to effectively meet its future liability funding obligation.

As at 31 December 2010, KWAP's total investment funds at cost stood at RM69.33 billion as compared to RM61.25 billion in 2009. The bulk of the portfolio was invested in fixed income RM51.69 billion (75%), equities RM16.08 billion (23%), international equity RM0.63 billion (<1%), international property RM0.38 billion (<1%) and private equity RM0.55 billion (<1%). Year 2010 also saw KWAP embarking on international investments specifically in equities and foreign properties which is in line with its long term SAA. About 95% of the fund was internally managed and the remaining 5% was by the appointed external fund managers.

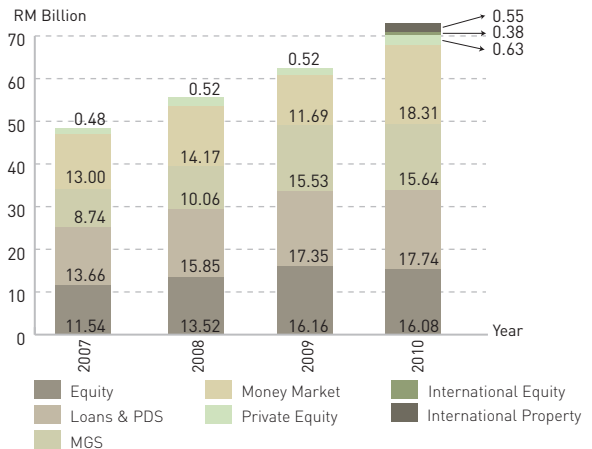
Fund Growth from 1991-2010



Breakdown of Source of Fund



Investment Fund Allocation: 2007 - 2010



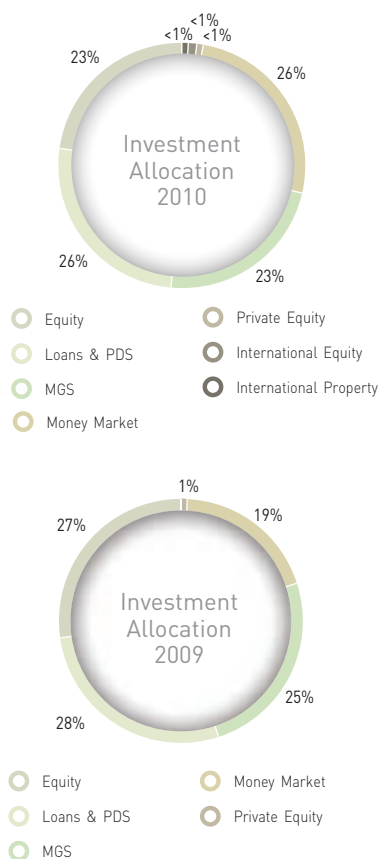
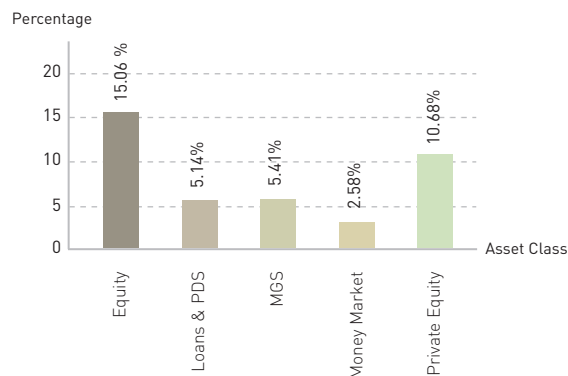
GROSS INVESTMENT INCOME

For 2010, KWAP accumulated a realised gross investment income totaling RM4.62 billion. This is an increase of RM1.38 billion or 42% against the previous year of RM3.24 billion. Investments in equities chalked the highest return by contributing RM2.43 billion, followed by Loans and PDS at RM0.90 billion, MGS at RM0.84 billion, money market at RM0.39 billion and the remainder in private equity.

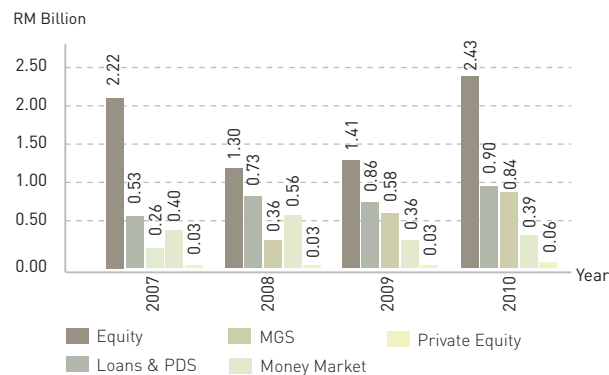
Year 2010 saw KWAP achieved an overall gross ROI of 7.07% which is 1.45% higher than last year's 5.62%. The highest ROI contributor was equity at 15.06%, followed by private equity and MGS and Quasi-government bonds investments at 10.68% and 5.41% respectively. Loans and PDS registered 5.14% and money market at 2.58%. The continued stellar achievement was underpinned by strong performance of the local equity market as well as the healthy growth of the domestic economy.

The 4 year average of total gross ROI from 2007 to 2010 was 6.94%. Riskier asset classes namely the equity and alternative investments registered greater ROI volatility against the fixed-income related securities. In ensuring the long term consistency of performance, KWAP concentrated two thirds of its investment into Fixed-Income portfolios followed by equity and alternatives the remainder.

Gross ROI by Asset Class 2010



Gross Investment Income : 2007-2010



INVESTMENT PERFORMANCE

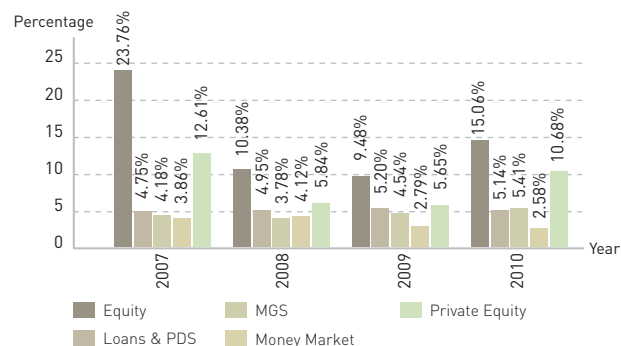
NET INVESTMENT INCOME

KWAP's net investment income as at 31 December 2010, after incorporating the writeback of allowance for diminution in value was RM4.85 billion, or equivalent to Net ROI of 7.34%. The Net ROI based on 4 years average was 7.07%.

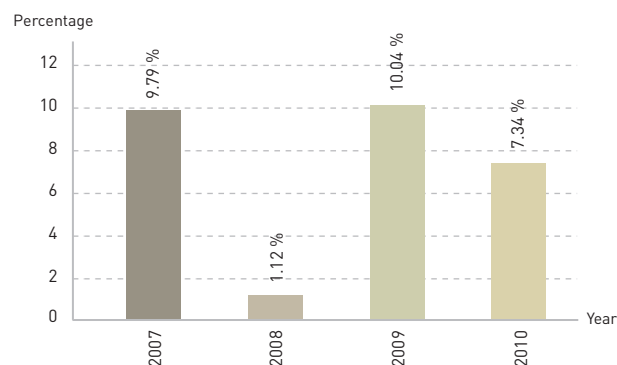
TOTAL RETURN

As at end 2010, the funds recorded an aggregated total return of 8.88%. The overall performance was primarily boosted by the internally and externally managed equities, having contributed 20.71% and 22.23% respectively. The total returns for fixed income assets, comprising MGS, PDS, Loans and Money Market were 5.41%, 5.35%, 4.79% and 2.58% respectively, whilst the externally managed fixed income gained 7.17%.

Historical Gross ROI



Historical Net ROI



	TWRR (%)	BENCHMARK (%)	OUTPERFORMANCE/ (UNDERPERFORMANCE) (%)	GROSS ROI (%)
Internal Equity	20.71	21.76	(1.05)	15.30
External Equity	22.23	21.76	0.47	13.42
MGS	5.41	3.46	1.95	5.41
PDS	5.35	4.39	0.96	5.35
External Fixed Income	7.17	6.36	0.81	6.18
Loans	4.79	3.96	0.83	4.79
Money Market	2.58	2.72	(0.14)	2.58

INTERNAL MANAGEMENT

Buoyed by optimism and greater confidence of economic recovery, the domestic equity market performed positively in 2010. Improving investors' sentiment driven by encouraging economic data especially from the US, rising commodities prices and a strengthening Ringgit contributed to the uptrend. 2010 marked a new all-time high for the KLCI which saw the index touch 1,518.91 points in December.

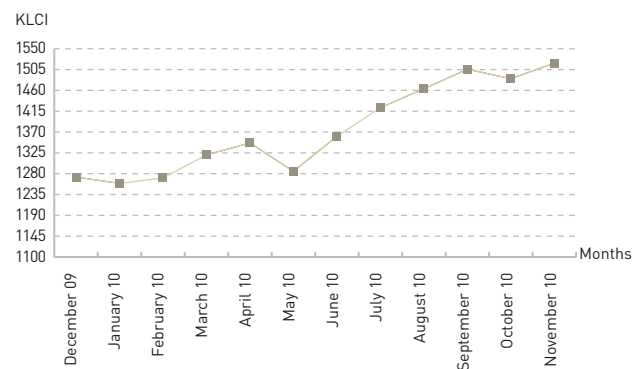
EQUITY PERFORMANCE

Rising optimism and greater confidence in domestic economic recovery provided the impetus for the equity market to outperform in 2010. The strengthening Ringgit and escalating commodity prices improved sentiment and sparked investors' interest in the domestic equity market.

In line with our philosophy of maximising returns through dynamic investment approach, the internal equity adopted an active investment strategy via selective stock filtration with prominence given to those with high dividend yields and stable cash flows. Hence, the internal equity was able to take advantage of the strong performance in the domestic equity market in 2010.

2010 also marked the year in which KWAP embarked on its maiden direct overseas investment. With a total investment of USD200 million, the fund became the cornerstone investor of AIA Group Limited, a life insurance company listed in Hong Kong.

FBM KLCI Performance 2010



The year also brought to fruition a number of initiatives undertaken by the Equity Department, among them include:

- (i) The creation of sub-core portfolios to take advantage of the strong performance in the equity market;
- (ii) The utilisation of TAA in view of better than expected equity market performance;
- (iii) Reduction of stock holding in Khas portfolio; and
- (iv) The establishment of a centralised research database.

KWAP also seized the opportunity to participate in two large IPOs listed in Bursa Malaysia during the year namely Malaysian Marine and Heavy Engineering Holdings Berhad and Petronas Chemical Group Berhad.

In line with KWAP's investment monitoring process, regular meetings and visits were undertaken with its investee companies throughout the year. For 2010, KWAP attended 66 AGMs/EGMs, 96 analyst briefings, 102 company visits and 6 senior management visits to investee companies.

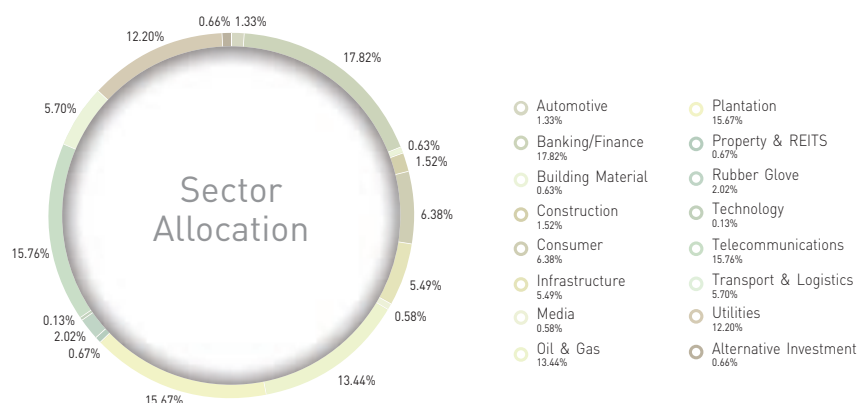
INVESTMENT PERFORMANCE

Following the strong performance of the KLCI, it was decided that achieving the ROI target was to be given priority albeit achieving performance close to the benchmark. As at 31 December 2010, KWAP's internal exposure to domestic equity market contracted to RM13.88 billion or 20% of total fund size of a higher base of RM69.33 billion at cost compared to RM15.0 billion or 23.3% on fund size of RM61.25 billion in 2009. As a result of the profit taking activities, internal equity team managed to achieve an investment income of RM2.15 billion or ROI of 15.30% for 2010. Of the total investment income, RM1.45 billion or 70% was derived from sale of shares whilst the balance of RM700.31 million was derived from dividend income gross of tax.

In terms of sector allocation the domestic equity portfolio is well diversified, 17.82% of KWAP's internal equity portfolio was invested in the banking and finance sector, 15.67% in plantation, 15.76% in telecommunication, 12.20% in utilities, 6.38% in consumer, 5.49% in infrastructure and 13.44% in oil and gas sector. KWAP's biggest holding in terms of listed companies' total shares issued included Bintulu Port Holdings Berhad 9.54%, Time DotCom Berhad 7.62%, Petronas Gas Berhad 6.41%, Wah Seong Corporation Berhad 6.37%, Kossan Rubber Industries Berhad 6.26%, Top Glove Corporation Berhad 6.21%, Axis Real Estate Investment Berhad 5.86% and WCT Berhad 5.21%.

List of investments with substantial shareholding in companies listed on Bursa Malaysia as at 31 December 2010

NO.	NAME OF COMPANY	PERCENTAGE HOLDING (%)
1.	Bintulu Port Holdings Berhad	9.54
2.	Time DotCom Berhad	7.62
3.	Petronas Gas Berhad	6.41
4.	Wah Seong Corporation Berhad	6.37
5.	Kossan Rubber Industries Berhad	6.26
6.	Top Glove Corporation Berhad	6.21
7.	Axis Real Estate Investment Berhad	5.86
8.	WCT Berhad	5.21



Fixed Income

The financial year saw BNM preemptively leading other central banks in the region in its fledging rate-hiking cycle. After 3 consecutive rises, OPR was brought to 2.75% from a historical low of 2% in early 2010. The hawkish policy stance was in response to the forceful economic rebound and steady domestic demand coupled with extraordinary loose monetary conditions from both local and overseas economies. The fixed income market did not throw in the towel yet, as favorable demand/supply dynamics, along with foreign sponsorship, spurred by strong Emerging Market (EM) growth and sturdy EM sovereign credit fundamentals, compressed the yield levels. The Government yield curve flattened significantly as front ends anchored by rising policy rate while steeper long ends attracted yield hungry investors. However, towards the fourth quarter 2010, curve bearish steepened moderately on 2011 oversupply concerns, prospects of more central banks in the region to tighten monetary policy going forward, as well as more signs that the world could shrug off double-dip recession.

For year 2010, the Fixed Income Department endeavored to boost investment income in a low yielding environment without compromising the risk-reward characteristics. Initiatives for the year include establishing rapport directly with selected borrowers with the aim of bypassing intermediaries for better investment opportunities and returns; proposing hedging tools such as IRS and CCS to pave the way for hedging on local and foreign investments; implementing internal credit rating scoring to safeguard the credit investment as well as to enhance existing credit evaluation process.

All four asset classes within Fixed Income space reported encouraging ROI albeit faced with challenging PDS supply constraint and low yield investing environment. Overall ROI was commendable at 4.43%, higher than average 10 year MGS yield in 2010 though duration risk for the overall fixed income portfolio was much lower. Individually, ROI for corporate bond posted 5.35%, comparable with 5.37% reported in 2009. Government Securities' ROI surged to 5.41% from 4.68% in the previous year owing to accurately predicting the major rates trend. Corporate Loan's ROI increased to 4.79% from 4.68% while money market's ROI fell to 2.58% from 2.79% after OPR bottoming up only in early 2010.

Government Securities

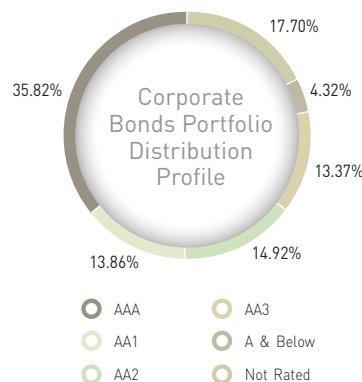
The MGS and GII market was rather bleak at the beginning of the year as the yield curve was seen to steepen in anticipation of OPR hikes. However as local currency appreciated against the US Dollar, foreign investors started to purchase the government papers thus lowering the yield curve. The yield curve continued to flatten after the last round of OPR hike in July as foreign investors were seen collecting the longer end of the government papers for yield pickups. Total issuance of MGS and GII in 2010 was lower at RM58.10 billion compared to RM88.50 billion in 2009, mainly due to government efforts to reduce the budget deficit.

KWAP's total investment in Government Securities (MGS, GII and Quasi government bonds) ended at RM15.64 billion as compared to RM15.53 billion at the end of 2009. The gross investment income continued to grow by 45.29% to RM843.18 million as compared to last year's figure at RM580.33 million. The portfolio also registered ROI of 5.41% this year as compared to last year at 4.68%. Current ROI outperformed the benchmark, Quantshop MGS All yield of 3.46% by 195 bps.

INVESTMENT PERFORMANCE

Private Debt Securities

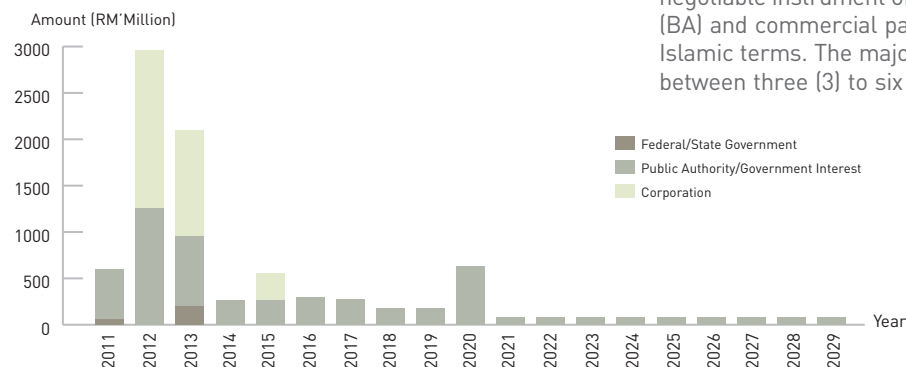
A decrease in total corporate debt issuances from RM52.49 billion in 2009 to around RM49.78 billion in 2010 contributed to the decrease in corporate debt portfolio holdings from RM9.68 billion in 2009 to RM9.43 billion in 2010. Another factor for the decrease was the transfer of government guaranteed papers from the corporate debt portfolio to the government papers portfolio as the fixed income department embarked on portfolio re-organisation in year 2010. As a result, investment income showed a slight increase, registering income of RM511.57 million in 2010 compared to RM494.74 million in 2009. ROI for 2010 was 5.35%, outperforming the benchmark (Quantshop Corporate Medium yield) of 4.39% by 96 bps. For rating distribution, AAA credits form the largest bulk of holdings followed by non-rated papers and AA2 credits. Cumulative yield of single A holding papers and below is at 4.32%, predominantly in banking and water sectors.



Loans

Total loans outstanding in 2010 increased from RM7.17 billion in 2009 to RM7.75 billion. The increase was mainly from loans extended to public authority and corporations (RM4.49 billion in 2010 against RM4.21 billion in 2009) and loans to private entities (RM3.0 billion in 2010 against RM2.70 billion in 2009). However loans extended to Federal and State Governments remained unchanged at RM261.89 million. The increase in the loan portfolio lifted income from RM341.41 million in 2009 to RM357.18 million in 2010. Total loans disbursed in 2010 was RM1.01 billion while retired loans was RM413.60 million. Loans portfolio registered ROI of 4.79%, exceeding the benchmark Quantshop MGS All yield (plus 50 bps) by 83 bps.

Loans Maturity Profile as at 31 December 2010



Money market

KWAP's total outstanding balance in the money market increased significantly to RM18.31 billion in 2010 from RM11.69 billion in 2009. In terms of percentage, the money market constituted 26% of KWAP's fund size in 2010 compared to 19% in 2009. Although SAA for money market investment has been reduced as mandated previously, the amount the fund kept in money market instruments was still high due to income realisation activities that took place towards the end of 2010.

In January 2010, BNM signaled its intention to tighten the monetary policy and to normalise the interest rate to prevent the build up of financial imbalances. The OPR was raised three times from 2.00% to 2.75%. As a result, money market rates have risen in tandem with the increases in OPR.

The increased build up in money market investments, coupled with the rising trend of OPR has resulted in an increase in gross income of RM387.31 million for 2010 compared to RM360.87 million in 2009. The income was largely generated from money market term deposits, negotiable instrument of deposit (NID), banker's acceptance (BA) and commercial papers (CP); either in conventional or Islamic terms. The majority of the investments were placed between three (3) to six (6) months.

EXTERNAL FUND MANAGEMENT

As at 31 December 2010, total fund managed by external fund managers and direct private equity stood at RM3.31 billion or 4.79% of the total fund size at cost with 66.30% in equity, 16.90% in fixed income, 12.40% in direct private equity and the balance 4.40% in private equity funds. In terms of geographical exposure, 96.20% of the externally-managed assets were invested in the domestic market and the remaining 3.80% invested globally by foreign fund managers.

List of External Fund Managers by Asset Class as at 31 December 2010

EQUITY

Aberdeen Asset Management Sdn Bhd
Avenue Invest Berhad
CIMB-Principal Asset Management Sdn Bhd
i-VCAP Management Sdn Bhd
Nomura Asset Management Sdn Bhd
RHB Asset Management Sdn Bhd
State Street Global Advisors

FIXED INCOME

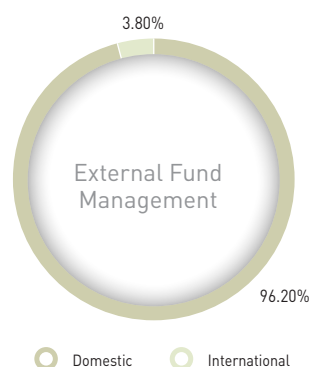
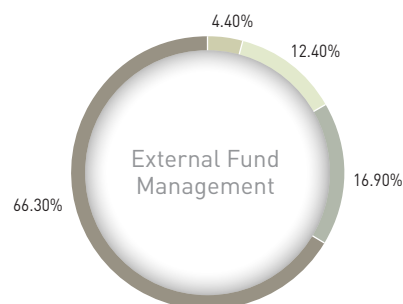
AmInvestment Management Sdn Bhd
CIMB-Principal Asset Management Sdn Bhd
World Bank Treasury

PRIVATE EQUITY

Actis ASEAN Fund LP
Ancora Fund II LP
Asia Water Fund LP
CIMB-Mapletree Real Estate Fund 1
CIMB-TrustCapital Australia Office Fund No. 1 LP
IDB Infrastructure Fund LP
Lombard Asia III LP
Tata Capital Growth Fund LP
Templeton Strategic Emerging Markets Fund III LP

DIRECT PRIVATE EQUITY

Malakoff Corporation Bhd
Valuecap Sdn Bhd



**INVESTMENT
PERFORMANCE****Equity**

Funds allocated to external equity fund managers increased from RM1.89 billion to RM2.19 billion as at 31 December 2010 due to additional capital injection of RM250 million. As part of KWAP's monitoring process, performance meetings were held regularly with all external equity fund managers. Audit visits were also conducted at the respective external equity fund managers' offices. Throughout the year, 20 quarterly meetings, 5 compliance audits and 1 due diligence audit were conducted to observe their compliance with relevant internal control procedures and best business practices with regards to day-to-day trading activities and back office operations.

As part of KWAP's initiative to invest cross border, Singapore based State Street Global Advisors was appointed in November 2010 to manage equity index fund portfolio tracking MSCI Asia ex-Japan Index with an initial fund size of USD100 million.

As at 31 December 2010, external equity fund managers realised an aggregate income of RM274.17 million, representing an average ROI of 13.42% with RM202.17 million derived from capital gains from the sale of shares, RM61.26 million from dividend income, RM5.16 million from interest income and the balance RM5.58 million from tax recoverable on dividends.

Fixed Income

As at 31 December 2010, KWAP's exposure to fixed income investments via external fund managers increased from RM500 million to RM560 million. The investment process and activities of external fixed income fund managers were also closely monitored through regular meetings and visits at fund managers' offices. Throughout the year, 8 quarterly meetings and 2 compliance audits were conducted to observe their adherence with the relevant control procedures and guidelines.

To jumpstart its international fixed income investment, KWAP appointed a US based World Bank Treasury as its global fixed income fund manager, focusing on short term duration government portfolio. As part of the strategy to accelerate its learning curve, KWAP will leverage on World Bank Treasury's capacity building programs with a broad range of advisory services including pension advisory services, asset management capacity expansion and investment policies for SAA.

As at 31 December 2010, external fixed income fund managers recorded an aggregate realised income of RM32.75 million representing an average ROI of 6.18%. The aggregate realised income was derived from capital gains of RM5.99 million, coupon interest of RM26.24 million and interest on repurchase agreement of RM0.52 million.

Private Equity Funds

As at 31 December 2010, KWAP's total net drawdown for its private equity investment funds amounted to RM143.89 million. During the year, RM62.89 million was drawn down.

In 2010, KWAP obtained approval from its Investment Panel to invest in 4 additional private equity funds:

- Ancora Fund II LP
- Asia Water Fund LP
- CIMB-TrustCapital Australia Office Fund No.1 LP
- Tata Capital Growth Fund LP

For the year 2010, KWAP received distributions in the form of income amounting to RM7.19 million.

Direct Private Equity

In 2010, total investment cost in direct private equity remained at RM409.81 million. Dividend income received amounted to RM67.41 million.

PROPERTY INVESTMENT

KWAP has embarked on its first international property investment through the purchase of an office building in Melbourne, Australia. KWAP also initiated a joint venture with EPF to purchase properties in UK.

SHAREHOLDER ACTIVISM

In 2010, KWAP attended 69 Annual / Extraordinary General Meetings (AGMs/ EGMs). In addition, KWAP's officers conducted 5 management visits and over 240 company visits to investee companies. This enabled KWAP to closely monitor and be actively engaged with its investee companies.

In addition to attending AGMs/EGMs, KWAP has taken further steps pertaining to shareholder activism in 2010 by undertaking the following initiatives:

- (a) Developed KWAP's Corporate Governance Principles and Voting Guidelines which serves as a guideline in monitoring the conduct of its investee companies with respect to corporate governance practices. It also determines the manner in which KWAP will vote for resolutions raised in AGMs/EGMs. The rules are guided by Securities Commission's Malaysian Code on Corporate Governance, Bursa Malaysia's Corporate Governance Guide, Minority Shareholder Watchdog Group's (MSWG) Policy Statement on Corporate Governance and Shareholder Voting Guidelines and EPF's Corporate Governance Principles and Voting Guidelines;
 - (b) A dialogue with the EPF was conducted to explore potential collaboration in the area of shareholder activism. The collaboration will enable EPF and KWAP to adopt a common approach during voting at AGMs / EGMs.
- To gain a better insight on industry best practices internationally, KWAP conducted a study visit to CalPERS and CalSTRS on 9 and 10 June 2010. In addition to learning about their investment related policies, processes and mechanism, the visit provided good insight on best practices in the field of shareholder activism and corporate governance as follows:
- (a) Establishment of dedicated units which challenge companies on a periodic basis to ensure adherence to corporate governance principles;
 - (b) Usage of corporate governance strategies to add value to funds under management by defining policies and actively engage with investee companies on pertinent issues directly or through proxy voting; and
 - (c) Adopting a policy of transparency by publishing minutes and agendas of Board meetings on their websites and provide video links to meetings (primarily those which involve broad policy discussions and those which are non-investment related).

The key thrust of KWAP's investment diversification initiative is to invest in international equity, fixed income and property.

Under the SAA applied in 2010 (prior to revision conducted at end of 2010), 15% of the total fund size was allocated for international investment with 1% in Fixed Income, 2% in Equity, 6% in Private Equity and 6% in Property.

Anchored by the EFM and Property Department, considerable progress was made on this initiative as illustrated by the table below:

NO.	ASSET CLASS	INITIATIVE
1.	International Equity	(i) Appointment of State Street Global Advisors as an external fund manager. The investment mandate is passive index MSCI Asia ex-Japan with fund size amounting to USD100 million (ii) Participation as a cornerstone investor in Hong Kong listed AIA
2.	International Fixed Income	Appointment of World Bank Treasury as an external fund manager. The investment mandate is Short Term Duration Government Portfolio with fund size amounting to USD100 million
3.	Property	(i) Completed the purchase of a building in Melbourne, Australia (ii) Initiated a joint venture with EPF for the purpose of investment in UK property market

CONTRIBUTION MANAGEMENT

PENSION CONTRIBUTION

One of KWAP's functions is to manage pension contributions remitted to KWAP by contributing employers in accordance with the Statutory and Local Authorities Pensions Acts 1980 (Act 239) and Service Circular No. 12/2008 on the Policy and Procedure of Appointment of Secondment, Temporary and Permanent Transfer. The Act requires remittance of pension contributions to KWAP for employees who have been granted pensionable status by PSD. Apart from employers' contribution, KWAP also receives government's portion from agencies such as EPF, LTAT and Teachers' Provident Fund (KWSG).

In 2010, KWAP received a total of RM4.19 billion, made up of Federal Government contributions of RM1.0 billion, receipts of government portion of RM2.56 billion and employers' contribution of RM0.63 billion.

STATISTIC OF CONTRIBUTING EMPLOYERS AND MEMBERS

Total Number of Contributing Employers

	2010	2009	2008	2007
Statutory Bodies	176	175	173	172
Local Authorities	148	145	144	143
Agencies	244	218	176	160
Total	568	538	493	475

TOP 20 CONTRIBUTORS	ANNUAL CONTRIBUTION (RM MILLION)
Universiti Teknologi MARA (UiTM)	59.20
Majlis Amanah Rakyat (MARA)	39.08
Universiti Kebangsaan Malaysia (UKM)	33.57
Universiti Teknologi Malaysia (UTM)	25.84
Dewan Bandaraya Kuala Lumpur (DBKL)	24.34
Universiti Putra Malaysia (UPM)	22.64
Universiti Sains Malaysia (USM)	19.07
Universiti Malaya (UM)	17.81
Hospital Universiti Sains Malaysia (HUSM)	15.23
Pihak Berkuasa Kemajuan Pekebun Kecil Perusahaan Getah (RISDA)	14.93
Universiti Utara Malaysia (UUM)	14.62
Lembaga Kemajuan Tanah Persekutuan (FELDA)	13.22
Institut Penyelidikan dan Kemajuan Pertanian Malaysia (MARDI)	13.01
Pusat Perubatan Universiti Malaya (PPUM)	12.41
Suruhanjaya Koperasi Malaysia (SKM)	11.87
Lembaga Pertubuhan Peladang (LPP)	11.86
Lembaga Minyak Sawit Malaysia (MPOB)	7.42
Universiti Tun Hussein Onn Malaysia	7.30
Lembaga Pemasaran Pertanian Persekutuan (FAMA)	7.13
Universiti Malaysia Sarawak (UMS)	6.52

Total Number of Members

	2010	2009	2008	2007
Statutory Bodies	90,789	86,421	74,420	73,292
Local Authorities	34,924	34,497	31,991	30,274
Agencies	671	654	533	515
Total	126,384	121,572	106,944	104,081

New employers (statutory bodies and local authorities) in 2010

- (i) Penang Hill Corporation
- (ii) Islamic Religious Council of Federal Territory, Labuan
- (iii) Environmental Idaman Sdn Bhd
- (iv) Hang Tuah Jaya Municipal Council
- (v) Pitas District Council

Meetings With State Secretary Office (Human Resource Division)

One of the initiatives undertaken by KWAP is to hold meetings with the Human Resource Divisions in all State Secretary Offices. The objective of the meeting is to give a briefing about KWAP and the requirement of contribution under Service Circular No.12/2008 in respect of state officers who are being seconded to various state government agencies and corporations.

Meetings were held with the following State Secretary Offices:

EMPLOYERS	DATES OF MEETING
(i) Pahang State Secretary Office	7 October 2010
(ii) Perak State Secretary Office	13 October 2010
(iii) Malacca State Secretary Office	25 November 2010
(iv) Negeri Sembilan State Secretary Office	13 December 2010

Compliance and Enforcement

Among our initiatives include Compliance and Enforcement visits which were conducted on the employers since 2007. The objective of the visit is to ensure total compliance to Act 239 and Service Circular No 12/2008. During these visits, employers were briefed on KWAP and on matters relating to contribution management such as registration of members, defaulters, penalties and refunds. A total of 44 employers were involved during the year 2010 in the following states:

STATES	NUMBER OF EMPLOYERS VISITED	DATES OF VISIT
Malacca	15	22 to 25 February 2010
Pahang	15	19 to 22 April 2010
Negeri Sembilan	14	28 June to 1 July 2010
Total	44	

CONTRIBUTION
MANAGEMENT**Employers' Training Program**

KWAP has also conducted Employers' Training Programme to guide the employers on the usage of contribution forms, penalties, refund issues and others. Often, these programs are conducted for new employers and upon request by the existing contributing employers. Among employers who have attended the training program include:

- (i) Environmental Idaman Sdn Bhd - June 2010;
- (ii) Lembaga Perindustrian Nanas Malaysia - July 2010;
- (iii) Majlis Agama Islam Wilayah Persekutuan - September 2010; and
- (iv) Perbadanan Kemajuan Filem Nasional Malaysia (FINAS) - November 2010.

Refund

There are 3 categories of refund which involve payment of pension contribution to employers and refund of government's portion to PSD, EPF and individuals. Total disbursement of refunds in 2010 amounted to RM11.26 million for 4,087 applications.

	2010	2009	2008	2007
Amount of Refund (RM Million)	11.26	10.57	14.91	10.95
Number of Applications	4,087	3,403	5,008	3,985

Key motivators for the evolution of risk management at KWAP is the emphasis by key stakeholders, primarily the Board, the Risk Management Committee (RMC) and the Management who are committed to applying sound risk management towards realising the corporate vision.

This is further strengthened by the line management and operational units that assimilate risk management as an integral part of KWAP's overall business strategy and during daily operations.

Recognising the need to be proactive in the management of relevant risks, KWAP enhanced its risk management by introducing new risk controls and improving existing ones. Among the most visible improvements can be seen in the area of Business Continuity Management (BCM) where new contingency plans have been developed and tested. In the area of Credit Risk Management, operational limits have been introduced to ensure that risk exposures are kept within limits. Several improvements were also seen in the area of Information and Communication Technology (ICT) with the commissioning of a new straight-through investment management system and the upgrading of the primary data center to accommodate expanding business requirements.

ENTERPRISE RISK MANAGEMENT (ERM)

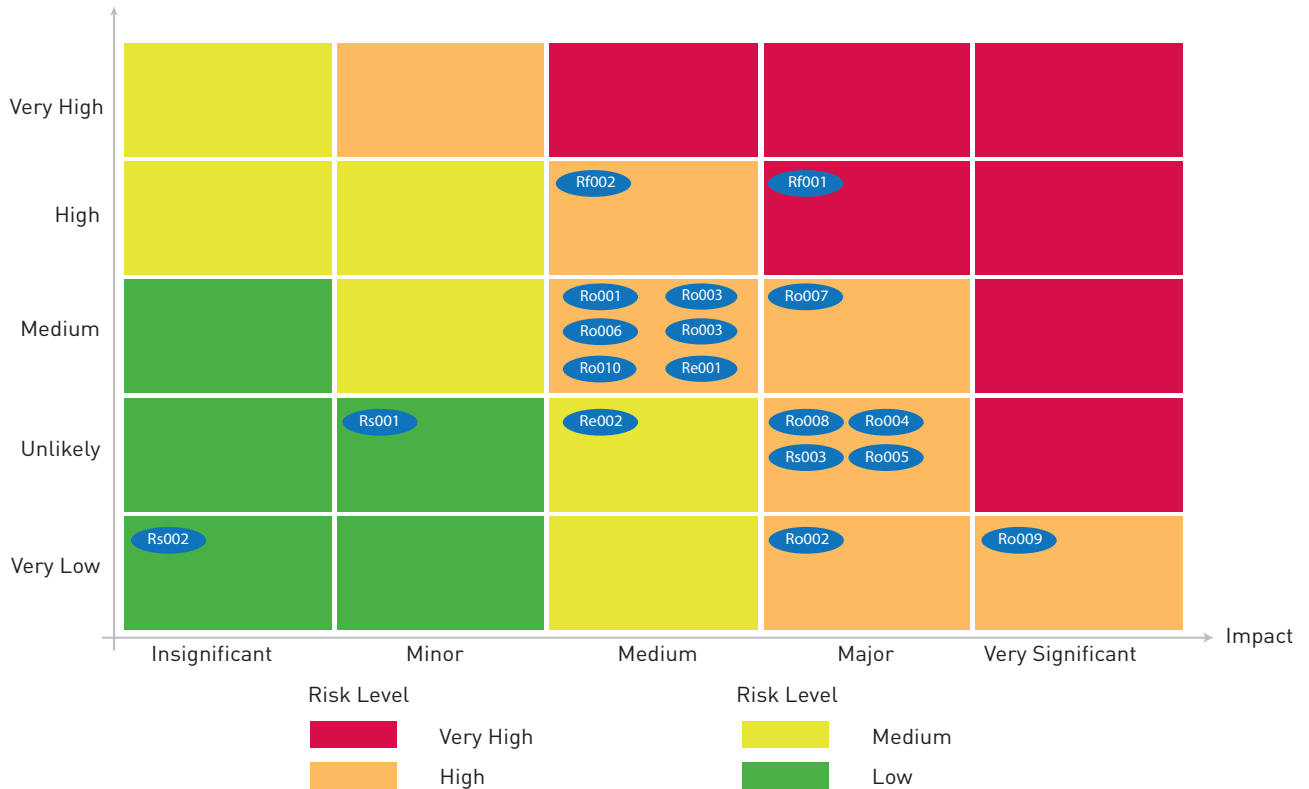
ERM involves an integrated process of identifying, evaluating, monitoring, managing and reporting of significant risks associated with KWAP's investment activities and operations. KWAP's Corporate Risk Profile (CRP) enables Management to determine and rank aggregate risk exposures, develop mitigating controls and monitor the implementation of these controls in an active manner.

The volatile global and business environment poses various risks to KWAP, and in anticipation, we take proactive measures to manage these risks. In line with our goals of assuring sustainable pension benefits via a sound risk management framework, KWAP takes a prudent approach in assessing and profiling our risk exposure. The more prominent risks include market risk, credit risk and operational risk. We believe that one of the key success factors for risk management is the ability to identify, analyse and manage risks in a timely manner.

RISK
MANAGEMENT

Table 1: Corporate Risk Profile

Likelihood Of Occurrence

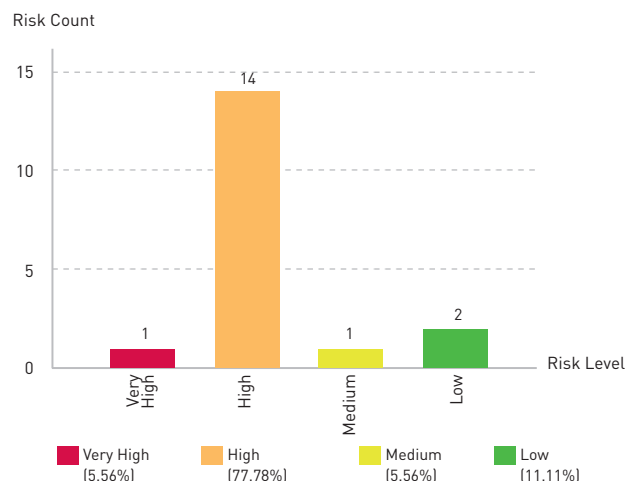


NO.	RISK FACTOR	REF	RISK QUADRANT
1.	Implementation Of KWAP's Corporate Strategies.	Rs001	
2.	Implementation Of KWAP's Strategies - Failure To Achieve Target Income	Rs002	
3.	Reputational Risk	Rs003	
4.	Market Risk	Rf001	
5.	Credit Risk	Rf002	
6.	Recruitment Of Right Talent	Ro001	
7.	Staff Turnover	Ro002	
8.	Application Of Risk Management Best Practices Within Operations	Ro003	
9.	Transaction Risk	Ro003	
10.	Fraud Management	Ro004	

NO.	RISK FACTOR	REF	RISK QUADRANT
11.	ICT Security	Ro005	
12.	ICT Infrastructure	Ro006	
13.	Protection Of Company's Interest In Legal Aspect	Ro007	
14.	Compliance To Retirement Fund Act 2007 (Act 662) And Other Relevant Act	Ro008	
15.	Compliance To Internal Policies/ Guidelines/Standard Operating Procedures (SOP)/ Investment Mandate	Ro009	
16.	Business Continuity Management (BCM)	Ro010	
17.	Concentration Risk	Re002	
18.	Pandemic Risk – Influenza A (H1N1)	Re003	

The chart below presents the composition of risks pertinent to KWAP's operations.

Chart 1: Composition of Risk at Corporate Level



KWAP has initiated or implemented several actions in 2010, aimed at mitigating key risk areas as illustrated by the table below:

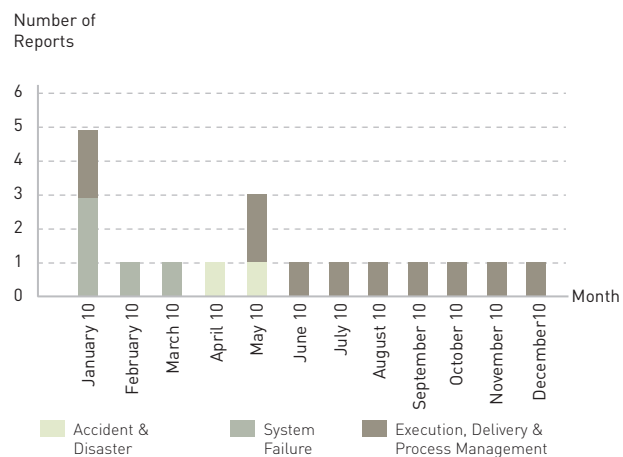
KEY RISKS	MANAGEMENT ACTIONS COMPLETED IN 2010
Fraud Risk	Code of Conduct for Investment Activities
	Pre-trade compliance embedded in Investment System
Continuity Risk	Implementation of Business Continuity Framework which includes the Disaster Recovery Exercises for the year 2010
Credit Risk	Rating Limits for Domestic PDS Portfolio
Concentration Risk	Single Depositor Limits for Deposits and Money Market Instruments
Transaction Risk	New straight-through investment management system
Compliance Risk	Roll out of Compliance Framework, incorporating regulatory and internal compliance

OPERATIONAL RISK

Operational Risk Event Reporting (ORE)

ORE reporting serves as the platform in which RMCD together with investment and support units in KWAP work to address risk issues and resolve operational gaps. Several improvements have been made for year 2010, including enhancing IT security, improving IT infrastructure as well as making effective use of available resources. Key processes have been reviewed and improved to include new controls with clearly defined roles and responsibilities for parties involved.

Chart 2: Reported ORE for the period from January 2010 – December 2010



Note: The graph quantifies the number of ORE reported but does not reflect the severity or risk of the issue reported.

Business Continuity Management (BCM)

BCM, being an integral part of operational risk management, requires KWAP to have internal capabilities and competencies to mitigate the risk of severe operational disruption.

KWAP initiated the enterprise-wide implementation of its BCM framework in 2010. The implementation process was carried out in stages with priority given to critical areas. Below are the key components of the framework that was implemented:

- (i) **Incident Management Plan (IMP)** which serves as a high level guide for Management in the event of disaster.
- (ii) **Disaster Recovery Plan (DRP)**, which serves as a set of operational procedures for the IT team to restore critical ICT systems and other units in KWAP to execute critical business processes.
- (iii) **Incident Communication Plan (ICP)** which sets procedures in communication to stakeholders and external parties should disaster or significant incidents take place.
- (iv) **BCP** is a documented framework and process for resumption of critical functions.

KWAP successfully completed two DR exercises for year 2010. The exercises were carried out at KWAP's alternate site that is equipped with the necessary infrastructure needed to resume critical business functions. During the exercises, all KWAP personnel serving as members of the Business Continuity Team participated in the recovery action plan in order to recover their respective department's critical functions.

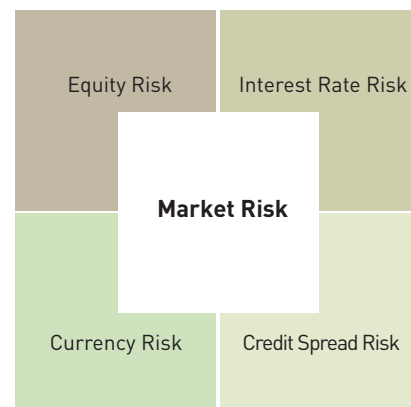
STRATEGIC RISK MANAGEMENT

Strategic risk encompasses risk related to the formulation and execution of business plans and strategies. This covers both short and long term strategies. KWAP through its Corporate Planning and Development Department monitors and assesses the ongoing implementation of its strategic objectives and goals. KWAP also conducts regular reporting to the Board and continuously reviews and assesses the progress made as well as making a broader assessment of the current macro and micro economic conditions. Elements of strategic risk form a key part of the CRP.

MARKET RISK MANAGEMENT

The diagram below illustrates the core risk categories under market risk. The predominant market risk drivers within KWAP are mainly Interest Rate Risk, Equity Risk and Credit Spread Risk. Currency Risk at KWAP is minimal as our exposures to international investments are currently at 1.68% of total investment as at December 2010.

Diagram 1: Market Risk Components



A key measure of Market Risk used in KWAP is Value-at-Risk (VaR). KWAP currently measures VaR as the worst possible loss that may occur at 95% probability over a 10 day period. Overall, KWAP's VaR averaged at 1.50% of the fund market value. In other words, for a 2 weeks period, there is a 95% probability that KWAP will not lose more than 1.50% of the fund's market value due to market risk.

Diagram 2 (a): VaR for Overall Portfolio

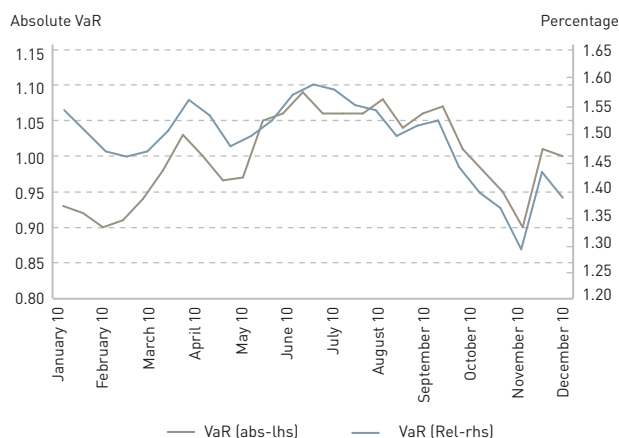


Diagram 2 (b): VaR for Overall Portfolio

	VaR FOR 2010	
	RM' BILLION	% OF FUND MARKET VALUE
Minimum	0.908	1.350
Maximum	1.094	1.590
Average	1.005	1.500

EQUITY RISK EXPOSURE

Equity Portfolio represents on average 25% of the total portfolio market value, with most of the other investments being in fixed income and money markets. KWAP's Equity VaR averaged at 4.70% of the fund's equity portfolio market value.

Diagram 3 (a): VaR for Equity

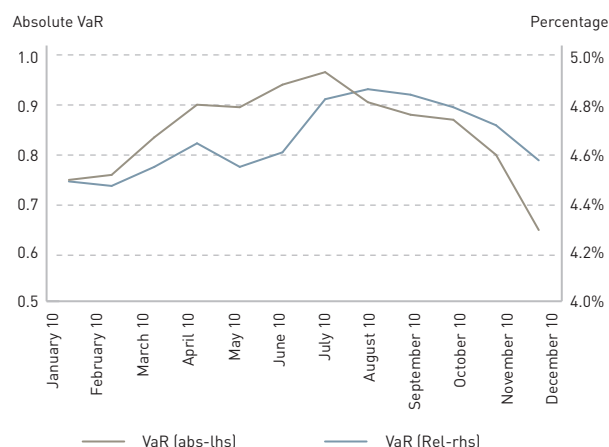
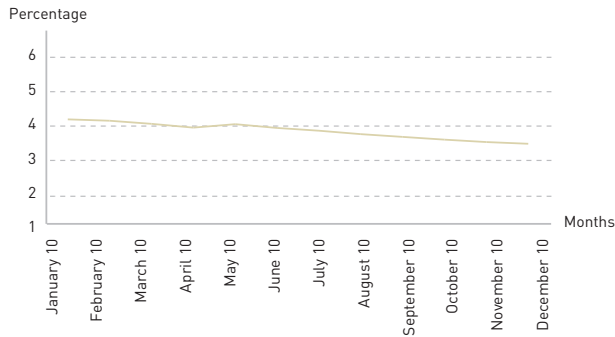


Diagram 3 (b): VaR for Equity

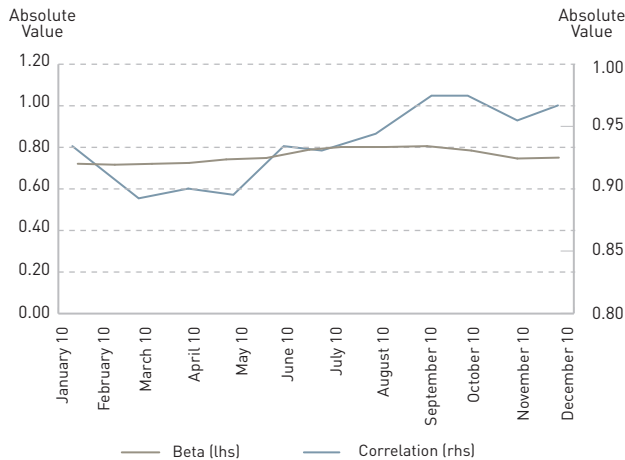
	EQUITY VaR FOR 2010	
	RM' BILLION	% OF EQUITY MARKET VALUE
Minimum	0.738	4.380
Maximum	0.931	4.935
Average	0.834	4.700

Diagram 4: TE for Equity



TE for Equity has been declining since the start of the year and continues to decline as our portfolio tracked closely the benchmark FBM100 index, showed by an increasing correlation throughout the year as illustrated by Diagram 5 (Beta and Correlation).

Diagram 5: Beta and Correlation



Correlation to the benchmark (FBM100 index) is relatively high for the entire year at an average of 0.93. Beta is on average 0.76. When the index rises by 1%, our portfolio value will only increase by 0.76%. This is commonly seen as a defensive portfolio in line with Kwap's prudent investment strategy.

Diagram 6: FBM100 Index Benchmark Overweight and Underweight

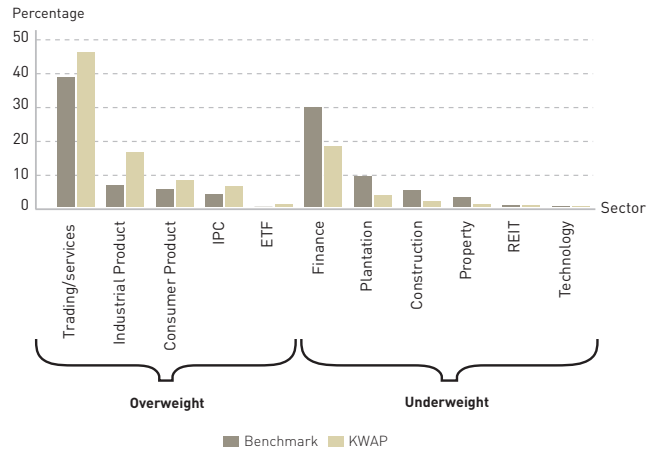


Diagram 6 illustrates Kwap equity exposure versus the FBM100 index. As at end 2010, our key overweight sectors was trading services, industrial products and consumer products. Key underweight sectors were finance, plantation and construction.

FIXED INCOME EXPOSURES

KWAP Fixed Income exposure was mainly the MGS and Quasi-government bonds portfolio, PDS portfolio and money markets.

Diagram 7 (a): VaR for Fixed Income

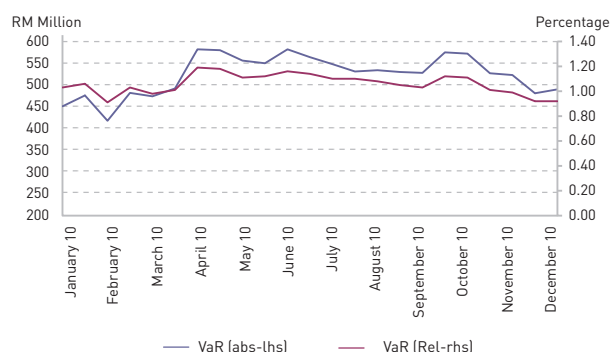


Diagram 7 (b): VaR for Fixed Income

	FIXED INCOME VaR FOR 2010	
	RM' BILLION	% OF FIXED INCOME MARKET VALUE
Average	524	1.06
Min	418	0.91
Max	582	1.19

MGS and Quasi - Government Bonds

As a pension fund, our fixed income strategy takes into consideration risk objectives, return objectives, liquidity requirements and time horizon of liabilities. As such, our MGS and Quasi-government bonds maturity profile is skewed towards medium to long term maturities.

Diagram 8: Maturity Profile for Fixed Income Securities (MGS & Quasi-Government Bonds)

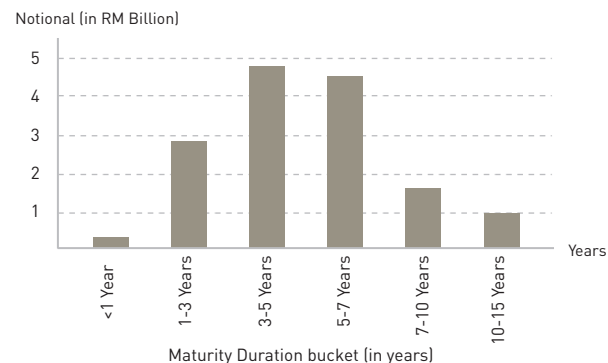


Diagram 9: Overweight and Underweight for MGS

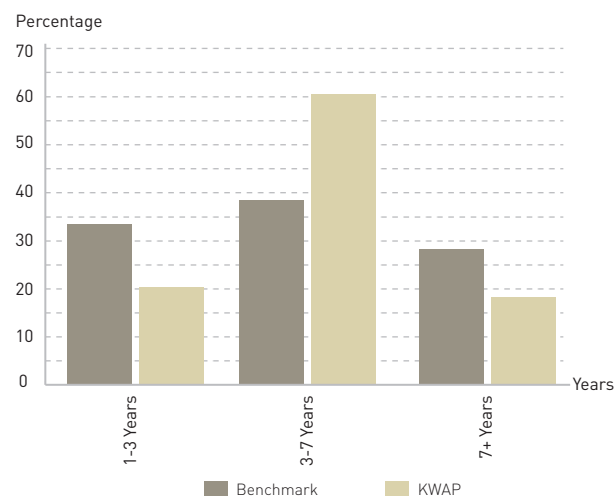


Diagram above shows KWAP is overweight in 3 to 7 years maturity while underweight at the shorter 1 to 3 years maturity and longer 7-years and above maturity compared to the benchmark Quantshop MGS All Yield Index. Throughout the year, KWAP has an average modified duration of 4.88 versus the benchmark of 4.56.

PDS

As at end 2010, the maturity profile for PDS is a barbell portfolio, focusing on the short term (1 to 3 years) and long term (7 to 10 years) tenor (Diagram 10).

Diagram 10: Maturity Profile for Private Debt Securities (PDS)

Notional (in RM Billion)

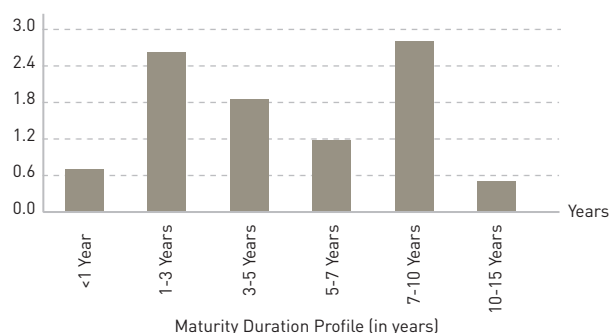
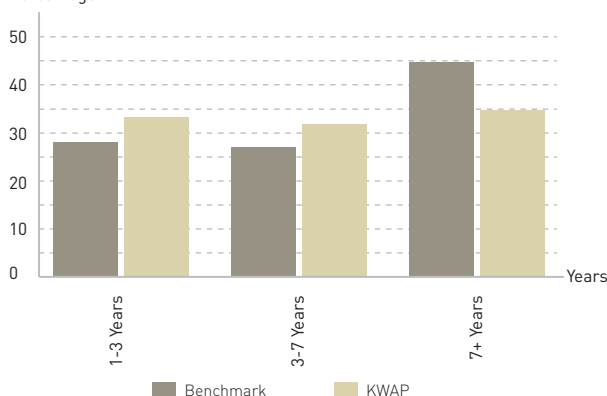


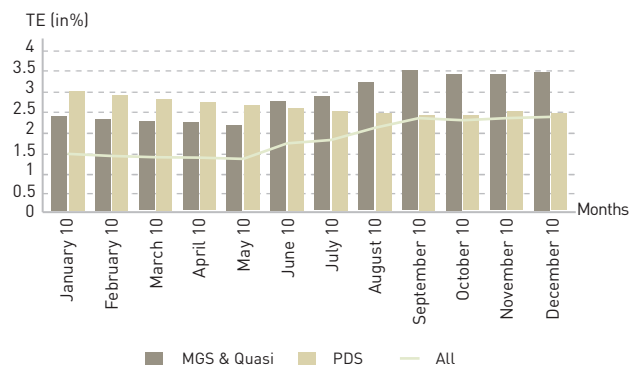
Diagram 11: Overweight and Underweight for PDS

Percentage



As at end 2010, KWAP is overweight in 1-7 years maturity category while underweight in more than 7 years maturity category compared to the benchmark Quantshop PDS Medium Yield Index. Throughout the year, KWAP has an average modified duration of 4.03 vs. the benchmark of 4.50. This reflects KWAP's more prudent investment strategy in PDS compared to the Quantshop PDS Medium Yield Index.

Diagram 12: TE for Fixed Income



Overall the Fixed Income portfolio's TE for MGS and Quasi bonds is lower than PDS for the first five months of the year. On average, the TE for MGS, Quasi-government bonds and PDS securities was at 1.64%. We consider this a fairly reasonable tracking error for a portfolio of our size and composition.

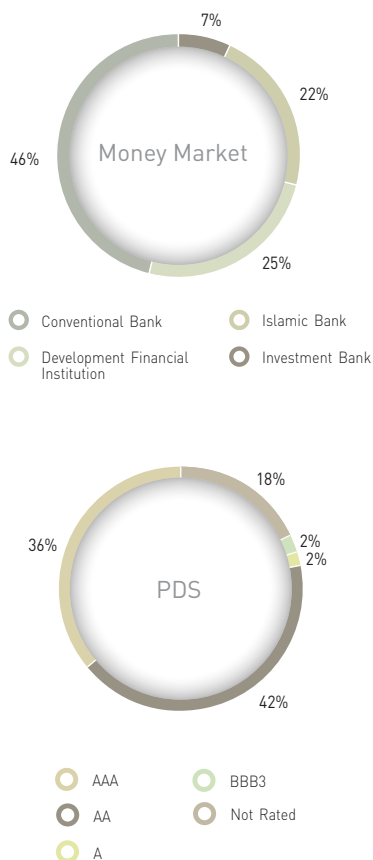
CREDIT RISK MANAGEMENT

Credit risk is the risk of losses as a result of defaults by KWAP's counterparties, i.e. bond issuers, deposit taking institutions, brokers and other intermediaries. KWAP is an active player in the local fixed income and money markets and participates in both primary and secondary markets. Strong credit risk policies are continuously being developed to manage this risk.

For bond issuer exposure, KWAP has a very prudent credit assessment and approval approach. The graph below indicates exposure to issuers. It shows that 78% of our corporate bonds are strong AAA and AA rated bonds. Non-rated bonds also go through stringent approval process and are primarily government or government-linked issues.

KWAP actively provides liquidity to the market via placements of deposits which expose KWAP to credit risk. Exposures in fixed deposits, negotiable instrument deposits and other similar instruments are clean uncollateralised exposure to the issuing institutions, which are primarily licensed or regulated financial institutions. To manage large exposures, KWAP has implemented the Single Depositor Limit (SDL) where exposure to a single counterparty or counterparty group will be tiered in reference to credit worthiness of the counterparty as reflected in credit ratings.

In managing the credit concentration risk, KWAP has introduced the PDS Portfolio Rating Limits for the fixed income PDS portfolio. By imposing these limits, it will ensure diversification across approved credit ratings and prevent heavy credit losses. This will also enhance transparency and promote active management of the PDS portfolio.



RISK MANAGEMENT

COMPLIANCE

Compliance function has gained prominence in recent years due to the nature and size of financial losses and loss of reputation that arise from compliance breaches in the banking and financial industry worldwide. Compliance serves as an independent function that identifies, assesses, advises on, monitors and reports on the compliance risk, the risk of legal or regulatory sanction, financial loss or loss to reputation that an organisation may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct and standards of good practice.

The main objective of compliance is to preserve KWAP's reputation so that our competitive standing, reputation and share value are not only maintained, but also enhanced. To achieve this objective, KWAP's goal is to effectively measure and manage compliance risk of the organisation to meet the expectation of all stakeholders. Providing the foundation to this aspiration is the Compliance Framework, from which the building blocks of compliance functions are shaped.

RMCD is responsible for developing and maintaining the Compliance Framework. This forms the foundation from which policies and procedures are designed to manage compliance risk.

Compliance Scope

(a) Regulatory Compliance

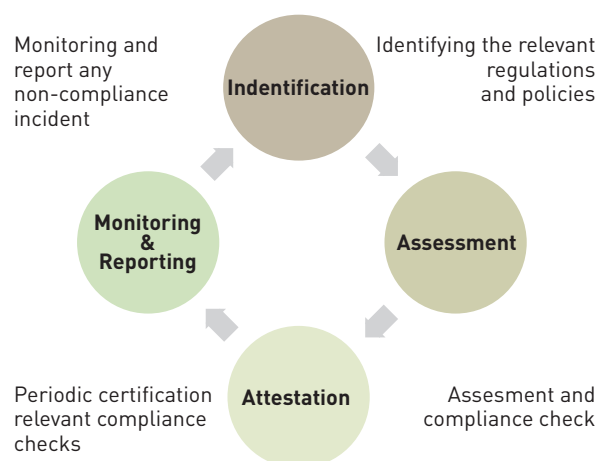
This scope covers the external regulations and guidelines that KWAP is bound to comply with, such as the relevant acts of Parliament, Minister of Finance's Decree and relevant guidelines by regulatory bodies such as BNM, Securities Commission and Bursa Malaysia. The ownership of the regulatory compliance is with the relevant operating unit at transactional or operating level, where any potential breaches shall be identified up front before the event. A proactive approach has been adopted as compliance to the regulatory compliance is of primary importance.

(b) Internal Compliance

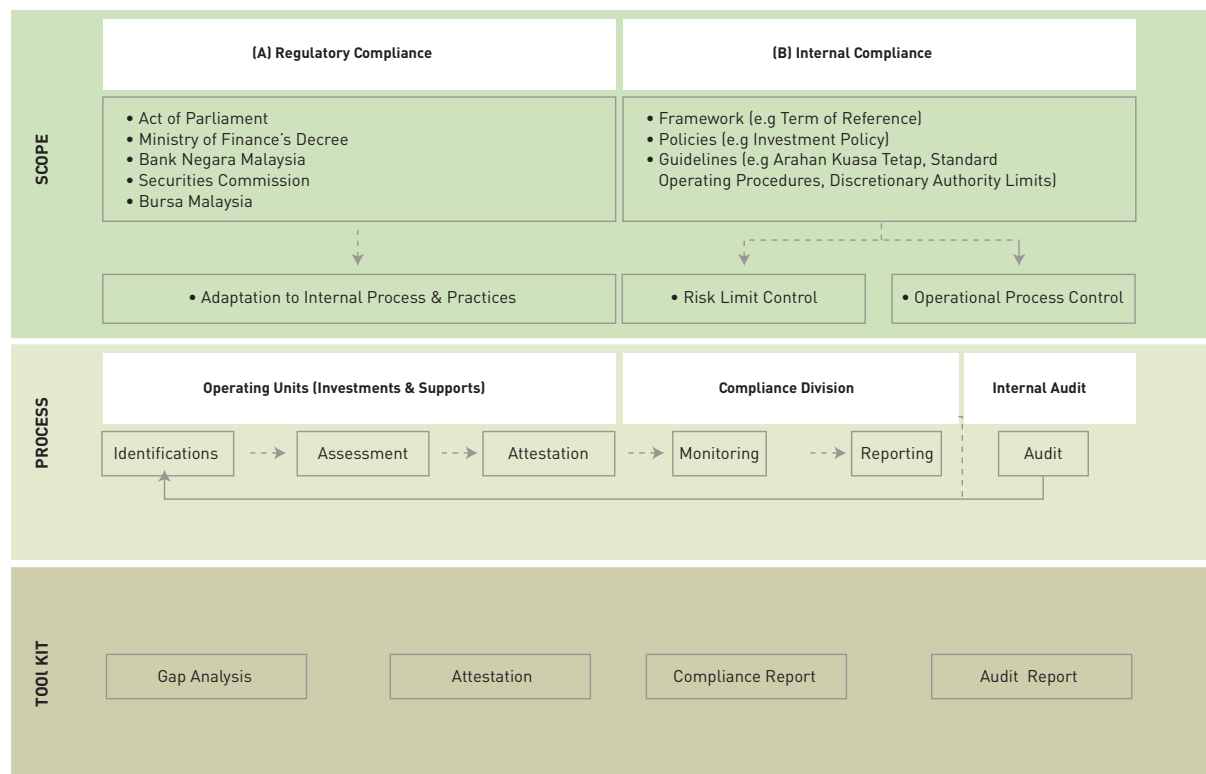
This scope covers the compliance to the internal policies and guidelines, such as the IPG, Discretionary Authority Limits and Standard Operating Procedures. RMCD's approach in ensuring that internal compliance is sustained through the risk limit controls in the integrated investment system and operational process controls embedded in the Standard Operating Procedures of each department.

Compliance Process

Compliance activities are closely intertwined with compliance developments on the global front, existing legal requirements as well as KWAP's policies and procedures. The following diagram illustrates the compliance process and general approach taken in managing Compliance Risk.



Overview of Compliance Framework



Compliance Toolkit

(a) Attestation/Self-Compliance Checklist

The Self-Compliance Checklist serves as a toolkit to measure the level of compliance in the organisation. It has been successfully rolled-out to all respective departments in KWAP as a periodic attestation exercise. The coverage of the Self-Compliance Checklist includes regulatory compliance as well as internal policies and procedures compliance. This toolkit also serves to create compliance awareness among all staff.

(b) Gap Analysis

This analysis is a periodic departmental exercise to identify the compliance requirements as well as the responsible parties in ensuring that all the compliance requirements are met. It assists in embedding the compliance culture in KWAP.

(c) Compliance Report

At the apex of the compliance function is KWAP's management - which oversees and provides direction for compliance in KWAP. A periodic compliance report is tabled by RMCD to the Risk Management Committee and the Investment Panel. This enables the effective oversight of KWAP's compliance activities by the Management whereby direction as to the appropriate risk management and mitigating actions are given.

STATEMENT OF CORPORATE GOVERNANCE

A. THE BOARD

The Board of KWAP recognises the importance of applying the principles of Corporate Governance in conducting the affairs of KWAP with integrity, transparency and professionalism. It is a key component contributing to the organisation's continued progress and success. It will assist in achieving an optimal governance framework, maximising the stakeholder's value in ensuring the smooth running of the business.

KWAP acknowledges the important roles played by the Board members, the Investment Panel members and the Management to formulate and determine KWAP's direction and operations. KWAP is led and managed by experienced and skillful Board members with varied backgrounds ranging from the Government, private sector, BNM as well as contributors' representative, who is pivotal for the overall strategic achievements of KWAP.

During the financial year, the Board continued to ensure that the highest standards of corporate governance were practiced to protect and enhance shareholder's value.

As part of best practice in good corporate governance, KWAP is in the process of establishing its Board Governance Policy which is anchored in the Retirement Fund Act 2007 (Act 662) (the Act), Board Charter and other statutes. KWAP is also in the process of establishing its own Whistle Blowing Policy as a mechanism to enable the employees and members of the Board to disclose internally any serious malpractice or misconduct without fear of victimisation, recrimination, discrimination or disadvantage to the employees reporting the concern. This policy provides a safe and formal channel for employees to report their concerns so that it can be properly addressed.

During year 2010, the Risk Management Committee approved the adoption a Code of Conduct for Investment Activities. The Code of Conduct is essentially a set of guidelines which reflect the business ethics and organisational culture of KWAP with regards to investment activities permitted under the provisions of the Retirement Fund Act 2007 (Act 662).

Composition of the Board

The Retirement Fund Act 2007 (Act 662) states that the Board shall consist of the following members that shall be appointed by the Minister of Finance:

- (i) a Chairman who shall be the Secretary General of Treasury, MOF;
- (ii) a representative from BNM;
- (iii) a representative from MOF;
- (iv) the Chief Executive Officer who shall be an ex-officio member;
- (v) three (3) representatives of the Government of Malaysia;
- (vi) three (3) other persons from private sector with experience and expertise in business or finance; and
- (vii) a person who, in the opinion of the Minister, shall fairly represent the contributors to the Fund other than representatives of the Government of Malaysia.

The Chairman is primarily responsible for ensuring Board's effectiveness and conduct. The Chief Executive Officer of KWAP, as duly appointed by the Board with the approval of the Minister of Finance, is responsible for the overall operations of the business and the implementation of policies and decisions made by the Board and the investment decisions made by the Investment Panel in accordance with the Act. The Chief Executive Officer is assisted by the Management in managing day to day administration of KWAP and the administrative control of the employees.

A brief profile of each Board member is presented on page 93 to 96 of this Annual Report.

Responsibilities and Accountabilities of the Board

The Board is established to administer and manage KWAP in such a manner that would further enhance the respective interests of the contributors as well as the stakeholders. The function of the Board is to formulate administration and management policies and procedure and to ensure that KWAP achieve its objectives with success.

The Board assumes a number of specific tasks such as overseeing the proper conduct of operations, identifying principle risk areas and ensuring the proper implementation of appropriate systems to manage these risks. The Board also reviews the adequacy and integrity of the internal control systems as specified in the Act and the Board Charter.

COMPONENTS OF AN EFFECTIVE BOARD

Structuring a high-performing Board	<ul style="list-style-type: none">Structures the Board to match the organisation’s requirementsDefines committees’ role, structure and composition to complement the Board’s requirementsSelects and nominates Board Members using a disciplined processEvaluates the Board as a whole and each Board Members regularly
Ensuring effective Board operations and interactions	<ul style="list-style-type: none">Makes every Board meeting productiveEnsures the quality and timeliness of all Board informationBuilds trust via positive interaction dynamics and open communication within the Board and with management
Fulfilling the Board’s fundamental roles and responsibilities	<ul style="list-style-type: none">Contributes to developing corporate strategy and setting of targetsUpholds a strong corporate performance management approachOversees development of the company’s future leaders and human capitalUnderstands and manages the company’s risksAdopts a shareholder’s perspective when making decisionsBalances valid stakeholder’s interests

STATEMENT OF
CORPORATE GOVERNANCE**Board Meeting Attendances**

The Board Meetings are scheduled in advance at the beginning of each year, whilst Special Board Meetings are convened as and when necessary for the Board to deliberate on matters that require expeditious decisions.

During the financial year 2010, six (6) Board meetings and five (5) Special Board Meetings were held. The summary of attendance of the Board Members is as follows:

NO.	NAME	ATTENDANCE
1.	Tan Sri Dr. Wan Abdul Aziz Bin Wan Abdullah (Chairman) (re-appointed on 1 March 2010)	11/11
2.	Tan Sri Ismail Bin Adam * (re-appointed on 1 March 2010 and retired on 30 June 2010)	*2/6
3.	Dato' Mohd Salleh Bin Mahmud (re-appointed on 1 March 2010 and retired on 29 November 2010)	10/11
4.	Datuk Idrus Bin Harun (re-appointed on 1 March 2010)	9/11
5.	Datuk Latifah Binti Datuk Abu Mansor (re-appointed on 1 March 2010 and retired on 30 December 2010)	9/11
6.	Dato' Muhammad Bin Ibrahim (re-appointed on 1 March 2010)	6/11
7.	Dato' Siow Kim Lun (re-appointed on 1 March 2010)	10/11
8.	Tuan Haji Omar Bin Haji Osman (re-appointed on 1 March 2010)	10/11
9.	Dato' Azian Mohd Noh (ex-officio) (re-appointed on 1 March 2010)	11/11
10.	Dato' Ahmad Johan Bin Mohammad Raslan * (appointed on 1 March 2010)	*4/8
11.	Encik Cheah Teik Seng * (appointed on 1 March 2010)	*8/8
12.	Dato' Yeow Chin Kiong * (appointed on 1 September 2010 but subsequently was on medical leave)	*0/3
13.	Dato' Mohd Izzaddin Bin Idris * (term ended on 28 February 2010)	*1/3
14.	Dato' V. Danapalan * (term ended on 28 February 2010)	*3/3

NO.	SCOPE OF BOARD'S RESPONSIBILITIES AND ACCOUNTABILITIES AS PROVIDED BY THE ACT	BOARD'S DUTIES / ACTIVITIES FOR YEAR 2010
1.	To establish procedures with respect to financial and accounting matters, including keeping, closing and auditing of the accounts of KWAP and the creation of its own financial and accounting procedures	<ul style="list-style-type: none"> Approved and endorsed the Internal Audit Plan for 2010
2.	To prescribe the responsibilities of the employees of KWAP including matters in respect of remuneration, terms and conditions of service, period of service and leave of its employees	<ul style="list-style-type: none"> Approved the Implementation of Promotion and Upgrading Policy Approved the Implementation of KWAP TEx Program
3.	To establish appropriate disciplinary authorities with respect to the conduct and discipline of the employees of KWAP	<ul style="list-style-type: none"> Approved KWAP to adopt the Statutory Bodies (Discipline and Surcharge) Act 2000 in year 2009 KWAP is currently adopting the Act to handle issues relating to staff's conduct and discipline
4.	To establish committees and procedures of such committees	<ul style="list-style-type: none"> Establishment of Remuneration Committee
5.	To regulate its internal procedures including procedures relating to operational matters	<ul style="list-style-type: none"> Approved KWAP's Revised Corporate Scorecard for 2010 Approved the Pension Liability Study Approved the Proposal on Changes for Single Depositor Limit for KWAP Approved the Proposal to Temporarily Widen KWAP's TAA Band for Equity Approved the Proposal to Revise KWAP's Strategic Asset Allocation Approved KWAP's Business Plan and Corporate Scorecard for 2011
6.	To prescribe the manner in which documents, cheques and instruments of any description shall be signed or executed on behalf of KWAP	No new procedure was approved in 2010
7.	To provide for all matters which are required to be prescribed or which are necessary or expedient to give effect to and for the purposes of carrying into effect the provisions of the Retirement Fund Act 2007 [Act 662]	<ul style="list-style-type: none"> Implementation of RENTAS System under BNM Appointment of additional Panel Advocates and Solicitors, Global Custodian, Panel Stockbrokers and Tax Consultants

STATEMENT OF CORPORATE GOVERNANCE

THE INVESTMENT PANEL

The Retirement Fund Act 2007 (Act 662) requires the establishment of an Investment Panel to provide strategic directions on investment matters.

Composition of the Investment Panel

In accordance to the Retirement Fund Act 2007 (Act 662) the Investment Panel shall consist of the following members who shall be appointed by the Minister of Finance:-

- (i) a Chairman who shall be the Chairman of the Board or such other person as may be appointed by the Minister of Finance;
- (ii) a representative from BNM;
- (iii) a representative from MOF;
- (iv) the Chief Executive Officer of KWAP who shall be the secretary; and
- (v) three (3) other persons from the private sector with experience and expertise in business or finance.

A brief profile of each Investment Panel member is presented on page 97 to 98 of this Annual Report.

Primary Duties and Responsibilities of the Investment Panel

The Investment Panel is generally responsible to approve inter-alia KWAP's strategic directions on investment matters, investment policy and guidelines, asset allocation and investment proposals. In executing its function, the Investment Panel shall report its activities to the Board and shall act in accordance with the general policy that may be issued by the Board and subsequently approved by the Minister of Finance.

Investment Panel Meeting Attendances

During the financial year 2010, ten (10) Investment Panel Meetings and one (1) Special Board and Investment Panel Meeting were held. The summary of attendance of the Investment Panel Members is as follows:

NO.	NAME	ATTENDANCE
1.	Tan Sri Dr. Wan Abdul Aziz Bin Wan Abdullah (Chairman) (re-appointed on 1 March 2010)	11/11
2.	Dato' Sri Abdul Wahid Bin Omar (re-appointed on 1 March 2010)	4/11
3.	Datuk Nozilah Binti Bahari (re-appointed on 1 March 2010)	11/11
4.	Encik Cheah Tek Kuang (re-appointed on 1 March 2010)	7/11
5.	Cik Che Zakiah Binti Che Din (re-appointed on 1 March 2010)	6/11
6.	Dato' Mohammed Azlan Bin Hashim * (appointed on 1 March 2010)	*9/11
7.	Tengku Dato' Azmil Zahrudin Bin Raja Dato' Seri Abdul Aziz * (term ended on 28 February 2010)	*0/1
8.	Dato' Azian Mohd Noh (Chief Executive Officer) (Secretary for Investment Panel) (re-appointed on 1 March 2010)	11/11

Summary of Investment Panel Activities:

In circumstances where an immediate decision is required, and the Secretary is unable to convene a meeting, approval may be sought via circularisation to all members of the Investment Panel. Decision via circularisation requires unanimous approval which will be reported during the next Investment Panel meeting for ratification.

The Investment Panel deliberated and discussed 72 proposals whereby 67 proposals were subsequently approved including approval via circulation.

BOARD COMMITTEES

The Board has established several committees, namely the Audit Committee (AC) and the RMC with specific terms of references to support and assist the Board in discharging its fiduciary responsibilities.

AUDIT COMMITTEE

The AC was established to ensure establishment and enforcement of internal controls and systems at KWAP.

Membership

Currently, AC comprises four (4) Board members, i.e. a Chairman and the following three (3) other members who have been appointed by the Board:

- (i) Tan Sri Ismail Bin Adam – Chairman
(retired on 30 June 2010)
- (ii) Encik Cheah Teik Seng – Chairman
(appointed on 1 July 2010)
- (iii) Dato' Mohd Salleh Bin Mahmud – Member
(retired on 29 November 2010)
- (iv) Datuk Idrus Bin Harun – Member
- (v) Dato' Siow Kim Lun – Member
- (vi) Dato' Ahmad Johan Bin Mohammad Raslan – Member
(appointed on 1 July 2010).

Dato' Mohd Salleh bin Mahmud and Dato' Ahmad Johan bin Mohammad Raslan are members of the Malaysian Institute of Accountants (MIA).

Three (3) AC meetings were held throughout year 2010.

Duties and Responsibilities of AC

The following are the duties and responsibilities of AC:

- (i) To recommend and review financial regulations, accounting regulations, policies and practices;
- (ii) To review and discuss the nature and scope of internal and external audit plans and ensure co-ordination of approach between the internal and external auditors;
- (iii) To review the financial statements of KWAP with the management and the auditors prior to them being approved by the Board;
- (iv) To discuss problems and reservations arising from the interim and final audits and any matter the auditor may wish to discuss (in the absence of management where necessary);
- (v) To review the external auditor's audit observations and management's response;
- (vi) To consider major findings of internal investigations and management's response;
- (vii) To direct any special investigations to be carried out by the internal auditor and review the internal auditor's findings;
- (viii) To consider any related party transactions that may arise within KWAP;
- (ix) To provide independent assessment of the adequacy and reliability of the risk management processes and system of internal controls and compliance with risk policies, laws, internal guidelines and regulatory requirements;
- (x) To review changes to Financial Procedures; and
- (xi) To consider other issues as defined by the Board.

KWAP's external auditor is the Auditor General of Malaysia as determined by Statutory Bodies (Accounts and Annual Reports) Act 1980 [Act 240].

STATEMENT OF
CORPORATE GOVERNANCE

AC Meeting Attendances:

NO.	NAME	ATTENDANCE
1.	Tan Sri Ismail Bin Adam – Chairman * (re-appointed on 1 March 2010 and retired on 30 June 2010)	*2/2
2.	Encik Cheah Teik Seng – Chairman * (appointed on 1 July 2010)	*1/1
3.	Dato' Mohd Salleh Bin Mahmud (re-appointed on 1 March 2010 and retired on 29 November 2010)	2/3
4.	Datuk Idrus Bin Harun (re-appointed on 1 March 2010)	3/3
5.	Dato' Siow Kim Lun * (appointed on 1 March 2010)	*2/2
6.	Dato' Ahmad Johan Bin Mohammad Raslan * (appointed on 1 July 2010)	*0/1
7.	Dato' Mohd Izzaddin Bin Idris * (term ended on 28 February 2010)	*1/1

Summary of AC Activities:

Among the proposals approved and endorsed by the AC were the Internal Audit Plan for 2010, Review of KWAP's IT Governance Initiatives and the Financial Statements of KWAP for Financial Year Ended 31 December 2009.

RISK MANAGEMENT COMMITTEE

RMC was established to assist the Board in discharging its functions with regards to risk management.

Membership

Currently, RMC comprises three (3) Board members and one (1) Investment Panel member, i.e. a Chairman and the following three (3) other members who have been appointed by the Board:

- (i) Dato' Muhammad Bin Ibrahim – Chairman
- (ii) Dato' Siow Kim Lun – Member
- (iii) Dato' Mohammed Azlan Bin Hashim – Member
(appointed on 1 March 2010)

- (iv) Encik Cheah Teik Seng – Member
(appointed on 1 March 2010)
- (v) Dato' V. Danapalan – Member
(term ended 28 February 2010)
- (vi) Tengku Dato' Azmil Zahrudin Bin
Raja Dato' Seri Abdul Aziz – Member
(term ended 28 February 2010)

Four (4) RMC meetings were held throughout year 2010.

Duties and Responsibilities of RMC

The following are the duties and responsibilities of RMC:

- (i) to formulate and carry out the risk management strategies and policies;
- (ii) to assess and approve proposals on risk management policies and procedures in business and financial risk areas such as market risk, credit risk, strategic risk, and operational risk;

- (iii) to recommend risk appetite/tolerance/parameters and recommend to the Board for adoption;
- (iv) to assess/evaluate new existing and policies, as well as controls before recommending to the Board for changes, approval and adoption;
- (v) to ensure the adequacy of risk management policies and systems and the extent to which these are operating effectively;
- (vi) to ensure that the infrastructure, resources and systems are in place to identify, measure, monitor and control risks;
- (vii) to determine KWAP's risk exposures and risk management activities;
- (viii) to formulate BCM;
- (ix) to recommend to the Board any changes to the Risk Management Framework; and
- (x) to consider any other risk related issues as defined by the Board.

RMC Meeting Attendances:

NO.	NAME	ATTENDANCE
1.	Dato' Muhammad Bin Ibrahim – Chairman (re-appointed on 1 March 2010)	2/4
2.	Dato' Siow Kim Lun (re-appointed on 1 March 2010)	4/4
3.	Dato' Mohammed Azlan Bin Hashim (appointed on 1 March 2010)	4/4
4.	Encik Cheah Teik Seng (appointed on 1 March 2010)	1/4
5.	Dato' Azian Mohd Noh (re-appointed on 1 March 2010)	4/4

Summary of RMC Activities:

Among major issues deliberated and approved by the RMC during year 2010 were:

- Corporate Risk Profile
- Fund Performance and Risk Report
- Implementation of the SDL for Deposits and Money Market Instruments under the BCM Framework
- Adoption of Guidelines on Breach of IPG Limits
- Implementation of the Compliance Framework
- Implementation of the Code of Conduct for Investment Activities
- Compliance Report
- Operational Risk Event Reporting

APPOINTMENT AND REMUNERATION OF BOARD AND INVESTMENT PANEL MEMBERS

The Board and the Investment Panel members are appointed for a period not exceeding three (3) years, and on the expiry thereof are eligible for reappointment. The remuneration of the Board and the Investment Panel Members is determined from time to time, subject to the approval of the Minister of Finance.

In 2010, the Board and the Investment Panel received a total remuneration of RM327,600 and RM106,133.33 respectively.

STATEMENT OF INTERNAL CONTROL

STATE OF INTERNAL CONTROL

Responsibility

The Board has overall responsibility for the integrity and effectiveness of the system of internal control and risk management at KWAP. The Board recognises and is aware that both processes are designed to manage and mitigate risk within acceptable risk profiles rather than entirely eliminate the risk of failing to achieve policies, objectives or the statutory mandate of KWAP. Accordingly, the system of internal control assists in the provision of reasonable, but not absolute assurance, against any material misstatement, mismanagement or losses.

The Board has established an on-going process to evaluate the effectiveness and integrity of the system of internal control via identification, assessment and management of risks faced by KWAP. The system of internal control is reviewed and updated, when necessary, upon any changes in the business environment or the overall risks faced by KWAP.

The management provides assistance to the Board in the implementation of policies, procedures and processes as well as the enhancement of existing financial and operational capabilities to mitigate and minimise risks faced by KWAP. In review, up to the date of the issuance of the Financial Statements of KWAP, the Board has acknowledged that a sound and sufficient system of internal control and risk management within KWAP has been established.

Key Internal Control Processes

The following key policies, processes and procedures were established in the review of the effectiveness and integrity of the system of internal control and risk management at KWAP:

- The Investment Panel is primarily responsible for the establishment and approval of investment policies and guidelines, policies on risk management, asset allocation and strategic directions of investments;
- RMC was established to assist the Board in discharging its functions with regards to risk management. The Committee also formulates and executes the risk management strategies and policies;
- AC was established to ensure the formulation, adequacy and integrity of the system of internal control;
- The Investment Committee comprises key investment personnel that convenes regularly to decide on investment related matters;
- The Management Committee is mainly responsible for executing and evaluating key operational and management decisions as well as ensure that they are clearly communicated across the organisation;

- ERM Committee is responsible for discussing risk management strategies, policies and guidelines prior to it being tabled to the RMC. Among its functions are to check for concurrence as well as to review and assess KWAP's risk exposure before deciding on the most appropriate mitigating controls. It also ensures adequate infrastructure, resources and systems are in place for effective risk management;
- The internal audit function of KWAP is essentially responsible for the monitoring of compliance and adherence to the policies, procedures and processes as well as the overall efficiency and sufficiency of the system of internal control;
- ERM is a methodology adopted by KWAP for the management of its risks. ERM involves an integrated process of identifying, evaluating, monitoring, managing and reporting significant risks affecting KWAP;
- The annual business plan and annual budget of KWAP are prepared and tabled to the Board for approval. Actual performance of KWAP is assessed against the approved budget by the Board on a monthly basis. Any significant variances are then explained by the Management;
- The proper guidelines for the employment and termination of employees, avoidance of conflict of interest, declaration of assets and liabilities, semi-annual and annual performance appraisals as well as training programs are formulated for the assurance of the competency, capabilities and performance of employees in executing their professional responsibility.
- Policies, procedures and processes were recorded in operation manuals and guidelines and reviewed on a periodic basis. These documents are used to determine adherence to the system of internal control.

INTERNAL AUDIT

The internal audit provides a supportive function to the AC in the validation and verification of the design and operational sufficiency of the system of internal control. The internal audit also provides support as to continuous improvement of the overall system. This is executed through an independent and objective evaluation on the adequacy and effectiveness of the system of internal control as well as risk management and other procedures and processes established by management. The internal audit also provides, when necessary, advice on the system of internal control, mitigation measures of identified risks and proper business governance.

Messrs. Ernst & Young was appointed to undertake the internal audit function of KWAP for the financial year following the recommendation by the management and AC and subsequent approval by the Board of KWAP. As the appointed internal auditor, Messrs. Ernst & Young reports directly to the AC and its consultancy and advisory services are in accordance with the Board-approved Audit Plan. The terms of reference between KWAP and Messrs. Ernst & Young, dated 4 May 2010, stipulate the terms and conditions of the audit visits. The audit approach executed by Messrs. Ernst & Young involves the following procedures:

- Understanding the internal processes of the audited areas;
- Assessment of the business risks in relation to the processes;
- Evaluation of the existing controls as well as identification of performance gaps, if any; and
- Recommendations for internal controls and mitigation measures of identified risks.

STATEMENT OF INTERNAL CONTROL

The outcome of the fieldwork and audit visits conducted by Messrs. Ernst & Young was incorporated in the audit report which highlights the overall effectiveness of the system of internal control and significant risks as well as the management's response and remedial actions in relation to the audit issues, findings and observations.

The AC periodically reviews and evaluates the overall services of Messrs. Ernst & Young to ensure adherence to the Board-approved audit plan as well as to gauge Messrs. Ernst & Young's performance as the internal auditor of KWAP.

INTERNAL AUDIT REVIEW OF KWAP FOR FINANCIAL YEAR 2010

The internal audit review of KWAP for the financial year ended 31 December 2010 was executed by Messrs. Ernst & Young in accordance with the Board-approved financial year 2010 audit plan. For 2010, the audited areas involved the operational activities and the system of internal control of the Contribution Department, Legal & Secretarial Department, IT Department, RMCD, Accounts & Management Services Department and investment departments of KWAP. The fieldwork and audit of the selected audit areas were conducted via two (2) separate visits by Messrs. Ernst & Young.

The primary objectives of the audit review by Messrs. Ernst & Young is to verify and assess the adequacy of the existing internal controls, recognise valid recommendations to strengthen the existing internal controls of audited areas as well as identify remedial measures undertaken by the Management in relation to prior year internal audit findings or issues, if any.

The subsequent audit reports generated by Messrs. Ernst & Young were reviewed and evaluated by the AC, noting all remedial measures undertaken and executed by the Management in compliance within the stipulated time frame.

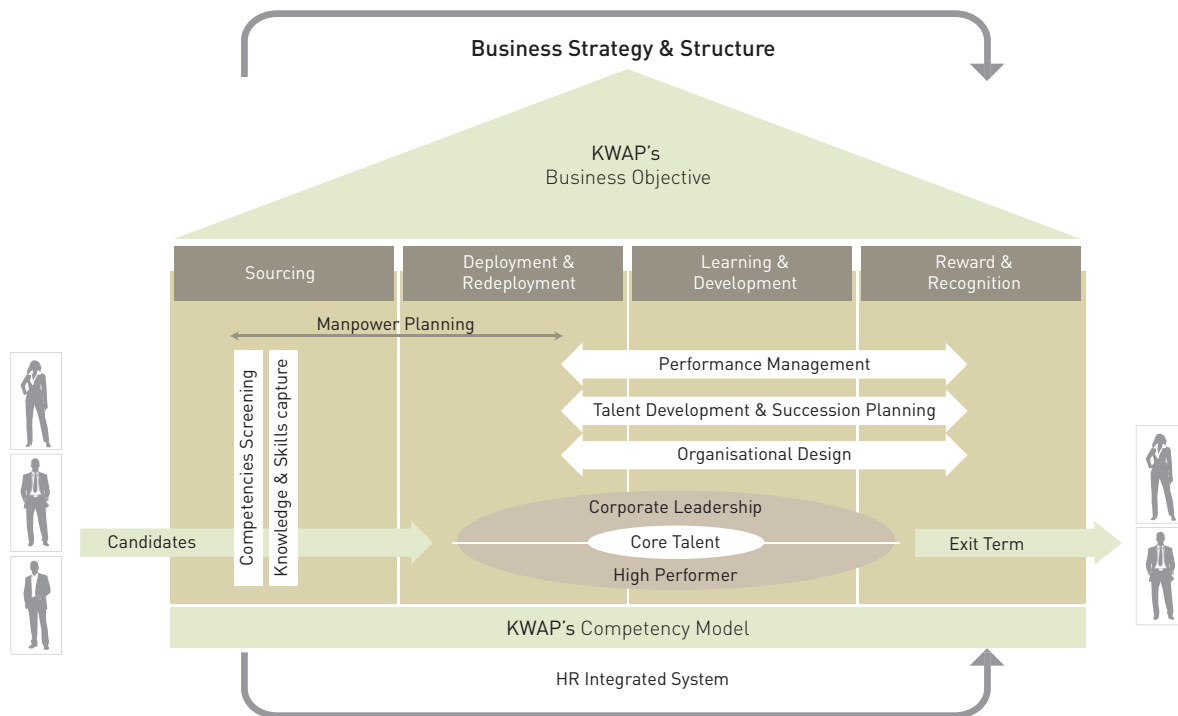
KWAP has continuously improved its internal control processes and mechanism throughout 2010, addressing prior year internal audit findings and issues. The enhancement of the internal control processes and mechanism concurred with the expectations of Messrs. Ernst & Young as discussed in their audit report. The reduction in the number of audit findings or issues is further testament to the overall improvement. The following key policies, processes and mechanism were implemented and incorporated into the system on internal control throughout 2010:

- Enhancement of the organisational structure of KWAP with appointment of the Chief Operating Officer who is primarily responsible for the support departments of KWAP;
- Strengthening of the IT Department via expansion of the IT team and the employment of a Director of IT Department;
- The approved of tender documentations for automation of the contribution processes through deployment of Integrated Contribution Management System which aims at improving the overall contribution procedures and processes;
- The implementation of the IT Governance Framework, Policies and Rules incorporating the overall functions of the IT Department, segregation of duties and detailed IT security framework;
- Enhancement of investment processes and procedures with the implementation of the new IFIMS; and
- Formulation of the Code of Conduct for Investment Activities and Whistle-Blowing Policy, aimed at fostering a healthy and professional corporate environment through creation of awareness on the standard code of conduct and principles for discharge of professional duties.

HIGH PERFORMANCE
CULTURE

In 2010 the key focus for the Human Resources Department was to ensure availability of required skills to support the growth of the organisation through talent management and talent development. HR continued to play a crucial role in developing the careers of KWAP's employees and building an organisation based on KWAP's vision, mission and core values. With the economy's recovery in 2010, the competition for talent became one of the most prevailing challenges for employers. As a proactive measure, KWAP has developed the Human Resource Management (HRM) Framework which provides KWAP with a systematic approach towards developing a high performance culture through talent management.

HRM Framework Towards Developing A High Performance Culture



The HRM Framework will enable KWAP to ensure that the supply of talent created within the organisation as well as external talent will be readily available and consistent with the demand of the organisation in terms of numbers, capability and capacity .

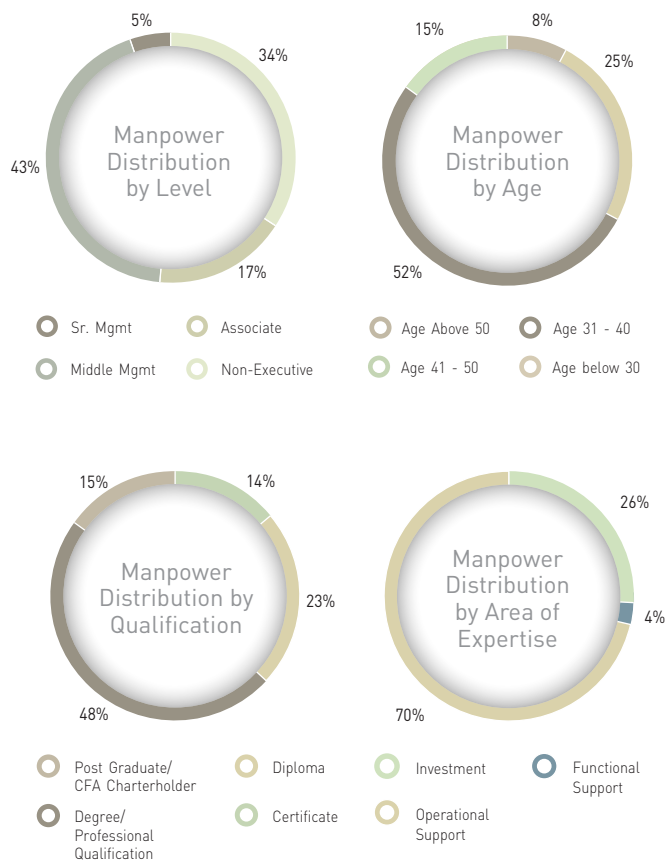
In propelling the change towards creating a high performance team, KWAP created a 'stretched' environment, where the focus is not only on reaching goals, but to stretch beyond this to achieve high performance. The management however acknowledges that the most important aspect of creating and leading a high performance team is to hire high performers.

HIGH PERFORMANCE CULTURE

(i) Talent Acquisition

Talent acquisition in KWAP is not only about filling the vacant positions but more importantly is the search for the right candidate with the right cultural DNA for KWAP. Taking this long term strategic approach towards talent acquisition has brought about many changes on how we identify a potential candidate. The process begins with the implementation of an effective recruitment strategy which includes the identification of key positions and the turnover risks associated with these positions. In selecting the right candidate with the right competency and motivation level, behavioral based selection criteria's are used during the interview process as well as a range of other recruitment tools and assessments. Strategic talent acquisition allows KWAP to collect data on high potential candidates and maintain a database of potential candidates for KWAP's reference.

EMPLOYEE STATISTIC 2010	
Total number of employees as at 31 December 2010	126
Average Age:	
i) Women	34.8 years old
ii) Men	35.4 years old
Average Years of Service	5.5



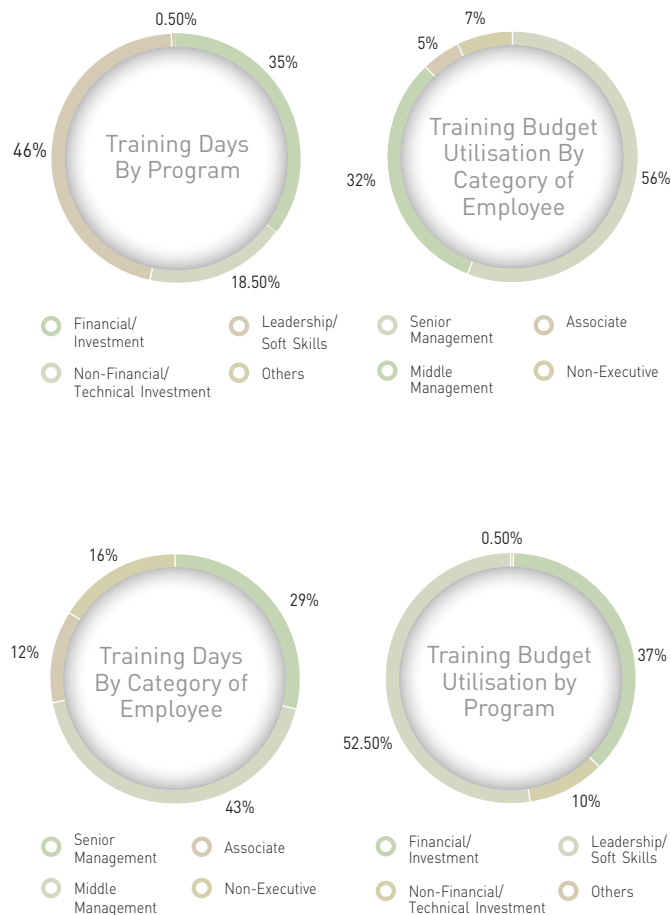
(ii) Learning and Development

In order to stay competitive in today's knowledge based environment where human resources contribute the largest share towards organisational performance and productivity, KWAP places great emphasis on investing in the continuous learning and development of its employees. As part of a more holistic approach, KWAP developed a comprehensive learning and development structure integrated with competencies in both technical and soft skills through its General Development Program, Specialised (or Technical Development Program as well as Management and Leadership Development Program.

To support the continuous learning culture and to ensure that there is a positive ROI on our training and development, KWAP encouraged employees to conduct knowledge sharing sessions upon completion of any programs attended. This is captured as part of the Learning and Development KPI achievement for year 2010.

KWAP's talent pool are given exclusive exposure by the management to participate in seminars and conferences held locally and internationally in order to keep abreast with latest management and investment best practice.

As part of our continuous learning program, KWAP investment managers are encouraged to obtain the Certified Financial Analyst (CFA) certification. Also in linking up with its core values of continuous learning, the KWAP Leadership Series introduced in 2008 continued to feature prominent leaders and corporate personalities such as YBhg. Dato' Ahmad Johan Bin Mohammad Raslan, Executive Chairman, PricewaterhouseCoopers Malaysia, YBhg Tan Sri Dato' Dr. Ahmad Tajuddin Bin Ali, Chairman, UEM Group Berhad and YBhg. Datin Paduka Seri Rosmah Mansor, wife of the Honourable Prime Minister of Malaysia.



HIGH PERFORMANCE CULTURE

(iii) Individual Development Program (IDP)

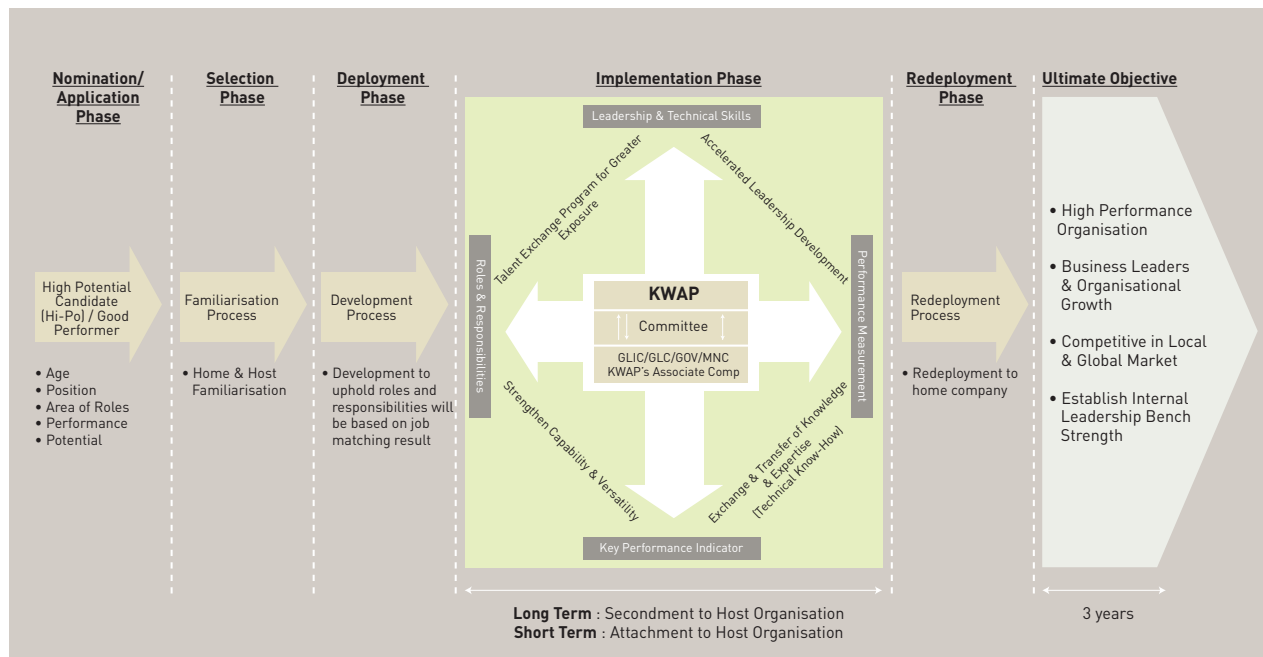
The IDP is one of the initiatives introduced in 2010 which is aimed towards developing our internal talent and accelerating their career progression through programs such as the Talent Exchange Program (TEx Program), Cross Fertilisation Program and Job Rotation Program.

KWAP developed its own TEx Program with the objective of providing KWAP's talents with an opportunity to enhance and develop their technical and leadership skills as well as provide them with an avenue to experience and learn different working cultures through attachment and secondment programs to GLIC/GLC/ Government/MNCs and vice versa. The TEx Program will assist KWAP in strengthening its leadership bench strength in driving the business towards achieving a High Performance Culture.

In supporting the Government Linked Transformation Program, KWAP also participated in the Cross Fertilisation Program organised by MOF by accepting MOF officers to be placed in KWAP for a two (2) month period.

The Job Rotation Program will be implemented in 2011. This program will provide KWAP employees with an avenue to broaden their knowledge, skills and capabilities and assist them towards their career progression within the organisation.

TEx Program



(iv) Enhancement of Performance Management System

KWAP's Performance Management System continues to evolve in line with the growing needs of the organisation. In order to ensure effectiveness in measuring employees' achievement and developing a competent workforce, the system is divided into 3 phases; Performance Planning, Mid Year Review and Final Performance Evaluation.

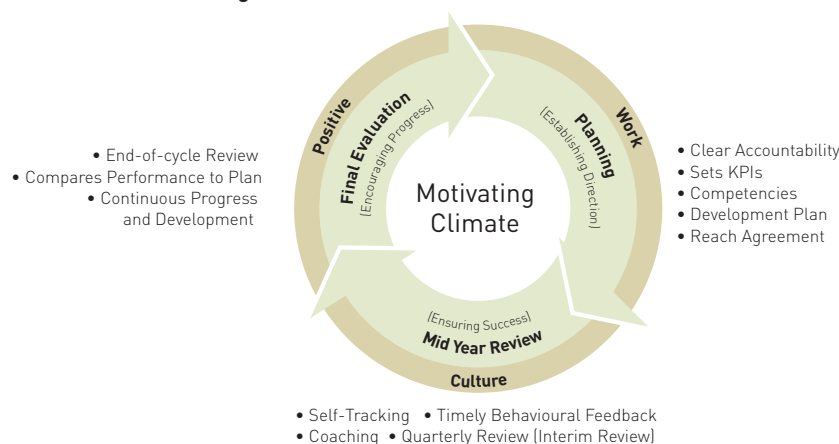
This performance process is to instil greater sense of responsibilities towards employees' own performance while developing a coaching culture among the superiors.

In line with KWAP's effort to fully implement the competency-based approach in developing talent, the performance measurement model was enhanced by incorporating KWAP's Leadership Competency and the 360 degree Leadership Assessment into the Performance Management System.

This provides valuable input to assist management in designing the learning and development initiatives required to drive the organisation towards high performance.

(v) KWAP Team Building 'Values Alive' Program

Aimed at fostering a closer working relationship and teamwork amongst employees as well as to drive towards a high performance organisation, KWAP adopted the 'Values Alive' tag line, and embarked on an organisation-wide team building program. The program brought about greater collaboration and cohesiveness among team members and boosted team spirit and motivation levels. The program succeeded in reducing common hierarchical barriers and promoted employee development and productivity. It also provided management with an avenue to identify and build leadership capabilities and cultivate creative and proactive thinking amongst its employees.

Performance Management

A CARING ORGANISATION



Throughout the financial year, KWAP undertook several new initiatives aimed to further strengthen its role as a caring organisation. It strived to create awareness on the fund management industry, create a more conducive work environment and encourage volunteerism amongst its staff.

RESPONSIBILITY TO THE MARKET PLACE

Contributing Articles

KWAP propagated industry issues aligned with its interests and role as one of the players in the financial and capital market. It contributed a number of thought provoking articles to The Edge Financial Daily. The articles were titled Ringgit's Drivers and Prospect by Eeh Chong Ban, Implications on Benchmarking; Return Matrices and Implication to Portfolio Management by Azizan Bin Abdul Rahman, The Double Vision by Nazaiful Affendi Bin Zainal Abidin, Shallow or Deep Water by Muzafar Ibrahim Bin Abdul Muttalip and Moderating Private Equity Investment Risk by Sharidan Bin Salleh. KWAP has plans to contribute more articles to the daily newspaper and hopes to establish better media relationship.

Participating in Asian Pension Fund Roundtable

The EFM Head, Ambalagam R. Marappan, represented KWAP at the Asian Pension Fund Roundtable forum organised by the Pacific Pension Institute in October 2010. The yearly event was held at the Kowloon Shangri-la Hotel in Hong Kong. He was one of the panel members who spoke on the topic - Manager / Consultant Selection and Due Diligence. KWAP has also been given the honour of being the in-country host for the next Pacific Pension Institute's Asian Pension Fund Roundtable in Kuala Lumpur scheduled for November 2011.

RESPONSIBILITY TO THE WORKPLACE

Spring Cleaning & Recycle Week

With the belief that an organisation's operations will improve once you put your house in order, one of the CSR initiatives literally translated this into conducting a spring cleaning session at KWAP office. All employees were not only encouraged to organise and clear their workstations but were also encouraged to recycle items such as used papers, newspapers, printer cartridges and other items. They were also encouraged to continue the effort by spring cleaning their respective departments and homes. By the end of the session, judges who observed every department on a weekly basis saw the Contribution Department giving the best effort and thus was awarded the 2010 Spring Cleaning Award.

Jumble Sale

For 2010 KWAP CSR Donation Drive program, the support staff took the lead that enhanced their entrepreneurial skills as well as leadership and management skills. Booths selling pre-owned items, children's apparel, women's accessories as well as home baked cakes, pastries and crisps were successfully set up. The jumble sale received good response and exceeded the target collection. The proceeds from the sale was used to purchase reading materials which were contributed to KWAP's two adopted schools, Sekolah Kebangsaan Bukit Tampoi (A), Dengkil and Sekolah Kebangsaan Salak, Sepang.

RESPONSIBILITY TO THE ENVIRONMENT

Earth Hour

In line with WWF's effort to conserve energy and save the environment, all lights in the KWAP office were turned off for an hour on 27 March 2010, from 8:00 to 9:00 pm. Employees were also encouraged to carry out the Earth Hour exercise at home. As a continuous effort, the consumption of energy in KWAP's office has also been monitored. Efforts were made to create awareness amongst employees on the importance of conserving energy.

Smoke Free KWAP

As part of its responsibility towards creating a healthier environment and in conjunction with WHO's World No Tobacco Day, KWAP carried out a week long campaign to encourage its employees to quit smoking. Various health related articles were posted on KWAP's PULSE intranet. Brochures on quit smoking tips were distributed, along with nicotine gums. More importantly, KWAP was turned into a no-smoking zone and all employees were restricted from smoking at the open office areas.

RESPONSIBILITY TO THE COMMUNITY

Kids Day Out

At KWAP, a good work-life balance is top on its priority list. In an effort to strengthen the family units of all KWAP employees, KWAP organised a field trip to Petrosains, KLCC for the children of KWAP employees. The program attracted 139 participants. Its main objective was to educate the children on science, creation and the importance of conserving the environment while at a young age.

The Edge – Bursa Malaysia's Rat Race 2010

To further improve KWAP employee's wellbeing, all employees were encouraged to join The Edge – Bursa Malaysia's Rat Race 2010 practice and qualifying session. After a few rounds of practice, 5 employees were short-listed to participate in the Open Category. Their efforts were made worthwhile when they managed to complete the race below thirty minutes – earning them a ranking of 20th place out of the 53 teams that completed the race.

Fun Kids with KWAP English Workshop

With the objective of helping under privileged school children improve their command of English, KWAP organised a half day workshop at two selected schools. The first workshop, held at an orang asli school – Sekolah Kebangsaan Bukit Tampoi (A), Dengkil, attracted 60 participants from year 4, 5 and 6. The other, a suburban school – Sekolah Kebangsaan Salak, Sepang attracted 100 participants from year 5. Both workshops were organised in a fun and interactive manner to encourage communication and understanding in English.

Financial Planning for Retirement Seminar

To live up to KWAP's tagline – Assuring Your Pension, a one day seminar was organised for pre-retirees from the public service. A total of 50 participants from the Royal Customs of Malaysia, Valuation and Property Services Department and MOF attended the event. With the objective to create awareness on the importance of financial planning, topics such as Budget for Retirement, Investment for Retirement, Estate Planning, Acquiring New Skills as well as Well Being for Retirement were discussed. A free health check was also provided to all participants.



JANUARY

1. **Date** : 12 January
Venue : Multi Purpose Hall, KWAP
Chief Executive Officer Mandate 2010
2. **Date** : 14 January
Venue : MOF, Putrajaya
KWAP AC Meeting
3. **Date** : 19 January
Venue : Board Room, KWAP
KWAP Investment Panel Meeting
4. **Date** : 20 January
Venue : Shangri-La Hotel, Putrajaya
KWAP Special Board Meeting
5. **Date** : 26 January
Venue : UMW Holdings Berhad, Shah Alam, Selangor
Management Visit by the Senior Management Team

FEBRUARY

6. **Date** : 9 February
Venue : Cagamas Sdn Bhd, Kuala Lumpur
Site Visit by the Fixed Income Department
7. **Date** : 22-25 February
Venue : Melaka
Compliance and Enforcement Visit by Contribution Department
8. **Date** : 25 February
Venue : Shangri-La Hotel, Putrajaya
KWAP Special Board Meeting

MARCH

9. **Date** : 6-7 March
Venue : Thistle Port Dickson Resort, Teluk Kemang
KWAP Investment and Strategic Directions Retreat



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10. **Date** : 12 March
Venue : Multi Purpose Hall, KWAP

Leadership Series Talk by YBhg. Dato' Ahmad Johan Bin Mohammad Raslan, Executive Chairman of PricewaterhouseCoopers titled 'Gen Y – A Case of Cultural Transformation'

11. **Date** : 23 March
Venue : MOF, Putrajaya

KWAP Investment Panel Meeting

12. **Date** : 24 March
Venue : AmInvestment Bank, Kuala Lumpur

Study Visit by the Investment Settlement Department

13. **Date** : 25 March
Venue : Digi.com, Shah Alam

Management Visit by the Senior Management Team

APRIL

14. **Date** : 9 April
Venue : Board Room, KWAP

KWAP Board Meeting

15. **Date** : 14 April
Venue : Board Room, KWAP

KWAP Investment Panel Meeting

16. **Date** : 19-22 April
Venue : Pahang

Compliance & Enforcement Visit by the Contribution Department

17. **Date** : 20-22 April
Venue : Kompakar CSC Sdn. Bhd., Petaling Jaya

DR Exercise

18. **Date** : 30 April
Venue : PSD, Putrajaya

KWAP Audit Committee Meeting

MAY

19. **Date** : 4 May
Venue : Sime Darby Berhad, Kuala Lumpur

Management Visit by the Senior Management Team

20. **Date** : 4 May
Venue : Shangri-La Hotel, Putrajaya

KWAP Investment Panel Meeting

21. **Date** : 7 May
Venue : Board Room, KWAP

KWAP RMC Meeting

22. **Date** : 15-16 May
Venue : Country Heights Resort, Kajang

KWAP Team Building Retreat



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23. **Date** : 31 May
Venue : Menara Yayasan Tun Razak, KWAP
CSR Program : KWAP Smoke Free Day
24. **Date** : 31 May
Venue : Board Room, KWAP
KWAP Board Meeting

JUNE

25. **Date** : 3 June
Venue : CIMB Principal, Kuala Lumpur
Audit Visit by the EFM and Back Office Operations
26. **Date** : 9 June
Venue : E-Idaman Sdn Bhd, Alor Star, Kedah
Briefing and Training for Employer by the Contribution Department
27. **Date** : 7-14 June
Venue : California, USA
Board Study Visit to CalPERS and CalSTRS
28. **Date** : 16 June
Venue : Shangri-La Hotel, Putrajaya
KWAP Special Board Meeting
29. **Date** : 22 June
Venue : Menara Yayasan Tun Razak, KWAP
Visit by YB Datuk Donald Lim, Deputy Minister of Finance

30. **Date** : 22 June
Venue : KWSP, Jalan Raja Laut
Study Visit to KWSP – Rentas Unit by the Investment Settlement Department
31. **Date** : 24 June
Venue : Board Room, KWAP
KWAP Investment Panel Meeting
32. **Date** : 28-30 June
Venue : Negeri Sembilan
Compliance and Enforcement Visit by the Contribution Department

JULY

33. **Date** : 2 July
Venue : Board Room, KWAP
KWAP Board Meeting
34. **Date** : 5 July
Venue : Audit Negara
Briefing to Audit Negara on Performance Auditing 2010
35. **Date** : 13 July
Venue : Lembaga Perindustrian Nanas Malaysia
Briefing and Training for Employer by the Contribution Department



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36. **Date** : 15 July
Venue : Nikko Hotel, Kuala Lumpur
2009 Financial Result Announcement and Launch of KWAP Web Portal by YB Dato' Seri Ahmad Husni Bin Mohamad Hanadzlah, Minister of Finance

37. **Date** : 15 July
Venue : Kapar Energy Ventures, Kapar
Site Visit by the Fixed Income Department

38. **Date** : 16 July
Venue : Tenaga Nasional Berhad, Kuala Lumpur
Site Visit by the Fixed Income Department

39. **Date** : 17 July
Venue : Petrosains, Menara KLCC
CSR Program : Kids' Day Out

40. **Date** : 20 July
Venue : Board Room, KWAP
KWAP AC Meeting

41. **Date** : 26 July
Venue : Board Room, KWAP
KWAP RMC Meeting

42. **Date** : 29 July
Venue : Multi Purpose Hall, KWAP
Leadership Series Talk by YBhg Tan Sri Dato' Dr. Ahmad Tajuddin Bin Ali, Chairman of UEM Group Berhad titled 'Thoughts on Leadership : Nurturing the Potential in You'

43. **Date** : 30 July
Venue : Menara Yayasan Tun Razak, KWAP
CSR Program : Jumble Sale

AUGUST

44. **Date** : 3 August
Venue : Kuala Lumpur
CSR Program : The Edge-Bursa Malaysia Rat Race 2010

45. **Date** : 6 August
Venue : Jakarta, Indonesia
KWAP Board Study Visit to Jamsostek (Persero), Indonesia

KWAP Special Board Meeting, Le-Grandeur Hotel, Jakarta

46. **Date** : 25 August
Venue : Board Room, KWAP
KWAP Investment Panel Meeting

SEPTEMBER

47. **Date** : 2 September
Venue : MMC Berhad, Kuala Lumpur
Site Visit by the Fixed Income Department



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48. **Date** : 22 September
Venue : Majlis Agama Islam Wilayah Persekutuan, Kuala Lumpur

Briefing and Training for Employer by the Contribution Department

49. **Date** : 27 September
Venue : Board Room, KWAP

KWAP Investment Panel Meeting

OCTOBER

50. **Date** : 1 October
Venue : Saloma Bistro & Restaurant, Kuala Lumpur

KWAP Eidul Fitri Celebration

51. **Date** : 5 October
Venue : Board Room, KWAP

KWAP Board Meeting

52. **Date** : 7 October
Venue : Kuantan, Pahang

Meeting with Pahang State Secretary Office by the Contribution Department

53. **Date** : 9 October
Venue : Sekolah Kebangsaan Bukit Tampoi (A), Dengkil

CSR Program : English Workshop – Fun Kids with KWAP

54. **Date** : 13 October
Venue : Ipoh, Perak

Meeting with Perak State Secretary Office by the Contribution Department

55. **Date** : 19 October
Venue : Jimah Energy Ventures, Kuala Lumpur

Site Visit by the Fixed Income Department

56. **Date** : 20 October
Venue : Lembaga Hasil Dalam Negeri, Kuala Lumpur

Site Visit by the Fixed Income Department

57. **Date** : 21-23 October
Venue : Kompakar CSC Sdn. Bhd., Petaling Jaya

DR Exercise

58. **Date** : 23 October
Venue : Jambatan Kedua Sdn Bhd, Kuala Lumpur

Site Visit by the Fixed Income Department

59. **Date** : 26 October
Venue : Board Room, KWAP

KWAP Special Board and Investment Panel Meeting

60. **Date** : 28 October
Venue : Multi Purpose Hall, KWAP

CSR Program : Financial Planning for Retirement Seminar



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61. **Date** : 28 – 29 October
Venue : Kowloon Shangri-La Hotel, Hong Kong

Participation in Pacific Pension Institute - 2010 Asia Pension Fund Roundtable, Hong Kong

NOVEMBER

62. **Date** : 3 November
Venue : Hotel Istana, Kuala Lumpur

Leadership Series Talk by YABhg. Datin Paduka Seri Rosmah Mansor, wife of the Honourable Prime Minister of Malaysia titled 'Women and Leadership'

63. **Date** : 7 November
Venue : Sabah Development Bank, Kota Kinabalu

Site Visit by the Fixed Income Department

64. **Date** : 10 November
Venue : Kencana Petroleum Berhad, Kuala Lumpur

Management Visit by the Senior Management Team

65. **Date** : 13 November
Venue : Sekolah Kebangsaan Salak, Sepang

CSR Program : English Workshop – Fun Kids with KWAP



65



69

66. **Date** : 25 November
Venue : Melaka

Meeting with the Melaka State Secretary Office by the Contribution Department

67. **Date** : 29 November
Venue : Perbadanan Kemajuan Filem Nasional Malaysia, Kuala Lumpur

Briefing and Training for Employer by the Contribution Department

68. **Date** : 29 November
Venue : Kota Kinabalu, Sabah

Compliance and Enforcement Visit to Majlis Daerah Semporna by the Contribution Department

DECEMBER

69. **Date** : 15 December
Venue : Media Prima Berhad, Bandar Utama

Management Visit by the Senior Management Team

NO.	STAKEHOLDERS OBJECTIVES	KPI MEASUREMENT	ANNUAL TARGET
1.	To grow fund size	Growth of fund size in percentage	Increase fund size (at cost) by at least 11%
2.	To implement initiatives related to asset liability management	Number of initiatives completed	(i) Develop at least 1 identified capability to support future Asset Liability Management studies (ii) Complete Phase 2 of SAA Review

NO.	FINANCIAL OBJECTIVES	KPI MEASUREMENT	ANNUAL TARGET
1.	ROI to outperform benchmark	(a) ROI at fund level exceed benchmark (rolling 3 years of 10-year MGS + 100 basis points) (b) Customised benchmark (weighted average of all asset classes benchmarks)	ROI of 5.5% Meet customised benchmark
2.	To enhance capital preservation measures	% of fund size permanently diminished in value	Less than 1% of total fund size (at cost)
3.	To accelerate portfolio diversification	RM million	Achieve target utilisation amount for property, private equity, international equity and international fixed income

NO.	OPERATIONAL OBJECTIVES	KPI MEASUREMENT	ANNUAL TARGET
1.	To implement new investment initiatives	(a) Number of proposals closed (b) Meet initiative's milestone	2 closed proposals (either through investment in new instruments or provision of funding solution to potential counterparties) 100% implementation of identified critical operational requirements to facilitate foreign investment
2.	To improve investment management practices	% of investment proposals approved by the Investment Panel	90% approval rate
3.	To strengthen risk management practices		
	(a) Effectiveness of BCP	% of target results	Meet 90% of target results
	(b) Effectiveness of ORE reporting	% of ORE addressed	100% reported ORE addressed
	(c) Implement risk related initiatives	Meet initiative's milestone	(i) Implement market risk management system (ii) Implement internal credit rating scoring model

NO.	OPERATIONAL OBJECTIVES	KPI MEASUREMENT	ANNUAL TARGET
4.	To enhance operational efficiencies & corporate governance practices		
	(a) Compliance	(i) % of compliance rate to legislations /regulations (ii) % of operational non compliance issues addressed within stipulated timeline (iii) % of audit observations (iv) Opinion by statutory auditor	(i) 100% compliance to legislations / regulations (ii) 100% operational non compliance issues addressed within stipulated timeline (iii) 100% audit observations closed over stipulated timeline (iv) Unqualified Audit Certificate for the Financial Statements
	(b) Contribution management	(i) Meet initiative's milestones (ii) Timely collection of contributions	(i) Implement Contribution Management System and Contribution Guidelines (ii) 90% compliance within the prescribed period of 30 days
	(c) Annual Report	Timeline	(i) To obtain Audit Certificate for the Financial Statements by April 2012 (ii) Annual Report tabled to the Parliament during Second Sitting (June 2012)

NO.	LEARNING & GROWTH OBJECTIVES	KPI MEASUREMENT	ANNUAL TARGET
1.	To implement performance and talent management practices		
	(a) Performance management and recruitment processes	(i) Talent turnover rate (ii) Achievement of performance target (iii) No. of Employee Development Plan implemented	(i) Does not exceed 10% talent pool (ii) 70% of staff rated above 3.5 (based on rating scale between 1 to 5) (iii) 2 plans to be implemented which are TEx Program and Job Rotation Program
	(b) Continuous learning organisation	Average training days per employee	7 training days per employee
2.	CSR programs	(a) No. of completed initiatives	3 CSR programs

Section IV

OUR LEADERSHIP

• Board • Investment Panel • Audit Committee and Risk Management Committee • Senior Management • Key Personnel • Organisation Chart

BOARD

**TAN SRI DR. WAN ABDUL AZIZ
BIN WAN ABDULLAH**

Secretary General of Treasury, MOF

Chairman

Tan Sri Dr. Wan Abdul Aziz Bin Wan Abdullah was re-appointed as Chairman to the Board and the Investment Panel on 1 March 2010.

He is the Secretary General of Treasury, MOF and also a Board Member of Federal Land Development Authority, Malaysian International Shipping Corporation Berhad, Inland Revenue Board, Malaysian Airline System Berhad, Petroliam Nasional Berhad, Multimedia Development Corporation Sdn. Bhd., Syarikat Bekalan Air Selangor Sdn. Bhd., Pembinaan BLT Sdn. Bhd., Cyberview Sdn. Bhd., BNM, Pelaburan Hartanah Bumiputera Berhad and Malaysia Deposit Insurance Corporation. He represents the MOF as a member in PEMUDAH (Special Taskforce to Facilitate Business), Iskandar Malaysia, Regional Corridor Development Authority Sarawak, East Coast Economic Region and Economic Council Meeting.

He obtained a Bachelor's Degree with Honours in Applied Economics from University of Malaya, a Masters in Philosophy (Development Studies) from University of Sussex, UK and Ph.D (Business Economics) from University of Leeds, UK. He completed the Advanced Management Program at Harvard Business School, Harvard University, USA.





BOARD

2. **DATUK IDRUS BIN HARUN** Federal Government Representative

Datuk Idrus Bin Harun was re-appointed as a member of the Board on 1 March 2010. He is the Solicitor General of Malaysia. He currently serves as a member of the Companies Commission of Malaysia, the Malaysia-Thailand Joint Authority, Perbadanan Tabung Pendidikan Tinggi Nasional and as a Director of Amanah Raya Capital. He obtained his Bachelor of Laws (LL.B) with Honours from University of Malaya.

3. **DATO' YEOW CHIN KIONG** Federal Government Representative

Dato' Yeow Chin Kiong was appointed as a member of the Board on 1 September 2010. He is Director, Post Service Division, PSD. He held various positions since joining the PSD in 1979 as the Administrative and Diplomatic Officer. He obtained his Bachelor of Arts in History from Universiti of Malaya in 1978.

4. **DATO' MUHAMMAD BIN IBRAHIM** BNM Representative

Dato' Muhammad Bin Ibrahim was re-appointed as a member of the Board on 1 March 2010. He is currently Deputy Governor, BNM. He is also a council member of the Malaysian Bankers Institute, an Associate Fellow at Institute of Bankers Malaysia and a member of BNM's Monetary Policy Committee. He is a trustee of Tun Ismail Ali Chair Council and an independent director

of Petroliaam Nasional Berhad. He obtained his Bachelor's Degree in Accounting from University of Malaya, Post Graduate Diploma in Islamic Banking and Finance from the International Islamic University Malaysia and a Masters from Harvard University, USA. He completed the Advanced Management Program at Harvard Business School, Harvard University, USA.

5. **DATO' SIOW KIM LUN** Private Sector Representative

Dato' Siow Kim Lun was re-appointed as a member of the Board on 1 March 2010. He is currently a member of the Board of Citibank Berhad, UMW Holdings, WZ Steel Berhad, Mainstreet Advisers Sdn. Bhd. and XingQuan International Sports Holdings. He is also a member of the Land Public Transport Commission. He obtained his Bachelor's Degree (Hons) in Economics from University Kebangsaan Malaysia, Masters in Business Administration from the Catholic University of Leuven, Belgium and completed the Advanced Management Program at Harvard Business School, Harvard University, USA.

6. **DATO' AHMAD JOHAN BIN MOHAMMAD RASLAN** Private Sector Representative

Dato' Ahmad Johan Bin Mohammad Raslan was appointed as a member of the Board on 1 March 2010. He is currently the Executive Chairman of PricewaterhouseCoopers Malaysia. He is the Board Member of Perbadanan Putrajaya and Kuala Lumpur Business Club. He is a Member of International Advisory Panel - Labuan Offshore Financial Services Authority and Board

Trustee of Tun Suffian Foundation and Yayasan Sultan Azlan Shah. He is the Vice President of Malaysian Institute of Certified Public Accountants and Council Member of Malaysian Institute of Accountants. He is a Fellow of Institute of Chartered Accountants in England & Wales. He holds a B.Sc in Economics and Accounting from the University of Hull, UK.

7. **ENCIK CHEAH TEIK SENG** Private Sector Representative

Encik Cheah Teik Seng was appointed as a member of the Board on 1 March 2010. He is the Managing Director of Aktis Capital Advisory Limited Hong Kong and an Independent Non Executive Director of Malayan Banking Berhad. He is a fellow of Institute of Chartered Accountants in England & Wales. He obtained his B.Sc (Hons) University of Manchester, UK.

8. **TUAN HAJI OMAR BIN OSMAN** Contributor Representative

Tuan Haji Omar Bin Haji Osman was re-appointed as a member of the Board on 1 March 2010. He is currently the President of CUEPACS, Honorary Advisor of Kesatuan Kakitangan Am Universiti Putra Malaysia and the Chairman of Gabungan Presiden / Setiausaha Kehormat Kesatuan-Kesatuan Universiti. He is also Deputy Chairman of National Council for Science & Technology and a representative of CUEPACS in the National Labor Advisory Council, Ministry of Human Resources and a Member of National Council for Occupational Safety and Health, Ministry of Human Resources.

9. DATO' AZIAN MOHD NOH**Chief Executive Officer
Ex-Officio**

Dato' Azian Mohd Noh was re-appointed as the ex-officio member of the Board on 1 March 2010. She is also the Chairman of the Board for i-VCAP Management Sdn. Bhd. She holds directorships in Valuecap Sdn. Bhd., Malakoff Corporation Berhad. and TIME dotCom Berhad. She obtained her Bachelor's Degree in Economics (Hons) majoring in Accounting from University of Malaya and a Masters in Business Administration from Universiti Kebangsaan Malaysia. She is a member of the Malaysian Institute of Accountants. She completed the Advanced Management Program at Harvard Business School, Harvard University, USA.

10. TAN SRI ISMAIL BIN ADAM**Federal Government
Representative***(Retired on 30 June 2010)*

Tan Sri Ismail Bin Adam was re-appointed as a member of the Board on 1 March 2010. His last position in the Government was the Director General of Public Service Department. He graduated with B.A. (Honours) in Economics from University of Malaya and obtained his Masters in Economics from Vanderbilt University, USA. He completed the Advanced Management Program at Harvard Business School, Harvard University, USA.

11. DATO' MOHD SALLEH BIN MAHMUD**Federal Government
Representative***(Retired on 29 November 2010)*

Dato' Mohd. Salleh Bin Mahmud was re-appointed as a member of the Board on 1 March 2010. His last position in the Government was the Accountant-General of Malaysia. He graduated from University of Malaya with Honours in Accounting and Masters in Business Administration from Universiti Kebangsaan Malaysia.

12. DATUK LATIFAH BINTI DATUK ABU MANSOR**MOF Representative***(Retired on 30 December 2010)*

Datuk Latifah Binti Datuk Abu Mansor was re-appointed as a member of the Board on 1 March 2010. Her last position in the Government was the Deputy Secretary General of Treasury (Policy), MOF. She obtained her Bachelor's Degree in Economics with Honours from University of Malaya and Masters in Business Administration from Universiti Kebangsaan Malaysia.

13. DATO' V. DANAPALAN**Private Sector Representative***(Tenure ended 28 February 2010)*

Dato' V. Danapalan was appointed as a member of the Board on 1 March 2007. He is also a member of the Board of Telekom Malaysia Berhad, Universiti Telekom Sdn. Bhd., SIRIM QAS International Sdn. Bhd., Affin Trust Management Sdn. Bhd, Malaysian-American Commission on Educational Exchange, Tun Sambanthan Scholarship Fund and the Malaysia University of Science & Technology Foundation. He graduated with a Bachelor's Degree with Honours from University Malaya and Masters in Public Administration from Pennsylvania State University, USA.

14. DATO' MOHD. IZZADDIN BIN IDRIS**Private Sector Representative***(Tenure ended 28 February 2010)*

Dato' Izzaddin Idris was appointed as a member of the Board on 1 March 2007. He is currently the Group Managing Director / Chief Executive Officer of UEM Group Berhad. He is a Certified Public Accountant (Australia) and a member of Malaysian Institute of Accountants. He obtained his Bachelor of Commerce Degree in Finance (First Class Honours) from the University of New South Wales, Australia.

INVESTMENT PANEL



1. TAN SRI DR. WAN ABDUL AZIZ BIN WAN ABDULLAH
Secretary General of
Treasury, MOF
Chairman



2. DATUK NOZIRAH BINTI BAHARI
MOF Representative



3. DATO' SRI ABDUL WAHID BIN OMAR
Private Sector
Representative



4. DATO' MOHAMMED AZLAN BIN HASHIM
Private Sector
Representative

Tan Sri Dr. Wan Abdul Aziz Bin Wan Abdullah was re-appointed as Chairman to the Board and Investment Panel on 1 March 2010.

Datuk Nozirah Binti Bahari was re-appointed as a member of KWAP's Investment Panel on 1 March 2010. She is the Under Secretary of Loan Management, Financial Market and Actuary Division of the Ministry of Finance. She holds a Bachelor of Social Science in Urban Studies from Universiti Sains Malaysia and has attended several senior management courses such as Global Leadership Development Programme organised by International Centre for Leadership in Finance (ICLIF) and the Advanced Management Programme in Harvard Business School, Harvard University, USA.

Dato' Sri Abdul Wahid Bin Omar was re-appointed as a member of KWAP's Investment Panel on 1 March 2010. He is currently the President and Chief Executive Officer of Maybank Group. He is also a member of the Board of Bursa Malaysia Berhad and Perbadanan Usahawan Nasional Berhad. He currently serves as a member of Financial Reporting Foundation Malaysia and an Investment Panel member of Lembaga Tabung Haji. He is a Fellow of the Association of Chartered Accountants, UK and a member of the Malaysian Institute of Accountants.

Dato' Mohammed Azlan Bin Hashim was appointed as a member of the Investment Panel on 1 March 2010. Dato' Mohammed Azlan is also the Chairman of D&O Green Technologies Berhad, Pantai Holdings Berhad, SILK Holdings Berhad and a director of Scomi Group Bhd. He also sits on the Boards of various government and non-government related organisations including Labuan Financial Services Authority. He also serves as an Investment Panel member of EPF.

Dato' Mohammed Azlan holds a Bachelor of Economics from Monash University, Australia and qualified as a Chartered Accountant (Australia). He is a Fellow Member of the Institute of Chartered Accountants, Australia, Malaysian Institute of Accountants, Fellow Member of Malaysian Institute of Directors, Fellow Member of Malaysian Institute of Chartered Secretaries and Administrators and Honorary Member of the Institute of Internal Auditors Malaysia.



5. ENCIK CHEAH TEK KUANG
Private Sector
Representative

Encik Cheah Tek Kuang was re-appointed as a member of KWAP's Investment Panel on 1 March 2010. He is currently the Group Managing Director of AMMB Holdings Berhad and sits on the Boards of various banking subsidiaries and stock broking companies of AMMB Holdings Berhad. His other directorships include Bursa Malaysia Berhad and Cagamas Berhad. He also serves as the Alternate Chairman of the Malaysian Investment Banking Association and a Council Member of the Association of Banks in Malaysia. He holds a Bachelor's Degree in Economics from University of Malaya.



6. CIK CHE ZAKIAH BINTI CHE DIN
BNM Representative

Cik Che Zakiah Binti Che Din was re-appointed as a member of KWAP's Investment Panel on 1 March 2010. She is currently the Director of Financial Conglomerates Supervision Department, BNM. Prior to this, she was the Director of Development for Financial Institution Regulations Department. She holds a Bachelor's Degree in Economics (Hons) from University of Malaya.



7. DATO' AZIAN MOHD NOH
Chief Executive Officer
Secretary Investment
Panel

Dato' Azian Mohd Noh was reappointed as Secretary to KWAP's Investment Panel on 1 March 2010.

8. TENGKU DATO' AZMIL ZAHRUDDIN BIN RAJA DATO' SERI ABDUL AZIZ
Private Sector
Representative
*(Tenure ended
28 February 2010)*

Tengku Dato' Azmil Zahrudin Bin Raja Dato' Seri Abdul Aziz was appointed as KWAP's Investment Panel on 21 March 2007. He is the Managing Director and Chief Executive Officer of Malaysian Airline System Berhad. He is a Chartered Accountant and an associate member of the Malaysian Institute of Accountants, the Institute of Chartered Accountants (England and Wales), an associate of the Association of Corporate Treasurers (United Kingdom) and a member of Issues Committee in Malaysian Accounting Standards Board. He obtained his Bachelor's Degree in Economics (First Class Honours) from the University of Cambridge, UK.

AUDIT COMMITTEE AND RISK MANAGEMENT COMMITTEE

AUDIT COMMITTEE

- 1. ENCIK CHEAH TEIK SENG**
Chairman
- 2. DATO' AHMAD JOHAN BIN
MOHAMMAD RASLAN**
Member
- 3. DATUK IDRUS BIN HARUN**
Member
- 4. DATO' SIOW KIM LUN**
Member
- 5. DATO' MOHD. SALLEH BIN MAHMUD**
Member *(Retired on 29 November 2010)*



* from left to right

RISK MANAGEMENT COMMITTEE

- 1. DATO' MUHAMMAD BIN IBRAHIM**
Chairman
- 2. ENCIK CHEAH TEIK SENG**
Member
- 3. DATO' SIOW KIM LUN**
Member
- 4. DATO' MOHAMMED AZLAN BIN HASHIM**
Member
- 5. DATO' AZIAN BINTI MOHD NOH**
Member



* from left to right

SENIOR
MANAGEMENT**DATO' AZIAN MOHD NOH**

Chief Executive Officer

Dato' Azian Mohd Noh was appointed as the Chief Executive Officer on 1 March 2007. She is also the Chairman of the Board for i-VCAP Management Sdn. Bhd. She holds directorships in Valuecap Sdn. Bhd., Malakoff Corporation Berhad and TIME dotCom Berhad. She obtained her Bachelor's Degree in Economics (Hons) majoring in Accounting from University of Malaya and Masters in Business Administration from Universiti Kebangsaan Malaysia. She is a member of the Malaysian Institute of Accountants. She completed the Advanced Management Program at Harvard Business School, Harvard University, USA.

SENIOR
MANAGEMENT**MOHD ZAKI HAMDAN**

Chief Operating Officer

Chief Operating Officer since 2010. Responsible for the strategic direction and overall corporate alignment of all business support departments. He has over 25 years of working experience. He is a Fellow member of CPA, Australia and a Chartered Accountant, Malaysian Institute of Accountants. He obtained his Bachelor's Degree in Business (majoring in Accounting) from Western Australian Institute of Technology (currently known as Curtin University of Technology), Australia. He is a member of Malaysian Institute of Accountant (MIA).

**NIK AMLIZAN BINTI MOHAMED**

Director, Equity Department

Director of Equity Department since 2007. Responsibilities include strategising to maximise return for equity investment within given risk parameter. She has over 18 years work experience. She obtained Bachelor's Degree in Economics, Claremont McKenna College, USA.

**AHMAD NORHISHAM BIN HASSAN**

Director, Fixed Income Department

Director of Fixed Income Department since 2007. Responsibilities include developing investment strategy and objective. He has 17 years work experience. He obtained Bachelor's Degree (Hons) in Business Administration (Finance) and MBA (Finance) from Western Michigan University, USA.

**AMBALAGAM R. MARAPPAN**

Director, EFM Department

Director of EFM Department since 2007. Responsibilities include developing action plan to invest fund with external fund managers, private equity funds and in unlisted entities. He has vast experience in Federal Government. He obtained a Bachelor's Degree (Hons) in Accounting and a Masters Degree in Finance and International Studies, University of Malaya. He is a Chartered Accountant with the Malaysian Institute of Accountants.

**KHAIRUL AZWA BIN KAMALUL BAHRIN**

Director, RMCD

Director of RMCD since 2009. His responsibilities are to ensure KWAP has a sound framework to effectively manage risks while maintaining its dynamic investment approach in order to achieve its goal of providing sustainable pension benefits. He has over 17 years working experience in the private sector. He obtained an LL.B (Hons) from the University of Liverpool and an MBA from the University of Wales, Cardiff, UK. He also holds a Financial Risk Manager (FRM) certification from the Global Association of Risk Professionals (GARP).

**TAI KIM FONG**

Director, IT Department

Director of IT Department since 2010. Responsibilities include overseeing the whole spectrum of KWAP's IT functions and requirements. He has over 23 years work experience. He is a certified Business Continuity Certified Expert. He obtained a Bachelor of Science (Computer Science & Economics), Iowa State University, USA.

**MD SAFFI BIN NADZIR**

Director, Contribution Department

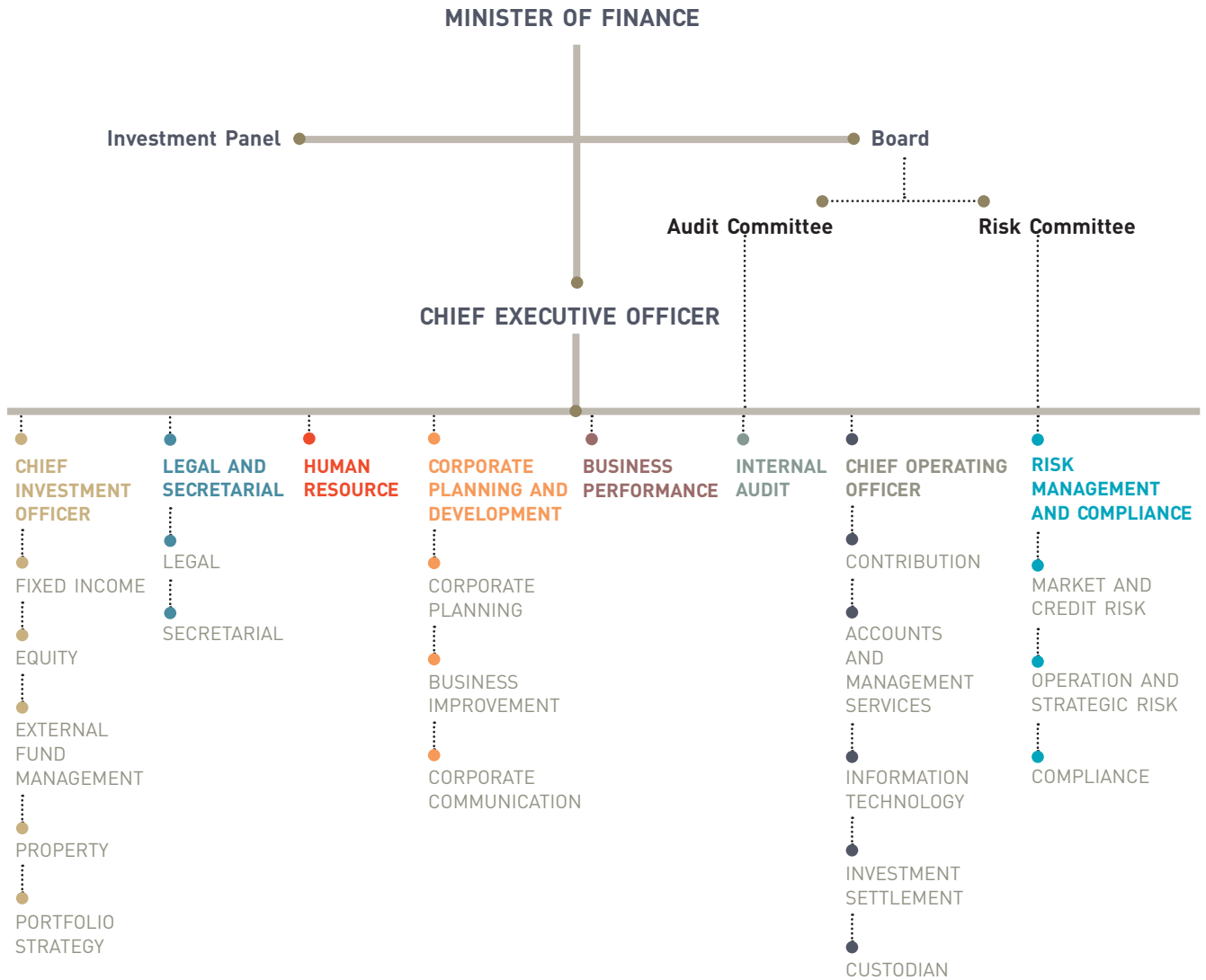
Director of Contribution Department since 2007. Responsibilities include increasing fund size through maximising collection of contributions. He has over 25 years work experience. He obtained a Bachelor's Degree in Accountancy, MARA Institute of Technology and MBA, Universiti Utara Malaysia. He is a member of Malaysian Institute of Accountant (MIA).

KEY PERSONNEL

NO.	NAME	POSITION	ACADEMIC ACHIEVEMENT
1.	Ahmad Zahir Bin Mohd Tabri	Vice President / Senior Portfolio Manager, Fixed Income Department	B.Sc in Business Administration Management Science, University of Illinois, Urbana Champaign, USA
2.	Mushida Binti Muhammad	Vice President / Senior Portfolio Manager, Equity Department	B.Sc in Business Administration (Accounting), California State University, Bakersfield, USA
3.	Norani Binti Mustapha	Vice President, Property Department	B.Sc (Hons) in Estate Management, Northumbria University at Newcastle, England
4.	Azizan Bin Abdul Rahman	Vice President / Head, Business Performance Department	B.Sc in Business Administration (Economic & Finance), University of Hartford, USA
5.	Md Hayrani Bin Mireso	Vice President / Senior Portfolio Manager, Fixed Income	MBA (Finance), International Islamic University Malaysia B.A. (Hons) Accounting, Universiti Kebangsaan Malaysia Chartered Accountant, Malaysian Institute of Accountant (MIA)
6.	Nazaiful Affendi Bin Zainal Abidin	Vice President / Economist, Portfolio Strategy	MBA (Finance), International Islamic University Malaysia BBA (Hons) in Finance/ Economics, International Islamic University Malaysia
7.	Amirah Binti Muhamad Nor	Vice President / Head, Investment Settlement Department	MBA (Accountancy), University of Malaya Advanced Diploma in Accountancy, MARA Institute of Technology Chartered Accountant, Malaysian Institute of Accountant (MIA)
8.	Kamariah Binti Ghazali	Vice President, Corporate Planning and Development Department	MSc (Accountancy), Oklahoma City University, USA B.A. (Hons) Accountancy, Universiti Kebangsaan Malaysia Member, Malaysian Institute of Accountant (MIA)
9.	Tan Mee Choo	Vice President, Account and Management Services Department	B.A. (Hons) Accountancy, University of Malaya Member, Malaysian Institute of Accountant (MIA)

NO.	NAME	POSITION	ACADEMIC ACHIEVEMENT
10.	Siti Ilmiah Binti Ramli	Vice President, Human Resources Department	LL. B (Hons.), University of London Certificate in Legal Practice (CLP)
11.	Ismail Bin Zakaria	Vice President, Corporate Planning and Development Department	B.A. Commerce (Accounting & Finance), University of New South Wales, Australia
12.	Muhamad Hafiz Bin Abas	Vice President, Risk Management and Compliance Department	MBA (Finance), International Islamic University Malaysia B.Sc Business Administration (Finance & Economic), New York University, USA
13.	Abdul Razak Bin Jabar	Vice President, Information Technology Department	B.IT (Information Systems), Charles Sturt University, Australia
14.	Najihah Binti Mohamad Norwi	Vice President, Accounts and Management Services Department	B.A. Business (Accountancy & Finance), Monash University, Australia Member, CPA Australia Member, Malaysian Institute of Accountant (MIA)

ORGANISATION CHART



Section V

FINANCIAL STATEMENTS

- Certificate of the Auditor General on the Financial Statements of Kumpulan Wang Persaraan (Diperbadankan)
- Statement by the Chairman and a Member of the Board of Kumpulan Wang Persaraan (Diperbadankan) • Statutory Declaration by the Officer Primarily Responsible for the Financial Management of Kumpulan Wang Persaraan (Diperbadankan) 2010 • Balance Sheet • Income Statement • Statement of Changes in Reserves • Cash Flow Statement • Notes to the Financial Statements



**CERTIFICATE OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF THE
KUMPULAN WANG PERSARAAN (DIPERBADANKAN)
FOR THE YEAR ENDED 31 DECEMBER 2010**

I have audited the financial statements of the Kumpulan Wang Persaraan (Diperbadankan) and the Group for the year ended 31 December 2010. These financial statements are the responsibility of the management. My responsibility is to audit and to express an opinion on these financial statements.

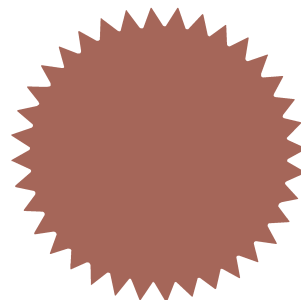
The audit has been carried out in accordance with the Audit Act 1957 and in conformity with approved standards on auditing. Those standards require an audit be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement or omission. The audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessment of the accounting principles used, significant estimates made by the management as well evaluating the overall presentation of the financial statement statements. I believe that the audit provides a reasonable basis for my opinion.

I have considered the financial statements of a subsidiary company of which I have not audited as indicated in the notes to the financial statements. I am satisfied that the financial statements of the subsidiary Company that have been consolidated with the Kumpulan Wang Persaraan (Diperbadankan) financial statements are in appropriate form and content and proper for the purposes of the preparation of the consolidated financial statements. I have received satisfactory purposes of the preparation of the consolidated financial statements. I have received satisfactory information and explanation as required by me for those purposes.

In my opinion, the financial statements give a true and fair view of the financial position of the Kumpulan Wang Persaraan (Diperbadankan) and the Group as at 31 December 2010 and of the results of its operations and its cash flows for the year ended in accordance with the approved accounting standards.

(TAN SRI DATO' HAJI AMBRIN BIN BUANG)
AUDITOR GENERAL
MALAYSIA

PUTRAJAYA
6 APRIL 2011



STATEMENT BY THE CHAIRMAN AND A MEMBER OF THE BOARD OF KUMPULAN WANG PERSARAAN (DIPERBADANKAN)

We, **Tan Sri Dr. Wan Abdul Aziz Bin Wan Abdullah** and **Cheah Teik Seng** being the Chairman and a member of the Board of Kumpulan Wang Persaraan (Diperbadankan) respectively, do hereby state that, in the opinion of the Board of Kumpulan Wang Persaraan (Diperbadankan), the Financial Statements, consisting of the Balance Sheet, Income Statement, Statement of Changes in Reserves and Cash Flow Statement together with the Notes to Financial Statements therein, are prepared in accordance with the Retirement Fund Act 2007 (Act 662) and applicable Private Entity Reporting Standards (PERS), which are the Malaysian Accounting Standards Board Approved Accounting Standard in Malaysia for Private Entities, so as to give a true and fair view of the state of affairs of Kumpulan Wang Persaraan (Diperbadankan) as at 31 December 2010 and of its operating results and the cash flow of Kumpulan Wang Persaraan (Diperbadankan) for the year ended on that date.

Signed on behalf of the Board,



.....
Name : **Tan Sri Dr. Wan Abdul Aziz Bin Wan Abdullah**
Title : Chairman of the Board
Date : 28 March 2011
Venue : Putrajaya

Signed on behalf of the Board,



.....
Name : **Cheah Teik Seng**
Title : Member of the Board
Date : 28 March 2011
Venue : Kuala Lumpur

STATUTORY DECLARATION

BY THE OFFICER PRIMARILY RESPONSIBLE FOR
THE FINANCIAL MANAGEMENT OF
KUMPULAN WANG PERSARAAN (DIPERBADANKAN) 2010

I, **Dato' Azian Binti Mohd Noh**, being the officer primarily responsible for the financial management of Kumpulan Wang Persaraan (Diperbadankan), do solemnly and sincerely declare that the Financial Statements set out on pages 110 to 135 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the above named
At Kuala Lumpur, Wilayah Persekutuan
On 28 March 2011

)
)
)
)



Before me,



Level 16, Menara TM Asia Life,
189, Jalan Tun Razak,
50400 Kuala Lumpur.

.....
COMMISSIONER FOR OATHS

BALANCE SHEET

AS AT 31 DECEMBER 2010

	Note	GROUP		KWAP	
		2010 (RM '000)	2009 (RM '000)	2010 (RM '000)	2009 (RM '000)
Assets					
Property And Equipment	3	388,422	8,949	8,515	8,949
Investments	4	50,431,863	48,762,862	50,431,863	48,762,862
Investment In Managed Investment Trust	5	–	–	383,045	–
Investment In Associate	6	2,296,702	1,689,534	16,670	16,670
		53,116,987	50,461,345	50,840,093	48,788,481
Current Assets					
Trade Debtors	7	1,338,205	642,139	1,338,175	642,139
Other Debtors	8	72,185	61,234	72,181	61,234
Deposit And Prepayments	9	9,842	8,894	8,712	8,894
Cash And Cash Equivalents	10	18,339,549	12,023,540	18,313,561	12,023,540
		19,759,781	12,735,807	19,732,629	12,735,807
Current Liabilities					
Trade Creditors	11	46,833	25,204	45,763	25,204
Other Creditors	12	355	–	365	–
Accrued Expenditures	13	33,531	2,517	10,335	2,517
Finance Creditors	14	–	133	–	133
		80,719	27,854	56,463	27,854
Net Current Assets		19,679,062	12,707,953	19,676,166	12,707,953
		72,796,049	63,169,298	70,516,259	61,496,434
Financed by					
Allocation Of Statutory Fund	15	18,101,944	17,101,944	18,101,944	17,101,944
Pension Contribution	16	29,919,843	26,740,653	29,919,843	26,740,653
Deferred Income	17	1,945	2,797	1,945	2,797
Reserves		24,772,317	19,322,904	22,492,057	17,651,040
		72,796,049	63,169,298	70,516,259	61,496,434

The notes on pages 116 to 135 form an integral part of these financial statements.

INCOME STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2010

	Note	GROUP		KWAP	
		2010 (RM '000)	2009 (RM '000)	2010 (RM '000)	2009 (RM '000)
Gross Investment Income	18	4,568,911	3,225,085	4,567,117	3,225,085
Write Back Of Allowance For Diminution / (Allowance For Diminution)		269,583	2,478,691	269,583	2,478,691
Income From Associate	6	433,421	134,277	50,009	16,670
Net Investment Income		5,271,915	5,838,053	4,886,709	5,720,446
Non-Investment Income		900	4,231	869	4,231
		5,272,815	5,842,284	4,887,578	5,724,677
Operating Expenditures	19	(42,139)	(25,634)	(40,073)	(25,634)
Net Profit		5,230,676	5,816,650	4,847,505	5,699,043

The notes on pages 116 to 135 form an integral part of these financial statements.

STATEMENT OF
CHANGES IN RESERVES
FOR THE PERIOD ENDED 31 DECEMBER 2010

GROUP

	Accumulated Surplus (RM '000)	Foreign Currency Exchange Reserve (RM '000)	Revaluation Reserve (RM '000)	Total (RM '000)
Balance As At 1 January 2009	12,901,072	–	(293,590)	12,607,482
Prior Year Adjustment	–	–	–	–
Restated Accumulated Surplus Brought Forward	12,901,072	–	(293,590)	12,607,482
Net Income For Current Year	5,816,650	–	–	5,816,650
Revaluation Charge For The Year	–	–	899,772	899,772
Unrealised Gain / (Loss) On Foreign Currency Exchange	–	–	–	–
Balance As At 31 December 2009	18,717,722	–	606,182	19,323,904
Balance As At 1 January 2010	18,717,722	–	606,182	19,323,904
Prior Year Adjustment	–	–	–	–
Restated Accumulated Surplus Brought Forward	18,717,722	–	606,182	19,323,904
Net Income For Current Year	5,230,676	–	–	5,230,676
Revaluation Charge For The Year	–	–	223,757	223,757
Unrealised Gain / (Loss) On Foreign Currency Exchange	–	(6,020)	–	(6,020)
Balance As At 31 December 2010	23,948,398	(6,020)	829,939	24,772,317

The notes on pages 116 to 135 form an integral part of these financial statements.

STATEMENT OF CHANGES IN RESERVES
FOR THE PERIOD ENDED 31 DECEMBER 2010

	KWAP			
	Accumulated Surplus (RM '000)	Foreign Currency Exchange Reserve (RM '000)	Revaluation Reserve (RM '000)	Total (RM '000)
Balance As At 1 January 2009	11,951,997	–	–	11,951,997
Prior Year Adjustment	–	–	–	–
Restated Accumulated Surplus Brought Forward	11,951,997	–	–	11,951,997
Net Income For Current Year	5,699,043	–	–	5,699,043
Revaluation Charge For The Year	–	–	–	–
Unrealised Gain / (Loss) On Foreign Currency Exchange	–	–	–	–
Balance As At 31 December 2009	17,651,040	–	–	17,651,040
Balance As At 1 January 2010	17,651,040	–	–	17,651,040
Prior Year Adjustment	–	–	–	–
Restated Accumulated Surplus Brought Forward	17,651,040	–	–	17,651,040
Net Income For Current Year	4,847,505	–	–	4,847,505
Revaluation Charge For The Year	–	–	–	–
Unrealised Gain / (Loss) On Foreign Currency Exchange	–	(6,018)	–	(6,018)
Balance As At 31 December 2010	22,498,545	(6,018)	–	22,492,527

The notes on pages 116 to 135 form an integral part of these financial statements.

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2010

Note	GROUP		KWAP	
	2010 (RM '000)	2009 (RM '000)	2010 (RM '000)	2009 (RM '000)
Cashflow From Operating Activities				
Cash Receipts From Customers And Employees	58	1,055	24	1,055
Cash Payment To Suppliers And Employees	(27,933)	(22,369)	(25,778)	(22,369)
Net Cash Used For Operating Activities	(27,875)	(21,314)	(25,754)	(21,314)
Cash Flow From Investment Activities				
<u>Receipts</u>				
Gains From Stock Market	15,564,841	10,414,544	15,564,841	10,414,544
Stock Market Dividends	715,908	492,580	715,908	492,580
Tax Claim On Dividends	53,411	261,543	53,411	261,543
Income From Equity Fund Managers	167,859	133,390	167,859	133,390
Income From Bond Fund Managers	27,483	24,815	27,483	24,815
Repayment Of Loans	439,866	568,769	439,866	568,769
Sale Of Malaysian Government Securities	18,285,691	8,150,834	18,285,691	8,150,834
Interest From Loans	344,337	358,709	344,337	358,709
Gain On Disposal Of Private Debt Securities	887,126	2,227,941	887,126	2,227,941
Interest From Private Debt Securities	507,122	422,097	507,122	422,097
Interest From Fixed Deposit	238,543	205,431	238,543	205,431
Interest From Short Term Money Market	128,874	156,329	128,874	156,329
Interest From Malaysian Government Securities	791,336	545,140	791,336	545,140
Interest From Money Market Current Account	107	111	107	111
Interest From Bank's Current Account	20	121	20	121
Return Of Capital From Private Equity Fund	18,681	–	18,681	–
Income From Private Equity Fund	1,565	5,466	1,565	5,466
Property Rental	2,100	–	–	–

CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2010

Note	GROUP		KWAP	
	2010 (RM '000)	2009 (RM '000)	2010 (RM '000)	2009 (RM '000)
Payments				
Quoted Shares	(14,890,643)	(12,051,979)	(14,890,643)	(12,051,979)
Fund Managers	(360,000)	(250,000)	(360,000)	(250,000)
Fund Managers Fee	(6,427)	(4,565)	(6,427)	(4,565)
Custodian Fee	(207)	(149)	(207)	(149)
Loans	(1,021,907)	(324,850)	(1,021,907)	(324,850)
Malaysian Government Securities	(17,809,941)	(12,750,429)	(17,809,941)	(12,750,429)
Bonds	(1,375,133)	(4,565,418)	(1,375,133)	(4,565,418)
Malaysian Government Securities Advances	(132,292)	(59,095)	(132,292)	(59,095)
Private Equity Fund	(62,974)	(8,153)	(62,974)	(8,153)
Investment in Subsidiary	–	–	(375,355)	–
Purchase Of Fixed Asset	(357,714)	(3,236)	(1,307)	(3,236)
Property Related Expenses	(630)	–	–	–
Net Cash From / (Used For) Investment Activities	2,157,002	(6,050,054)	2,136,584	(6,050,054)
Cash Flow From Financing Activities				
Receipt Of Federal Government Contribution	1,000,000	1,100,000	1,000,000	1,100,000
Receipt Of Pension Contribution	3,190,450	2,668,171	3,190,450	2,668,171
Repayment Of Pension Contribution	(11,259)	(10,572)	(11,259)	(10,572)
Net Cash From Financing Activities	4,179,191	3,757,599	4,179,191	3,757,599
Net Increase / (Decrease) In Cash	6,308,318	(2,313,769)	6,290,021	(2,313,769)
Effect Of Changes In Foreign Currency	7,691	–	–	–
Cash And Cash Equivalents As At 1 January	12,023,540	14,337,309	12,023,540	14,337,309
Cash And Cash Equivalents As At 31 December	18,339,549	12,023,540	18,313,561	12,023,540

10 The notes on pages 116 to 135 form an integral part of these financial statements.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

1. PRINCIPAL ACTIVITY

Kumpulan Wang Persaraan (Diperbadankan) [KWAP] was established on 1 March 2007 under the Retirement Fund Act 2007 (Act 662) with a launching grant of RM27 million from the Federal Government of Malaysia.

The principal responsibility of KWAP is to manage the Retirement Fund (the Fund) established under Section 13 of Retirement Fund Act 2007 (Act 662) towards achieving satisfactory risk adjusted returns on its investments. Sources of the Fund are primarily allocation from the Federal Government and pension contributions which consist of contribution from Statutory Bodies and Local Governments, other Agencies, contribution from Government's share, gratuities and other deduction as well as investment income. The Fund is invested in Asset Classes in accordance with Strategic Asset Allocation and Investment Policy and Guidelines upon the recommendation of KWAP's Investment Panel and approval of the Board. The Fund shall be applied towards assisting the Federal Government in financing the government's pension liability.

KWAP is a statutory body, incorporated and domiciled in Malaysia. The registered office of KWAP is located at Level 4, 5 & 6, Menara Yayasan Tun Razak, 200 Jalan Bukit Bintang, 55100 Kuala Lumpur.

The Financial Statements of KWAP were approved and authorised for issue by the Board of KWAP on 23 March 2011.

2. ACCOUNTING POLICIES**2.1 BASIS OF ACCOUNTING**

Financial statements have been prepared under the historical cost convention and in compliance with the Retirement Fund Act 2007 (Act 662). As a matter of policy, the financial statements have been prepared in compliance with the applicable Private Entities Reporting Standards (PERS) being the approved accounting standards for private entities in Malaysia.

The presentation of the financial statements is in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand Ringgit Malaysia unless otherwise stated.

2.2 ECONOMIC ENTITIES IN THE GROUP**2.2.1 Investment In Subsidiary Companies**

Subsidiaries companies are enterprises in which KWAP has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than 50 percent of the voting rights. Investment in Managed Investment Trust is categorized as investment in a subsidiary company according to this definition.

Investment in subsidiaries is recognised using the cost method of accounting in accordance with MASB 11. External costs directly attributable to the acquisition of the subsidiary are included as part of the cost of acquisition. Subsidiaries are fully consolidated from the date on which control is transferred to KWAP and de-consolidated from the date that control ceases.

The consolidated financial statements include the financial statements of KWAP and its subsidiaries. All material transactions and balances between group companies are eliminated and the consolidated financial statements reflect only the external transactions of KWAP.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

2. ACCOUNTING POLICIES (continued)

2.2 ECONOMIC ENTITIES IN THE GROUP (continued)

2.2.2 Investment In Associated Companies

Associated companies are enterprises in which KWAP has significant influence but not control, generally where KWAP has a long term equity interest and voting rights of between 20 percent to 50 percent. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not the power to exercise control over the policies.

Investment in associate companies is recognised using the equity method of accounting in accordance with MASB 12.

2.3 PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment are recognised at cost less accumulated depreciation and accumulated impairment of losses, if any. The policy for the recognition and measurement of impairment losses is provided in the event the carrying value exceeds the recoverable value of the asset in accordance with Note 2.4. Work in progress and paintings are not depreciated. Depreciation is provided on a straight line basis calculated to write off the cost of the assets to its residual value over the term of the estimated useful lives of the assets.

Depreciation rates for property and equipment are as follows:

(i) Office Renovation	16.67% per annum
(ii) Furniture	15.00% per annum
(iii) Office Equipment	15.00% per annum
(iv) Computers	20.00% per annum
(v) Computer Software	20.00% per annum
(vi) Vehicles	20.00% per annum

Net residual value, useful lives and depreciation method of assets are reviewed at each financial year end to ensure consistency of the amount, method and period of depreciation with previous estimates.

An asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, with the net carrying amount of the asset is recognised in the Income Statement.

2. ACCOUNTING POLICIES (continued)**2.4 IMPAIRMENT OF ASSETS**

Assets with indefinite useful life are not subjected to amortization but reviewed at each financial year end to determine whether there is any indication of impairment. Assets subjected to amortization will be revised for impairment when events or changes in circumstances indicate that the carrying value is unlikely to be recoverable. Upon any indication of impairment, the recoverable amount of the asset is estimated to determine the amount of impairment loss.

Loss from impairment is recognised when the carrying value of the asset exceeds the recoverable value and is charged to the Income Statement. Recoverable value is the higher of fair value of the assets less sales costs or value in use. Any increment in the recoverable value amount is recognised in the Income Statement. Reversible loss from impairment over asset revaluation is recognised under the Revaluation Surplus of the Balance Sheet.

For impairment evaluation purpose, assets are grouped at the lowest level where cash flow is separately identifiable.

2.5 INVESTMENTS

Investments comprise primarily of Quoted Shares, Malaysian Government Securities (MGS), Private Debt Securities, Private Equity Funds and Properties.

2.5.1 Quoted Shares

Details of accounting and recognition of quoted shares are as follows:

(i) Disclosure Of The Value Of Investments In Quoted Shares In Financial Statements

Investment in quoted shares is disclosed in financial statements at the lower of cost and market value at each financial year end. Cost value is determined based on net purchase value of shares. Market value is based on the closing price of shares as at Balance Sheet date.

(ii) Determination Of Allowance For Diminution In Value

Allowance for diminution in value of investment in quoted shares is determined and provided for at 100% of lower of cost and market value on a portfolio basis at financial year end in accordance with IAS 25. Book value of quoted shares is written down through allowance for diminution in value. In the event of sale or increase in market price (higher than the initial cost price) of the quoted shares in the subsequent financial year, the adjustment to the allowance for diminution in value of investment will be made to the Income Statement with the adjustment amount being limited to the balance of allowance for diminution in value previously recognised.

(iii) Accounting For Sale Of Investments In Quoted Share

In the event of sale of investment in quoted shares, the difference between net disposal proceeds and the carrying amount of the investment is recognised in the Income Statement in the financial year that it is incurred.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

2. ACCOUNTING POLICIES (continued)

2.5 INVESTMENTS (continued)

2.5.2 Malaysian Government Securities

Malaysian Government Securities, which are intended to be held to maturity, are recognised at book value calculated from its cost and adjusted, where necessary, for amortisation of premium and accretion of discount from the date of purchase till the date of maturity.

2.5.3 Private Debt Securities

Private Debt Securities such as Bonds and Medium Term Notes, which are intended to be held to maturity, are recognised at book value calculated from its cost and adjusted, where necessary, for amortisation of premium and accretion of discount from the date of purchase till the date of maturity.

2.5.3 Private Equity Funds

Investment in Private Equity Funds is recognised at cost less repatriation of capital, if any.

2.6 FOREIGN CURRENCY

2.6.1 Functional And Presentation Currency

The financial statements of KWAP are presented in Ringgit Malaysia (RM), which is the currency of the primary economic environment in which KWAP operates (functional currency).

2.6.2 Foreign Currency Translation

Transactions in foreign currencies other than KWAP's functional currency are translated and recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. Items denominated in foreign currency are translated at the closing exchange rate ruling on the Balance Sheet date.

Exchange differences arising from the settlement of monetary items, and the translation of monetary items at Balance Sheet date are recognised in the Income Statement. Exchange differences of non-monetary items are directly recognised in equity if the gain or loss on the non-monetary item is recognised in equity. Likewise, exchange differences of non-monetary items are directly recognised in the Income Statement if the gain or loss on the non-monetary item is recognised in the Income Statement.

2. ACCOUNTING POLICIES (continued)**2.6 FOREIGN CURRENCY (continued)****2.6.3 Group Companies**

The results and financial position of KWAP and its subsidiaries with a functional currency that differs from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of the balance sheet;
- (ii) Income and expenses for each income statements are translated at average exchange rates;
- (iii) All resulting exchange differences are recognised as a separate component in equity.

2.7 ALLOCATION OF STATUTORY FUND

KWAP receives annual allocation from the Federal Government in accordance with Section 13 of the Retirement Fund Act 2007 (Act 662).

2.8 PENSION CONTRIBUTION

Pension contributions are recognised upon receipt of contributions from Statutory Bodies, Local Authorities and other Agencies as well as Government's share, gratuities and other contributions in accordance with the Statutory and Local Authorities Pensions Act, 1980 (Act 239) and Service Circular No. 12/2008.

2.9 RECOGNITION OF INCOME AND EXPENDITURE

All income and operating expenditures are recognised on an accrual basis.

2.10 TAXATION

KWAP is exempted from income tax in accordance with Section 127[3A] of the Income Tax Act 1967.

2.11 FINANCE LEASE

Finance lease is classified as leases whereby KWAP is a lessee and assumes substantially all the risks and ownership. Assets acquired under finance lease agreements are recognised at purchase cost and depreciated on the same basis as owned assets. The outstanding amounts under the finance lease agreements are recognised in the Balance Sheet as finance lease creditors.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

2. ACCOUNTING POLICIES (continued)

2.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash on hand, deposits held at call with banks and other financial institutions and short term, highly liquid investments with maturity of within 1 year from the date of holding that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

The Cash Flow Statement is prepared using the direct method.

2.13 EMPLOYEE BENEFITS

2.13.1 Short Term Benefits

Wages, salaries, bonuses and social security contributions and other benefits such as medical coverage benefits and allowances are recognised as expenditure in the year in which the associated services are rendered by the employees of KWAP.

2.13.2 Defined Contribution Plan

As requested by law, KWAP made contributions to the Employees Provident Fund (EPF) and Social Security Organisation (SOCSO). Such contributions are recognised as an expense in the Income Statement as incurred.

2.14 OBJECTIVES AND POLICIES OF FINANCIAL RISK MANAGEMENT

KWAP is exposed to various financial risks including credit risks, liquidity risks and cash flow risks. Generally, the objectives and policies of financial risk management are aimed at achieving satisfactory risk adjusted returns for KWAP.

2.14.1 Financial Risks

Financial risk management is carried out by reviewing the risks, internal control systems and compliance to financial risk management policies. The Risk Management Committee of KWAP is continuously reviewing and monitoring the risks.

2.14.2 Credit Risks

KWAP ensures credit risks are under control by the continuously monitoring of the financial position and credit performance of counter parties and issuers.

2.14.3 Liquidity And Cash Flow Risks

KWAP manages its liquidity and cash flow risks by ensuring that cash is sufficient at all times and providing sufficient funds to meet the projected commitment for the operating expenses and financial liabilities.

2.15 GOVERNMENT GRANT

Government grant in relation to assets is recognised as income in the Income Statement on a monthly basis with the balance classified in the Balance Sheet under equity as deferred income. Income is recognised using the straight line method on the basis of the estimated useful life of the assets in accordance with MASB 31.

3. PROPERTY AND EQUIPMENT

	GROUP								
	Land & Buildings RM '000	Office Renovation RM '000	Furniture RM '000	Office Equipment RM '000	Computer RM '000	Computer Software RM '000	Vehicle RM '000	Work In Progress RM '000	Total RM '000
Cost									
Balance As At 1 January 2010	–	4,679	1,577	852	2,959	923	147	1,734	12,871
Addition	381,471	385	649	137	52	177	–	295	383,166
Adjustment/Disposal	–	(666)	283	–	–	–	–	–	(383)
Balance As At 31 December 2010	381,471	4,398	2,509	989	3,011	1,100	147	2,029	395,654
Accumulated Depreciation									
Balance As At 1 January 2010	–	1,821	551	223	1,106	143	78	–	3,922
Current Year Charge	1,564	675	334	130	651	158	29	–	3,541
Adjustment/Disposal	–	(231)	–	–	–	–	–	–	(231)
Balance As At 31 December 2010	1,564	2,265	885	353	1,757	301	107	–	7,232
Net Book Value									
Balance As At 31 December 2010	379,907	2,133	1,624	636	1,254	799	40	2,209	388,422
Cost									
Balance As At 1 January 2009	–	4,420	1,440	718	2,190	382	147	–	9,297
Addition	–	259	137	134	775	541	–	1,734	3,580
Adjustment/Disposal	–	–	–	–	(6)	–	–	–	(6)
Balance As At 31 December 2009	–	4,679	1,577	852	2,959	923	147	1,734	12,871
Accumulated Depreciation									
Balance As At 1 January 2009	–	1,054	330	110	512	45	48	–	2,099
Current Year Charge	–	767	221	113	595	98	30	–	1,824
Adjustment/Disposal	–	–	–	–	(1)	–	–	–	(1)
Balance As At 31 December 2009	–	1,821	551	223	1,106	143	78	1,734	3,922
Net Book Value									
Balance As At 31 December 2009	–	2,858	1,026	629	1,853	780	69	1,734	8,949

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

3. PROPERTY AND EQUIPMENT (continued)

	KWAP							
	Office Renovation RM '000	Furniture RM '000	Office Equipment RM '000	Computer RM '000	Computer Software RM '000	Vehicle RM '000	Work In Progress RM '000	Total RM '000
Cost								
Balance As At 1 January 2010	4,679	1,577	852	2,959	923	147	1,734	12,871
Addition	385	649	137	52	177	–	295	1,695
Adjustment/Disposal	(666)	283	–	–	–	–	–	(383)
Balance As At 31 December 2010	4,398	2,509	989	3,011	1,100	147	2,029	14,183
Accumulated Depreciation								
Balance As At 1 January 2010	1,821	551	223	1,106	143	78	–	3,922
Current Year Charge	675	334	130	651	158	29	–	1,977
Adjustment/Disposal	(231)	–	–	–	–	–	–	(231)
Balance As At 31 December 2010	2,265	885	353	1,757	301	107	–	5,668
Net Book Value								
Balance As At 31 December 2010	2,133	1,624	636	1,254	799	40	2,209	8,515
Cost								
Balance As At 1 January 2009	4,420	1,440	718	2,190	382	147	–	9,297
Addition	259	137	134	775	541	–	1,734	3,580
Adjustment/Disposal	–	–	–	(6)	–	–	–	(6)
Balance As At 31 December 2009	4,679	1,577	852	2,959	923	147	1,734	12,871
Accumulated Depreciation								
Balance As At 1 January 2009	1,054	330	110	512	45	48	–	2,099
Current Year Charge	767	221	113	595	98	30	–	1,824
Adjustment/Disposal	–	–	–	(1)	–	–	–	(1)
Balance As At 31 December 2009	1,821	551	223	1,106	143	78	–	3,922
Net Book Value								
Balance As At 31 December 2009	2,858	1,026	629	1,853	780	69	1,734	8,949

Net book value of computer as at 31 December 2010 includes asset held under finance lease arrangement of RM288,278 (2009 : RM537,411).

4. INVESTMENT

	GROUP/KWAP			
	2010		2009	
	Cost/ Book Value (RM '000)	Market Value/ Net Tangible Asset (RM '000)	Cost/ Book Value (RM '000)	Market Value/ Net Tangible Asset (RM '000)
Quoted Shares	16,695,463	17,216,923	16,160,338	16,174,052
Allowance For Diminution	(174,735)		(425,009)	
	16,520,728		15,735,329	
Unquoted Shares	393,136		393,136	
Malaysian Government Securities	14,456,072	14,556,140	14,766,384	
Accretion Of Discount / Amortisation Of Premium	(85, 021)		(47,652)	14,844,311
	14,371,051		14,718,732	
Private Debt Securities	11,094,427	11,653,106	10,514,525	10,793,334
Accretion Of Discount / Amortisation Of Premium	166,609		138,994	
Impairment Of Investment	–		(19,310)	
	11,261,036		10,634,209	
Participation In Private Equity Fund	134,221		111,807	
Loans	7,751,691		7,169,649	
	50,431,863		48,762,862	

Gross maturity structure for Malaysian Government Securities and Private Debt Securities (excluding External Bond Fund Manager) are as follows:

	2010 (RM '000)	2009 (RM '000)
Maturity Within 12 Months	924,247	385,632
Maturity After 12 Months	24,066,252	24,395,277
	24,990,499	24,780,909

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

5. INVESTMENT IN MANAGED INVESTMENT TRUST

	KWAP	
	2010 (RM '000)	2009 (RM '000)
Investment In Managed Investment Trust - At Cost	375,355	-
Add: Foreign Exchange Difference	7,690	-
	383,045	-

Details of investment in Managed Investment Trust are as follow:

Name	Country Incorporated	Shareholding Percentage		Main Activities
		2010	2009	
KWAP Managed Investment Trust (KWAP MIT)	Australia	100.00%	-	Management of Investment Trust
Investment Trust by KWAP MIT				
737 Bourke Street Trust	Australia	100.00%	-	Property Management

KWAP's investment in KWAP MIT commenced on 4 November 2010. Total unit held by KWAP in KWAP MIT as at 9 December 2010 was 120,538,000 units @ AUD1.00 per unit. On 4 November 2010, KWAP, through KWAP MIT, invested in 737 Bourke Street Trust. Total unit held by KWAP MIT in 737 Bourke Street Trust was 120,413,000 units @ AUD1.00 per unit. The main activity of KWAP MIT is the management of investment trust through 737 Bourke Street Trust which subsequently is responsible for the management of the property.

6. INVESTMENT IN ASSOCIATE

	GROUP		KWAP	
	2010 (RM '000)	2009 (RM '000)	2010 (RM '000)	2009 (RM '000)
Investment In Associate – At Cost	16,670	16,670	16,670	16,670
Share Of Profit	1,578,450	1,145,030	–	–
Share Of Asset Revaluation Reserve	829,939	606,182	–	–
	2,425,059	1,767,882	16,670	16,670
Less : Total Dividend Received	(128,357)	(78,348)	–	–
Share Of Net Asset	2,296,702	1,689,534	16,670	16,670

6.1 PERCENTAGE HOLDING AND FINANCIALS OF ASSOCIATE

The percentage holding in associated company was as follows:

	Effective Percentage Holding		Principal Activity
	2010	2009	
Valuecap Sdn Bhd	33.34%	33.34%	Investment in listed securities on Bursa Malaysia

The financial figures of associated company were as follows:

Financials as at 31 December	2010 (RM '000)	2009 (RM '000)
Total Asset	17,259,425	15,268,202
Total Liabilities	10,385,614	10,215,558
Revenue	1,705,964	924,330
Net Profit	1,300,019	402,573

NOTES TO THE
FINANCIAL STATEMENTS
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6. INVESTMENT IN ASSOCIATE (continued)

6.2 INCOME FROM ASSOCIATE

Share Of Net Profit @ 33.34%

2010 (RM '000)	2009 (RM '000)
433,421	134,277

7. TRADE DEBTORS

	GROUP		KWAP	
	2010 (RM '000)	2009 (RM '000)	2010 (RM '000)	2009 (RM '000)
Income From Disposal Of Shares	634,500	70,869	634,500	70,869
Dividend Income	7,178	14,762	7,178	14,762
Income From External Equity Fund Managers	228,867	128,135	228,867	128,135
Interest On Malaysian Government Securities	153,422	158,382	153,422	158,382
Income From External Bond Fund Managers	32,746	27,484	32,746	27,484
Private Debt Securities	105,024	100,662	105,024	100,662
Interest On Loans	94,035	81,200	94,035	81,200
Interest On Short Term Money Market	20,563	13,959	20,563	13,959
Interest On Fixed Deposit	61,840	46,686	61,480	46,686
Accured Rental Income	30	–	–	–
	1,338,205	642,139	1,338,175	642,139

8. OTHER DEBTORS

	GROUP		KWAP	
	2010 (RM '000)	2009 (RM '000)	2010 (RM '000)	2009 (RM '000)
Income Tax Receivable	64,905	53,960	64,905	53,960
Investment Receivable*	7,254	7,254	7,254	7,254
Miscellaneous	26	20	22	20
	72,185	61,234	72,181	61,234

* KWAP is currently pursuing legal action against an asset management company for an investment claim.

9. DEPOSITS AND PREPAYMENTS

	GROUP		KWAP	
	2010 (RM '000)	2009 (RM '000)	2010 (RM '000)	2009 (RM '000)
Interest On Malaysian Government Securities	6,861	7,250	6,861	7,250
Other Advances	7	18	7	18
Other Prepayments	433	216	433	216
Other Deposits*	1,411	1,410	1,411	1,410
Property Related Prepayments:				
Property Establishment Fee	315	-	-	-
Insurance	217	-	-	-
Prepaid Property Expenses	598	-	-	-
	9,842	8,894	8,712	8,894

* Other Deposits include the amount of RM1,346,625 (2009 : RM1,346,625) being the deposit for legal consultancy fee for a legal firm.

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FINANCIAL STATEMENTS
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10. CASH AND CASH EQUIVALENTS

	GROUP		KWAP	
	2010 (RM '000)	2009 (RM '000)	2010 (RM '000)	2009 (RM '000)
Cash And Bank Balance	96,864	53,740	70,876	53,740
Deposits With Financial Institutions				
Merchant Bank	8,151,095	6,031,734	8,151,095	6,031,734
Islamic Bank	3,977,380	1,874,053	3,977,380	1,874,053
Development Bank	4,473,180	2,589,890	4,473,180	2,589,890
Investment Bank	1,403,490	1,015,950	1,403,490	1,015,950
Bank Negara Malaysia	46	44	46	44
Other Financial Institutions	–	120,000	–	120,000
Commercial Papers	237,494	338,129	237,494	338,129
	18,339,549	12,023,540	18,313,561	12,023,540

11. TRADE CREDITORS

	GROUP		KWAP	
	2010 (RM '000)	2009 (RM '000)	2010 (RM '000)	2009 (RM '000)
Fund Managers	–	2,579	–	2,579
Stock Brokers	45,763	22,625	45,763	22,625
Property Related Payables :				
Trade Creditors	116	–	–	–
Rental Incentive	318	–	–	–
Property Fittings	636	–	–	–
	46,833	25,204	46,763	25,204

12. OTHER CREDITORS

	GROUP		KWAP	
	2010 (RM '000)	2009 (RM '000)	2010 (RM '000)	2009 (RM '000)
Goods & Services Tax Payable	(10)	–	–	–
Others	365	–	365	–
	355	–	365	–

13. ACCRUED EXPENDITURES

	GROUP		KWAP	
	2010 (RM '000)	2009 (RM '000)	2010 (RM '000)	2009 (RM '000)
Provision For Bonus	5,645	2,215	5,645	2,215
Provisions For Services	1,875	38	1,875	38
Provisions For Fund Managers' Fees	2,798	264	2,798	264
Provisions For Custodian's Fees	17	–	17	–
Property Related Expenditures :				
Property Acquisition Cost	21,909	–	–	–
Due Diligence Cost	366	–	–	–
Establishment Fee	343	–	–	–
Other Expenditures	578	–	–	–
	33,531	2,517	10,335	2,517

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

14. FINANCE CREDITORS

	GROUP		KWAP	
	2010 (RM '000)	2009 (RM '000)	2010 (RM '000)	2009 (RM '000)
Short Term Creditors	–	133	–	133

15. ALLOCATION OF STATUTORY FUND

	GROUP		KWAP	
	2010 (RM '000)	2009 (RM '000)	2010 (RM '000)	2009 (RM '000)
Balance As At 1 January	17,101,944	16,001,944	17,101,944	16,001,944
Add :				
Allocation For Current Year	1,000,000	1,100,000	1,000,000	1,100,000
Balance As At 31 December	18,101,944	17,101,944	18,101,944	17,101,944

16. PENSION CONTRIBUTIONS

	GROUP		KWAP	
	2010 (RM '000)	2009 (RM '000)	2010 (RM '000)	2009 (RM '000)
Contribution From Statutory Bodies, Local Authorities And Other Agencies	6,558,487	5,928,536	6,558,487	5,928,536
Contribution From Government's Shares, Gratuities And Other Deductions	23,361,356	20,812,117	23,361,356	20,812,117
	29,919,843	26,740,653	29,919,843	26,740,653

16. PENSION CONTRIBUTIONS (continued)**16.1 Contribution From Statutory Bodies, Local Authorities And Other Agencies**

KWAP receives monthly contributions for permanent employees with pensionable status from their respective employers such as Statutory Bodies, Local Authorities and Agencies where the officers are seconded. Contributions made are based on 17.5% of the fixed monthly salary of the employees.

	Accumulated Contribution 01/01/2010 (RM '000)	Receipts 2010 (RM '000)	Balance 31/12/2010 (RM '000)	Accumulated Contribution 01/01/2009 (RM '000)	Receipts 2009 (RM '000)	Balance 31/12/2009 (RM '000)
Statutory Bodies	4,644,741	502,160	5,146,901	4,203,704	441,037	4,644,741
Local Authorities	1,223,143	120,862	1,344,005	1,106,860	116,283	1,223,143
Other Agencies	62,786	7,114	69,900	56,788	5,998	62,786
	5,930,670	630,136	6,560,806	5,367,352	563,318	5,930,670
Less :						
Repayment Of Claims	(2,134)	(185)	(2,319)	(2,071)	(63)	(2,134)
	5,928,536	629,951	6,558,487	5,365,281	563,225	5,928,536

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

16. PENSION CONTRIBUTIONS (continued)

16.2 Contribution Of Government's Share, Gratuities And Other Contributions

Contributions of Government's share, gratuities and other contributions submitted to KWAP when public officers make withdrawals under the Pensionable Employees Withdrawal Scheme were as follows :

	Accumulated Contribution 01/01/2010 (RM '000)	Receipts 2010 (RM '000)	Balance 31/12/2010 (RM '000)	Accumulated Contribution 01/01/2009 (RM '000)	Receipts 2009 (RM '000)	Balance 31/12/2009 (RM '000)
KWSP	16,357,048	2,155,784	18,512,832	14,606,373	1,750,675	16,357,048
KWSG	146,595	18	146,613	145,668	927	146,595
KWSG – Sabah	13,236	–	13,236	13,236	–	13,236
LTAT	3,588,286	368,469	3,956,755	3,259,481	328,805	3,588,286
SESCO	45,309	–	45,309	45,309	–	45,309
JPA– Gratuities	700,872	35,187	736,059	677,212	23,660	700,872
Others	28,466	855	29,321	27,679	787	28,466
	20,879,812	2,560,313	23,440,125	18,774,958	2,104,854	20,879,812
Less :						
Repayment of Claims :	(67,695)	(11,074)	(787,69)	(57,187)	(10,508)	(67,695)
	20,812,117	2,549,239	23,361,356	18,717,771	2,094,346	20,812,117

17. DEFERRED INCOME

Deferred income is in relation to the grant received from the government utilised for the purpose of fixed asset purchases.

	GROUP		KWAP	
	2010 (RM '000)	2009 (RM '000)	2010 (RM '000)	2009 (RM '000)
Deferred Income	2,797	6,653	2,797	6,653
Less : Amortisation Of Deferred Income	(852)	(3,856)	(852)	(3,856)
Deferred Income After Amortisation	1,945	2,797	1,945	2,797

18. GROSS INVESTMENT INCOME

	GROUP		KWAP	
	2010 (RM '000)	2009 (RM '000)	2010 (RM '000)	2009 (RM '000)
Gain On Disposal Of Shares	1,453,845	759,423	1,453,845	759,423
Shares Dividends	658,314	481,543	658,314	481,543
Tax Claim On Dividends	64,356	49,597	64,356	49,597
Income From External Fund Managers	301,337	151,905	301,337	151,905
Interest On Malaysian Government Securities	653,694	517,292	653,694	517,292
Profit On Sale Of Malaysian Government Securities	166,572	90,319	166,572	90,319
Profit On Sale Of Private Debt Securities	22,355	–	22,355	–
Interest And Dividends On Private Debt Securities	511,485	451,055	511,485	451,055
Accretion Of Investment Discount/ (Amortisation Of Investment Premium)	645	16,404	645	16,404
Income/Capital Gain From Private Equity Fund Investments	(9,978)	4,253	(9,978)	4,253
Interest On Loans	357,181	341,411	357,181	341,411
Interest On Deposits	387,184	360,641	387,184	360,641
Interest On Bank Balances	127	232	127	232
Other Investment Income	–	1,010	–	1,010
Property Rental Income	1,794	–	–	–
	4,568,911	3,225,085	4,567,117	3,225,085

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

19. OPERATING EXPENDITURES

	GROUP		KWAP	
	2010 (RM '000)	2009 (RM '000)	2010 (RM '000)	2009 (RM '000)
Salaries And Allowances	16,216	8,410	16,216	8,410
Contributions To EPF	2,951	1,849	2,951	1,849
Contributions To SOCSO	57	48	57	48
Services And Supplies	18,195	13,483	18,021	13,483
Gifts And Donations	42	22	42	22
Depreciation On Property And Equipment	3,294	1,822	1,746	1,822
Loss On Foreign Currency Exchange	1,040	–	1,040	–
Other Operating Expenditure – Property	344	–	–	–
	42,139	25,634	40,073	25,634

Total number of KWAP's employees stood at 126 employees as at 31 December 2010 (2009 : 110).

20. CAPITAL COMMITMENT

	2010 (RM '000)	2009 (RM '000)
Property And Equipment		
Contracted	2,029	2,029
Work In Progress	(2,029)	(1,734)
Contracted But Not Accounted For In The Financial Statements	–	295

GLOSSARY OF TERMS

AC Audit Committee An audit committee is a Board level committee charged with oversight of financial reporting and disclosure. Committee members are drawn from members of the Board, with a Chairperson selected from among the committee members.	CalPERS California Public Employees' Retirement System The California Public Employees' Retirement System is an agency in California, US executive branch that manages pension and health benefits for the Californian public employees, retirees, and their families.	CSR Corporate Social Responsibility Corporate Social Responsibility is a form of corporate self-regulation integrated into a business model. The goal of CSR is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, employees, communities, stakeholders and all other members of the public sphere.
BNM Bank Negara Malaysia Bank Negara Malaysia or BNM is the Malaysian central bank. Established on January 26, 1959 as the Central Bank of Malaya (Malay: Bank Negara Tanah Melayu), its main purpose was to issue currency, act as banker and adviser to the Government of Malaysia and regulate the country's credit situation.	CalSTRS California State Teachers' Retirement System The California State Teachers' Retirement System provides retirement, disability and survivor benefits for California's educators and their families. CalSTRS was established by law in 1913 and is part of the California State and Consumer Services Agency.	DR Disaster Recovery Disaster recovery is the process, policies and procedures related to preparing for recovery or continuation of technology infrastructure critical to an organisation after a natural or human-induced disaster. Disaster recovery is a subset of business continuity. While business continuity involves planning for keeping all aspects of a business functioning in the midst of disruptive events, disaster recovery focuses on the IT or technology systems that support business functions.
BCP Business Continuity Plan Business continuity planning is the outcome of a BCM process and defines how the organisation will react in the aftermath of a crisis or disaster.	CCS Cross Currency Swap An agreement between two parties to exchange interest payments and principal on loan denominated in two different currencies.	
BCM Business Continuity Management Business Continuity Management is a management process that identifies potential event that threaten an operation and provides a framework for building resilience and the capability for an effective response which safeguards the interests of its key stake holders, and ensure business continuity in the aftermath of expected disaster.	CRP Corporate Risk Profile Corporate Risk Profile is a reporting tool that summarises the key risk faced by a corporation or enterprise in order of severity of impact and probability of occurrence.	EFM External Fund Management External Fund Management or EFM is one of the investments departments of KWAP responsible to plan, implement, monitor and report on investments made by domestic and foreign external fixed income, equity and private equity fund managers on behalf of KWAP.

GLOSSARY OF TERMS

EM

Emerging Market

Emerging markets are nations with social or business activity in the process of rapid growth and industrialisation. As at 2010, more than 40 emerging markets in the world, with the economies of China and India considered to be the largest.

EPF

Employees Provident Fund

Employees Provident Fund or EPF, known as Kumpulan Wang Simpanan Pekerja. The Malaysian EPF was formally founded after the enactment of the Employees Provident Fund Act 1991 (Act 452), which grants employees retirement benefits via a body that is intended to manage their savings.

ERM

Enterprise Risk Management

Enterprise risk management (ERM) in business includes the methods and processes used by organisations to identify, assesses and manage risks related to the organisation and its goals.

GCSP

Global Custodial Service Provider

A Global Custodial Service Provider, usually a bank or non bank financial institution, processes cross-border securities trades, keeps financial assets safe and services the associated portfolios.

GDP

Gross Domestic Product

Gross domestic product (GDP) refers to the market value of all goods and services produced within a country in a given period. It is often considered an indicator of a country's standard of living.

GII

Government Investment Issue

HR

Human Resource

Human resources is also the name of the function within an organisation charged with the overall responsibility for implementing strategies and policies relating to the management of staff.

HRM

Human Resource Management

Human resource management is the strategic and coherent approach to the management of an organisation's most valued assets - the people working there who individually and collectively contribute to the achievement of the objectives of the business.

ICP

Incident Communication Plan

Incident Communication Plan is crafted to provide a structured communications plan for an organisation when faced with a crisis or an incident where time and resources are limited. It functions as a guide to follow through during a crisis or an incident to ensure that crucial or critical information is communicated to relevant parties, efficiently and effectively in a timely manner.

ICT

Information and Communication Technology

Information and Communication Technology consists of all technical means used to handle information and aid communication, including computer and network hardware, communication middleware as well as necessary software.

IDP

Individual Development Program

The IDP is one of the initiatives introduced in 2010 which is aimed towards developing our internal talent and accelerating their career progression through programs such as Talent Exchange Program (Tex), Cross Fertilization Program and Job Rotation Program.

IFIMS

Integrated Fund Investment Management System

IMP

Incident Management Plan

IPG

Investment Policy and Guidelines

Investment Policy and Guidelines to clearly communicate to all relevant parties the procedures, investment philosophy, guidelines and constraints to be adhered to by the parties.

IRS**Interest Rate Swap**

IRS is an exchange of one set of cash flows (based on internet rate specifications) for another. It is often an exchange of a fixed payment for a floating payment that is linked to internet rate.

IT**Information Technology**

Information technology is the acquisition, processing, storage and dissemination of vocal, pictorial, textual and numerical information by a microelectronics-based combination of computing and telecommunications.

KWAP**Kumpulan Wang Persaraan (Diperbadankan)**

Kumpulan Wang Persaraan (Diperbadankan) was formed on 1 March 2007 to replace the Pension Trust Fund.

KWSG**Kumpulan Wang Simpanan Guru****LTAT****Armed Forces Fund Board**

Armed Forces Fund Board or Lembaga Tabung Angkatan Tentera, better known as LTAT, was established in August 1972 by an Act of Parliament.

MGS**Malaysian Government Securities****MOF****Ministry of Finance****MSWG****Minority Shareholder Watchdog Group****NEM****New Economic Model**

New Economic Model is an economic plan in Malaysia unveiled on 30 March, 2010 which is intended to more than double the per capita income in Malaysia by 2020. It aims to shift affirmative action from being ethnically-based to being need-based hence becoming more competitive, market and investor friendly.

MPC**Monetary Policy Committee****OPR****Overnight Policy Rates**

Overnight Policy Rates is an overnight interest rate set by BNM used for monetary policy direction. It is the target rate for the day-to-day liquidity operations of the BNM.

ORE**Operational Risk Event**

Operational Risk Event are event that arises from a failure of the people, systems and processes in an organisation

PDS**Private Debt Securities****PSD****Public Service Department****RENTAS****Real Time Electronic Transfer of Funds and Securities****RMC****Risk Management Committee**

Risk Management Committee is a Board level committee consisting of Board members that carries out the risk oversight role in an organisation.

RMCD**Risk Management and Compliance Department**

Risk Management and Compliance Department is a department entrusted to manage the risk of organisation and ensure compliance within the organisation

ROI**Return On Investment**

Return on Investment is the ratio of realised income gained or lost against the average fund size (at cost) for the year.

SAA**Strategic Asset Allocation**

The primary goal of a strategic asset allocation is to create an asset mix that will provide the optimal balance between expected risk and return for a long-term investment horizon.

GLOSSARY OF TERMS

SDL

Single Depositor Limit

Limit as to the maximum an organisation is allowed to place a deposit with a single deposit taking institution e.g: banks.

SOCISO

Social Security Organisation

SOCISO's function includes registration of employer and employee, collecting contribution, processing benefit claims and makes payment to the injured worker and their dependents. SOCISO also provide vocational and physical rehabilitation benefits and enhance occupational safety and health awareness of workers.

the Study

Pension Liability Study

A joint study conducted between KWAP, MoF and PSD to identify options available for KWAP to assist the Federal Government of Malaysia in funding its future pension liability.

TAA

Tactical Asset Allocation

It is a method in which an investor takes a more active approach that tries to position a portfolio into those assets, sectors, or individual stocks that show the most potential for gains.

TE

Tracking Error

Tracking Error measures the deviation of excess return of a portfolio over the benchmark.

TEEx Program

Talent Exchange Program

The TEEx Program is developed with the objective of providing KWAP talents with an opportunity to enhance and develop their technical and leadership skills as well as provide them with an avenue to experience and learn different cultures through attachment and secondment programs to GLC/GLIC/ Government/MNCs and vice versa.

TWRR

Time Weighted Rate of Return

Time Weighted Rate of Return is a measure of return base on changes in values of investments over a specific time period.

VaR

Value at Risk

A risk metric used to estimate the quantum of loss to a portfolio over a given probability value with a pre defined period.



2007 ANNUAL REPORT



2008 ANNUAL REPORT



2009 ANNUAL REPORT



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