

LIMITLESS POSSIBILITIES

ANNUAL REPORT 2011



KWAP

Kumpulan Wang Persaraan (Diperbadankan)
RETIREMENT FUND INCORPORATED

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, suburi 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

LIMITLESS POSSIBILITIES

KWAP's talents and resources combined with our inherent passion, diligence and foresight offers us limitless possibilities.

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CORPORATE PROFILE

VISION

A high performing fund assuring sustainable pension benefits

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

CORPORATE PROFILE

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 the Retirement Fund Act 2007 (Act 662) and aim 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)

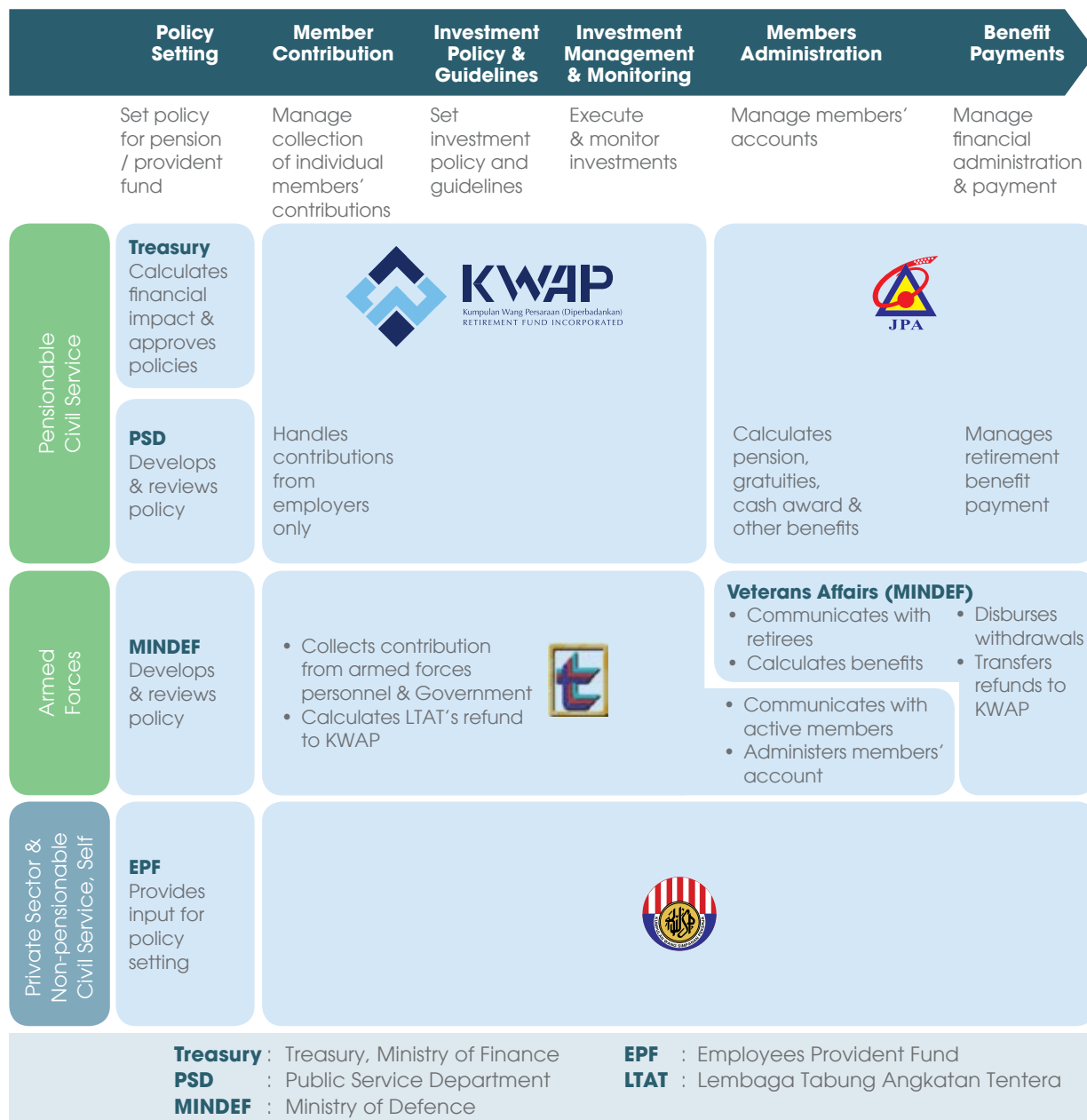
The Investment Panel and the Board have the responsibility of approving and reviewing periodically KWAP's investment activities.

Investment Management and Monitoring

The Fund is invested in asset classes in accordance with KWAP's Strategic Asset Allocation (SAA) and with the Investment Policies and Guideline (IPG) as approved by the Investment Panel and the Board. The investment activities of the Fund are carried out by a team of highly 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.

CORPORATE PROFILE

KWAP In Malaysia's Pension System



In 2011, a key major development in the Malaysian pension sector has been the legislative approval and regulatory framework that has been established for the introduction of the Private Retirement Scheme (PRS). The introduction of this PRS framework will provide the public with options to make additional voluntary long term contributions to supplement their retirement savings within a well structured and regulated framework.

THE YEAR 2011 AT A GLANCE

Highlights of Our Accomplishments

- Total fund size grew by 12% from RM70.52 billion to RM78.93 billion in December 2011.
- Gross investment income registered RM4.66 billion in December 2011 from RM4.62 billion registered in 2010.
- Net income recorded lower by RM550 million from RM4.85 billion to RM4.30 billion in 2011. The lower income recorded in 2011 was partially due to the increase in the allowances for diminution of the value of RM590.67 million.
- Achieved Net Return on Investment (ROI) of 5.75% and Total Weighted Rate of Return (TWRR) of 5.30%.
- On the group level, gross investment income increased by RM200 million to RM5.20 billion in 2011. Net income reduced to RM4.81 billion from RM5.23 billion in 2011.
- Gross Return on Investment and Net Return on Investment registered at group level are 6.75% and 6.25% respectively.

	TWRR (%)	Benchmark Name	Outperformance / (Underperformance) (%)
Equity			
Domestic	7.22	FBM100	5.28
International			
Internal Managers	11.30	MSCI All Country World	20.71
External Managers*	(18.45)	MSCI AC Asia ex Japan	(0.43)
Fixed Income			
Domestic			
Malaysian Government Securities & Quasi-Government Bonds (MGS & Quasi Bonds)	5.37	Quantshop MGS (All) Yield	1.91
Private Debt Securities (PDS)	6.40	Quantshop Corp (Medium) Yield	2.01
External Managers	7.23	Quantshop MGS (All) Index + 130 bps	0.95
Loans	5.02	Quantshop MGS (All) Yield + 50 bps	1.06
Money Market	2.58	3-month KLIBOR	(0.61)
International			
External Managers (G7)	1.92	BofA Merrill Lynch Global Government Bond	0.04
External Managers* (Global Sukuk)	(0.40)	Dow Jones Citigroup Sukuk	(0.46)

* These are new portfolios (< 1 year)

HIGHLIGHTS OF OUR ACCOMPLISHMENTS SINCE 2007

2007

- Incorporation of KWAP on 1 March 2007
- Relocation from Putrajaya to new office at Menara Yayasan Tun Razak, Kuala Lumpur
- Introduced Balanced Scorecard to create a performance driven culture
- Developed key policies or procedures such as Board Charter, Financial Procedures and Investment Policy and Guidelines
- Formulated Corporate Values
- Launched Leadership Series, Golden Hour Series and corporate website
- Completed the new dealing room, which was launched by the Minister of Finance II, YB Dato' Seri Ahmad Husni Bin Mohamad Hanadzlah
- Held dialogue sessions with the Securities Commission and Bursa Malaysia on corporate governance and issues related to equity and fixed income markets
- Adopt new operating model for Equity and Fixed Income Departments
- Set up Portfolio Strategy Department to track and monitor the implementation of the Strategic Asset Allocation Transition Masterplan

2008

- Redefined Corporate Values and formulated Vision and Mission
- Formulated Strategic Asset Allocation
- Rolled out a Transformation Program which entailed implementation of 20 initiatives aimed at enhancing organisational management, risk and investment management practices
- Established Risk Management & Compliance Department to spearhead the inculcation of strong risk management culture within the organisation
- Implemented Human Resource Information System
- Initiated collaboration with selected rural schools
- Set up Business Performance Department that enabled the performance of investment departments to be independently and objectively measured
- Initiated and developed Integrated Fund Investment Management System (IFIMS)
- Implemented Business Continuity Management Framework
- Implemented Operational Risk Event Reporting (ORE)
- Established Investment Settlement Department and Custodian Department to enhance segregation of duties and internal controls
- Initiated regular contribution of articles to a major business publication to promote greater understanding of investment related subjects

2009

- Collaborated with Ministry of Finance and Public Service Department in undertaking Pension Liability Study with the aim of establishing options available for KWAP to assist the Federal Government in funding its pension liability
- Initiated annual Financial Planning for Retirement Seminar for Government employees approaching retirement age
- Introduced CFA Financial Assistance Scheme for Investment staff

HIGHLIGHTS OF OUR ACCOMPLISHMENTS SINCE 2007

2010

- The Cabinet approved the proposed role of KWAP in assisting the Federal Government in funding its pension liability
- Study visit to California Public Employee's Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS)
- First announcement of financial results and launch of New Website by the Minister of Finance II, YB Dato' Seri Ahmad Husni Bin Mohamad Hanadzlah
- 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 first international property in Melbourne, Australia and initiated a joint venture with the Employees Provident Fund to purchase properties in the UK
- Appointed BNY Mellon to provide global custodian services
- Developed Internal Credit Rating Scoring Model
- Completed procurement of Enterprise Risk Management System
- Business Continuity Plan for all critical and non-critical functions developed and Disaster Recovery Plan tested
- Participated in the Ministry of Finance's Cross Fertilisation Program
- Held English Workshop at selected rural schools to increase interest among students to communicate in English
- Dato' Azian Mohd Noh named as one of the 25 most influential women in asset management in the Asia-Pacific region by the AsianInvestor
- Mohamed Izwan Moriff Bin Mohamed Shariff, KWAP's MGS & Government Quasi Fund Manager nominated as one of the most astute investors in Malaysian Ringgit Bonds 2011 by The Asset Benchmark Research
- Invested USD100 million in Global Sukuk mandate
- Acquired second international property in Sydney, Australia
- Subscribed to the first Islamic foreign denominated currency bond and hedged it via Islamic Cross Currency Swap by KWAP's internal manager
- Secured Sovereign Immunity Exemption from UK Tax Authority
- Obtained ISO 9001:2008 Quality Management System for Investment Management in Domestic Equity
- Operationalised global custodian function to facilitate international investments by external and internal managers
- Rationalised domestic external custodians from six to a single custodian reporting directly to KWAP
- Established Whistle Blowing Policy and Strategic Risk Management Framework
- Developed monthly performance attribution report for internal equity and fixed income managers and domestic external fund managers

2011

- Conducted discussion with the Ministry of Finance and Public Service Department to implement Cabinet's decisions on the approved role of KWAP in assisting the Federal Government in funding its pension liability
- In-country host for 2011 Asian Pension Fund Roundtable organised by Pacific Pension Institute with two KWAP representatives participated as speakers
- Established Credit Manual to govern Fixed Income credit evaluation process
- Implemented KWAP's Corporate Governance: Principles and Voting Guidelines
- Three employee development programs implemented namely Talent Exchange Program, Individual Development Plan and Performance Improvement Program

5-YEAR FINANCIAL RESULTS SUMMARY

	2011 (1 Jan- 31 Dec)	2010 (1 Jan- 31 Dec)	2009 (1 Jan- 31 Dec)	2008 (1 Jan- 31 Dec)	2007 (1 Mar- 31 Dec)
Fund Size as at 31 December at Cost (RM Billion)	78.93	70.52	61.50	52.04	48.08
Income and Expenses (RM Billion)					
Gross Investment Income	4.66	4.62	3.24	2.98	3.44
Operating Expenses	43.77	40.07	25.63	28.17	18.33
Net Investment Income	4.30	4.85	5.70	0.56	3.67
Income and Expenses (%)					
Return on Investment (ROI)	6.30	7.07	5.62	5.86	9.21
Accounting Rate of Return (Net ROI)	5.75	7.34	10.04	1.12	9.79
Operating Expenditure to Gross Income	0.94	0.87	0.79	0.95	0.53
Operating Expenditure to Average Fund	0.06	0.06	0.05	0.06	0.04
Return and Risk (%)					
Time Weighted Rate of Return	5.30	8.88	11.64	NA	NA
Volatility	3.80	1.97	2.64	NA	NA
Pension Contribution (RM Billion)					
Employers' Contribution	2.52	3.18	2.67	1.77	1.29
Federal Contribution	1.50	1.00	1.10	1.65	1.18
Investment Portfolio Composition at Cost (RM Billion)					
Domestic					
Equity	23.73	16.08	16.16	13.52	11.54
PDS and Loan	16.42	17.74	18.16	15.85	13.66
MGS & Quasi Bonds	18.04	15.64	14.72	10.06	8.74
Money Market Deposit	16.97	18.31	11.69	14.17	13.00
Private Equity	0.43	0.43	0.52	0.52	0.48
International					
Equity	0.81	0.63	NA	NA	NA
Fixed Income	1.02	NA	NA	NA	NA
Private Equity	0.23	0.13	NA	NA	NA
Property	1.00	0.38	NA	NA	NA
Management of Fund (%)					
Internally Managed	92.60	94.69	95.25	94.69	94.98
Externally Managed	7.40	5.31	4.75	5.31	5.02
Number of Contributing Employers	601	568	538	493	475
Number of Members	134,055	128,384	121,572	106,944	104,081
Number of KWAP's Employees	152	126	108	99	93
Income Per Employee (RM Million)	30.68	36.25	30.33	30.41	39.99

MESSAGE FROM THE CHAIRMAN

"On behalf of the Board,
I am pleased to present
our Annual Report for the
financial year ended
31 December 2011."

TAN SRI DR. WAN ABDUL AZIZ BIN WAN ABDULLAH
Chairman



MESSAGE FROM THE CHAIRMAN

OPERATING ENVIRONMENT

2011 has proven to be the year full of uncertainties. The global economy has yet to regain its pre global financial crisis vigour. The recovery seen in 2010 that inspired the market optimisation in much of the earlier part of 2011, appeared shortlived.

The prevailing policy uncertainties in the advanced economies has had profound effect on investors' confidence and hence, intensified market volatility prevailed throughout the year. The fact that none of the Asian economies was spared from such external headwinds, the ever elusive Asian decoupling remained elusive.

For 2011, Malaysia recorded real GDP growth of 5.10%. This was largely driven by domestic demand with private consumption at 6.89% while public consumption grew at a double digit pace of 16.77%. The Malaysian economy performed well amidst a challenging global economic environment.

The FBM KLCI rose marginally by 0.78% to close at 1,530.73 points at end 2011. This marginal rise however masked high volatility in the local bourse partly due to the effects of the European zone sovereign crisis and the political uncertainties in the United States. It was a year of two halves for the local bond market. The first part was characterised by steady recovery of local economy and monetary outlook was geared towards policy normalisation. In the second part of the year, rising external growth headwinds and slowing inflation pared rate hike expectation pulling overall yield curve lower and flatter. The Malaysian local debt market has shown more resilience than other markets during instances of disorderly unwinding in emerging market assets.

MESSAGE FROM THE CHAIRMAN

FINANCIAL PERFORMANCE

Against a backdrop of such challenging environment, I am delighted to announce that KWAP has yet again, delivered an outstanding performance. For the year ending 31 December 2011, KWAP's gross ROI and net ROI were 6.30% and 5.75% respectively. KWAP's fund size rose significantly by 12% to end 2011 at RM78.93 billion. The growth in fund size was due to investment income of RM4.66 billion, employers' contributions of RM2.52 billion and Federal Government contributions of RM1.50 billion.

I would like to highlight on a few key initiatives that KWAP was involved in during 2011.

JOINT PENSION LIABILITY STUDY

I mentioned in last year's Report that KWAP commissioned a Pension Liability Study together with the Ministry of Finance and the Public Services Department in 2010. This study will provide a basis for KWAP to chart its road map in particular on when KWAP will assume its role as mandated. Throughout 2011, further discussions were held between KWAP, MOF and PSD pertaining to the implementation aspects of this study.

REVIEW OF PENSION AND SOCIAL SECURITY

KWAP was invited to be a member of the Government led working committee on the review of the national pension and social security. This is a comprehensive review mooted by the Malaysian Government on social security and pension reform in tandem with the multi pillared World Bank approach. A major development in 2011 has been the legislative approval and regulatory framework that has been established for the introduction of the Private Retirement Scheme.

ASIAN PENSION FUND ROUNDTABLE

The Roundtable was held in Kuala Lumpur organised by the Pacific Pension Institute based in San Francisco with KWAP acting as the in-country host. This year saw a record attendance of over 170 participants from over 20 countries. The theme for this year's Roundtable was 'Investing When Change Is Fundamental'. The Roundtable provided unique international networking platform for all participants to exchange views and insights on common challenges and investment strategies. I must take this opportunity to thank KWAP's CEO, Dato' Azian Mohd Noh and her team for the hard work and diligence shown in co-hosting this significant international conference.

INTERNATIONAL EXPANSION

In the international investment space, we continue to see our investments flourish beyond Malaysia particularly in the property space with the incorporation of Prima Harta Trust (Jersey), an offshore holding structure incorporated in Jersey. In December 2011, KWAP successfully acquired our second building in Australia, the iconic ASX building at Bridge Street, Sydney for AUD185.0 million. KWAP also commenced preparatory work for the setting up of its London Office under a subsidiary company named Prima Ekuiti (UK) Limited which will facilitate our investments in the UK Equity market.

MESSAGE FROM THE CHAIRMAN

GOING FORWARD

The global economic environment in 2012 will remain challenging given the prevailing adverse environment in Europe, sub par recovery in the United States and the potential hard landing in China. On the other hand, Central Banks around the world will continue to be accommodative and supportive of benign interest rate environment, lending support to a sustainable recovery, albeit at a much discomfoting pace. The Malaysian economy to a large extent, will be insulated from the external headwinds due to its strong domestic Fundamentals.

Malaysia's real GDP growth for 2012 is expected to be around 4% to 5%. Domestic demand is expected to cushion the impact from the adverse external environment. The accelerated roll-out of various projects under the Economic Transformation Programme will spur the momentum for domestic growth in 2012.

The Government's initiatives with regards to the New Economic Model will continue to gather momentum as the country identifies new sources of growth. The Economic Transformation Programme forms a major pillar in achieving the noble goal of developing a high income, inclusive and sustainable nation. In developing KWAP's next strategic blueprint for 2012-2015, our future initiatives will be in line with the pillars underlying the Government's initiatives.

I am confident that KWAP's proven capability to deliver over the last four years shall place the organisation in good stead to face and navigate through future challenges. In a volatile investment climate, there is a greater need to be agile and adaptable. KWAP has begun to identify and invest in international markets within its acceptable risk parameters. In broad terms, KWAP's future strategic directions will be focused on accelerating the growth of fund size, exploring options to enrich retirement funding and studying the possibility of expanding the coverage of investment services.

CLOSING STATEMENT

I am pleased to note that, Dato' Azian Mohd Noh was named by AsianInvestor as one of the 25 most influential women in asset management in the Asia Pacific region. On behalf of KWAP's Board and Investment Panel, allow me to record my heartiest congratulations and deepest appreciation to Dato' Azian for this outstanding honour.

Finally, on behalf of the Board, I would like to commend, Dato' Azian Mohd Noh and her dedicated management team, as well as all employees of KWAP for their hard work, commitment and diligence over the course of another challenging yet exciting year. With the continued support and high commitment shown collectively by the Board, Investment Panel and all employees, I am confident that KWAP will carve more significant milestones in the years ahead.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

"I begin my message this year by acknowledging the unusually difficult environment that overwhelmed financial markets throughout 2011. As it stands, there is still some degree of uncertainty facing the world as we speak."

DATO' AZIAN MOHD NOH

Chief Executive Officer



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

To celebrate the idea that we have successfully sailed through one of the most troubled periods in our economic life would be a gross understatement if we take into context what happened over the course of 2011. Remnants of the aftermath are still visible; what we thought was sufficient panacea continues to raise doubts as to whether the much documented recovery is sustainable to begin with.

The first half of 2011 featured a number of significant events. The 'Arab spring', the earthquake in Japan and the resurgence of the Greek debt crisis all had a major impact on economies and financial markets. The global economy started to show signs of a growth slowdown from April.

The cumulative effect of rising oil prices in the wake of a democratic uprising and uncertainty in the Middle East Northern Africa (MENA) region raised the spectre of another inflation spike reminiscent of 2008. The continued anxiety about sovereign debt problems lingered in the Eurozone. Adding on to these unfriendly macro environment were the fiscal challenges facing a struggling US economy aggravated by endless bipartisan conflict resulting in the downgrade of the US reputable AAA credit standing. Fears of a hard landing in China kept the mood subdued.

The knock-on effects of the massive Japanese earthquake in March 2011 had an unprecedented impact on the much entrenched and linked world industrial supply chain. Natural disasters added another disturbing dimension to an already complex environment.

The year 2011 was a turbulent time for the world economy. While not at the same level of intensity or severity seen in 2008, it still exacted a heavy toll on financial markets and market confidence. The European debacle remains largely unresolved amidst a dearth of policy momentum.

FINANCIAL PERFORMANCE

Despite concerns over the volatile external environment, Malaysian financial markets remained for the most part, fairly resilient in 2011, supported by positive domestic fundamentals.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

The Malaysian stock market performed well for the first 7 months of 2011, rising to a high of 1,594.74 points in July. Parallel to the uptrend in the local market was the continued appreciation of the Malaysian Ringgit, benefitting from favourable perception about the Malaysian economy. However, the economic environment swiftly turned bearish as forward looking indicators continued to slip. Against this was the prospect of further disappointment compounded by perceived inaction and lack of policy cohesion amongst politicians in both Europe and the US. Markets continued to drift lower and the FBM KLCI dipped below the 1,300 point mark as fears over a possible relapse into recession overwhelmed sentiments. After months of wrangling, European governments finally agreed to raise the European Financial Stability Fund (EFSF) in October to 1 trillion Euros coupled with a 50% debt haircut on Greek debt. As a result, global markets managed to recoup some of the heavy losses in October after suffering strong downward pressure in August and September.

The KLCI also benefited from the positive development and ended the year at 1,530.73 points from a low of 1,331.80, albeit a slight increase of 11.82 points or 0.78% compared with end 2010's close of 1,518.91.

On the policy front, BNM resumed the normalisation of its interest rates and embarked on a series of increases in the Statutory Reserve Requirement (SRR). It raised OPR by 25bps to 3.00% in May this year while the SRR was raised by a cumulative 300 bps to 4.00%. Despite the persistent challenges and headwinds in the global economy, I am pleased to mention that KWAP managed to generate a gross ROI of 6.30% in 2011.

In terms of gross ROI, Private Equity investments recorded the highest ROI at 13.39% followed by our Domestic Equity Portfolio at 10.94%. Under Fixed Income investments, our MGS and Quasi Government Bond portfolio recorded an ROI of 5.37% while our PDS and Loans portfolio registered gains of 5.82%. Our growing Property investments generated an ROI of 1.91%.

Our performance throughout the year reflects the various strategies adopted throughout 2011. Given the high level of uncertainties and turbulence, the diversity of our equity portfolio enabled it to withstand the sell down observed in the latter part of the year. Regular review of our equity holdings also helped us to take advantage of market fluctuations.

In search of better yields, we have extended the MGS and Quasi Government bonds maturity profile towards the medium to long term maturities. Strong emphasis towards active management and trading continued to enhance our returns for MGS. The PDS portfolio focused more on the medium term tenure of 3 to 7 years.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

In 2011, KWAP collected RM2.52 billion of net contribution from employers receipts of government portion and contributing employers much lower than 2010's net contribution of RM3.18 billion received. The lower number was mainly due to the impact of policy changes in late 2009 due to the conversion application from the Employees Provident Fund (EPF) scheme back to the government pension scheme.

2011 also marked our continued expansion into international markets. Amongst the key initiatives undertaken were our USD100 million investment in Global Sukuk managed externally. In addition, State Street Global Advisors was appointed as the fund manager for our International Equity Portfolio amounting to USD100 million under a passive mandate benchmarked against the MSCI Asia ex Japan index.

OPERATIONAL ACHIEVEMENTS

Throughout 2011, KWAP continued to make marked improvements operationally. As part of our commitment towards operational efficiency, KWAP embarked on an ISO Certification exercise last year. I am pleased to note that KWAP secured the ISO 9001:2008 certification and accreditation for one of our key investment processes related to domestic equity.

One of the main initiatives undertaken in 2011 involved the Contribution Management system designed to provide a centralised platform to enhance the management, monitoring and tracking of KWAP's contribution collection and management. To further streamline internal processes and develop clear separation of duties and accountabilities, 2011 also saw the implementation of a Pre-Trade Settlement Division or known as the Middle Office, which is housed under the Investment Settlement Department. As I expected last year, the Information Technology department, now at full strength, played a key role for several initiatives in 2011.

One of the core initiatives achieved and implemented in 2011 was the establishment of KWAP's IT governance and security framework. The IT Department was the key driver in several projects which include the Contribution Management system and Risk Performance Strategy (RPS) system. This was in addition to the establishment of two research databases or knowledge centres namely the Equity and Economic Knowledge Management centres.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

These knowledge centres provide easy access to research papers, reports and analytical findings for investment departments. To further strengthen KWAP's risk management practices, we have conducted Lifecycle Process Review for six key processes which include the purchase and sale of listed equities, investment in private equity funds and fixed income instruments. The RPS system is jointly implemented by the Risk Management, Business Performance and Portfolio Strategy Departments with the support of the IT Department, to provide an integrated multi asset cross functional analytic solution for KWAP.

Another operational enhancement last year included the roll-out of KWAP's internal Investment Monitoring Dashboard, jointly developed by the Business Performance and Portfolio Strategy Departments. This platform enables the relevant departments to closely monitor KWAP's investment performance trends as well as track the fund's Strategic Asset Allocation positions.

HUMAN RESOURCE

Several initiatives were also undertaken on the HR front to further develop KWAP's pool of human capital. The Talent Exchange Program (TEx) which was launched in 2010 continued in 2011 with the secondment of our key talents to investee companies. The program is intended to accelerate leadership growth and capability of the individuals to enable them to have greater exposure as well as to take on new responsibilities.

To broaden the skills, knowledge and capabilities of our employees, we have also embarked on the Job Rotation programme. Such programmes are critical in the context of assisting the employee in their career progression within KWAP.

To promote the culture of integrity among employees, KWAP introduced a Whistle-Blowing Policy in 2011. Such policy enables employees to anonymously raise concerns, disclose any malpractices or misconducts of which they are aware of with the assurance that they will be protected from any reprisals, victimisations or other repercussions.

At KWAP, we believe that Continuous Learning is an integral part of our core values. In efforts to promote self-development and career progression among employees, we have organized several Golden Hour Series and Knowledge Sharing sessions throughout the year. Several Management Case Studies were also held in 2011. Through these sessions, employees were given the opportunity to actively participate in discussions, and encouraged to share ideas and thoughts related to the topics presented.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

We also participated in the ongoing Cross Fertilisation Programme organised by the Ministry of Finance.

CORPORATE SOCIAL RESPONSIBILITY

While we are focused in performing our core functions, we continue to devote special attention to CSR activities throughout 2011. I am pleased to note that the number of activities undertaken continues to grow. Several programmes were conducted, encompassing four core areas which highlight our commitments towards the workplace, market place, environment and the broad community.

Apart from the continuation of KWAP's key CSR activities, we also expanded our philanthropic efforts towards the society by visiting and donating to the less fortunate. A Financial Planning for Retirement Seminar was held gratis for soon-to-be retirees invited from various bodies. In the quest of making KWAP a healthy, wholesome organisation, new health and environmental related programmes were also launched for the benefit of the staff.

These activities provided the perfect platform for KWAP to contribute to the society; working towards building a better future and at the same time enriching lives within the walls of KWAP and well beyond.

As CEO, I am pleased to note that efforts on this front will continue to be developed as the fund grows. More importantly, I am confident that our commitment towards such noble causes will not only cultivate a strong sense of responsibility and duty towards the society within KWAP, but also complement our strong commitment towards achieving our ultimate objectives.

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 2011.

BOARD : MEMBERS AND PROFILES



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 among others Board Member of Federal Land Development Authority, Malaysian International Shipping Corporation Berhad, Inland Revenue Board, Malaysian Airline System Berhad, Petroliaam Nasional Berhad, Syarikat Bekalan Air Selangor Sdn. Bhd., Pembinaan BLT Sdn. Bhd., Cyberview Sdn. Bhd., BNM, Pelaburan Hartanah Bumiputera Berhad and Malaysia Deposit Insurance Corporation. He also represents 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 : MEMBERS AND PROFILES

**DATO' DR. MOHD. IRWAN SERIGAR BIN ABDULLAH**

Ministry of Finance Representative

Dato' Dr. Mohd Irwan Serigar bin Abdullah was appointed as a member of the Board on 1 January 2011. He is currently the Deputy Secretary General of Treasury (Policy), Ministry of Finance. He currently serves on the Board of Directors of Employees Provident Fund, Securities Commission, Land Public Transport Commission, Suruhanjaya Koperasi Malaysia, Bernas Berhad, International Islamic University Malaysia, Kumpulan Wang Amanah Negara, Lembaga Tabung Haji, Yayasan Inovasi Malaysia, GovCo Holdings

Berhad, Capital Market Development Fund and Malaysian Development Holdings Sdn. Bhd.. He is also the Chairman of Kumpulan Kerja Pemantapan dan Pemantauan Projek Perumahan Terbangkalai. He obtained his Bachelors Degree with Honours from University of Malaya, Masters of Science from University of Pennsylvania, USA and PhD in Economics from International Islamic University, Malaysia. He also attended the Advanced Management Program at Harvard Business School, Harvard University, USA.

**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.

**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.

BOARD : MEMBERS AND PROFILES

**DATO' MUHAMMAD BIN IBRAHIM**

Bank Negara Malaysia Representative

Dato' Muhammad Bin Ibrahim was re-appointed as a member of the Board on 1 March 2010. He is the Deputy Governor of Bank Negara Malaysia and a member of the Monetary Policy Committee. He is also a trustee of Tun Ismail Ali Chair, member of the Board of Trustees of the SEACEN Trust Fund, a member of the Board of Directors of the South East Asian Central Bank Research and Training Centre, a board member of INCEIF (International Centre for Education in Islamic Finance), an associate

fellow of the Institute of Bankers Malaysia. He sits as 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 Degree from Harvard University. He had also attended the Advanced Management Program at the Harvard Business School.

**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 Berhad, WZ Steel Berhad, Eita Resources Berhad, Hong Leong Assurance Berhad and Mainstreet Advisers Sdn. Bhd.. 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 attended the Advanced Management Program at Harvard Business School, Harvard University, USA.

**DATO' SERI AHMAD JOHAN BIN MOHAMMAD RASLAN**

Private Sector Representative

Dato' Seri Ahmad Johan Bin Mohammad Raslan was appointed as a member of the Board on 1 March 2010. He is currently Executive Chairman of PricewaterhouseCoopers Malaysia. He is a Board Member of Perbadanan Putrajaya and Kuala Lumpur Business Club. He is a Member of the International Advisory Panel - Labuan Offshore Financial Services Authority and Board Trustee of Tun Suffian Foundation and Yayasan Sultan Azlan Shah. He is President of the Malaysian Institute of Certified Public Accountants and a Council Member of Malaysian Institute of Accountants. He is a Fellow of the Institute of Chartered Accountants in England & Wales. He holds a B.Sc in Economics and Accounting from the UK. He is an Eisenhower fellow.

BOARD : MEMBERS AND PROFILES

**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 an Independent Non-Executive Director of Malayan Banking Berhad and his current directorships in companies within the Maybank Group include as Chairman of Mayban Ventures Sdn. Bhd., Mayban-JAIC Capital Management Sdn. Bhd., Mayban Ventures Capital Company Sdn. Bhd., Mayban Agro Fund Sdn. Bhd., Mayban-JAIC Management Ltd as well as Director of Maybank Investment Bank Berhad. Encik Cheah is also a director of Kim Eng Holdings Ltd in Singapore.

Kim Eng Holdings Ltd is a wholly owned subsidiary of Maybank Group that operates securities broking services in Singapore, Thailand, Indonesia, HK, Vietnam and other international centres such as New York and London.

He is also a Director and partner of Aktis Capital Singapore Pte Ltd and sits on the boards of various private equity companies in Hong Kong, China and Malaysia. He is also an Independent Non-Executive Director of two hedge funds.

**DATO' OMAR BIN OSMAN**

Contributor Representative

Dato' 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.

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

Dato' Azian Mohd Noh was reappointed 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. and Malakoff Corporation 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.

INVESTMENT PANEL : MEMBERS AND PROFILES



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.



DATUK NOZIRAH BINTI BAHARI

Ministry of Finance Representative

Datuk Nozirah binti Bahari was re-appointed as a member of KWAP's Investment Panel on 1 March 2010. She is the Deputy Secretary-General (Management), 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.



CIK CHE ZAKIAH BINTI CHE DIN

Bank Negara Malaysia 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.



DATO' SRI ABDUL WAHID BIN OMAR

Private Sector Representative

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, Malaysia's largest banking group. He currently serves as the Chairman of the Association of Banks in Malaysia, Vice Chairman of the Institute of Bankers Malaysia, and a member of Investment Panel of Lembaga Tabung Haji. He is also the Chairman of Malaysian Electronic Payment System Sdn Bhd and a Director of Cagamas Holdings Berhad.

He is a Fellow of the Association of Chartered Accountants, UK and a member of the Malaysian Institute of Accountants.

INVESTMENT PANEL : MEMBERS AND PROFILES

**DATO' MOHAMMED AZLAN BIN HASHIM**

Private Sector Representative

Dato' Mohammed Azlan bin Hashim was appointed as a member of the Investment Panel on 1 March 2010. Dato' Azlan is also the Chairman of D&O Green Technologies 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' 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, Member of 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.

**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 Holdings 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.

**DATO' AZIAN MOHD NOH**Chief Executive Officer
Secretary Investment Panel

Dato' Azian Mohd Noh was re-appointed as secretary to the Investment Panel on 1 March 2010.

BOARD COMMITTEES



from left to right

AUDIT COMMITTEE

1. Encik Cheah Teik Seng (Chairman)
2. Dato' Seri Ahmad Johan Bin Mohammad Raslan
3. Datuk Idrus Bin Harun
4. Dato' Siow Kim Lun
5. Dato' Azian Mohd Noh



from left to right

RISK MANAGEMENT COMMITTEE

1. Dato' Muhammad Bin Ibrahim (Chairman)
2. Encik Cheah Teik Seng
3. Dato' Siow Kim Lun
4. Dato' Mohammed Azlan Bin Hashim
5. Dato' Azian Mohd Noh

BOARD COMMITTEES



from left to right

REMUNERATION COMMITTEE

1. Datuk Idrus Bin Harun (Chairman)
2. Dato' Siow Kim Lun
3. Dato' Seri Ahmad Johan Bin Mohammad Raslan
4. Dato' Mohammed Azlan Bin Hashim
5. Dato' Omar Bin Osman
6. Dato' Azian Mohd Noh

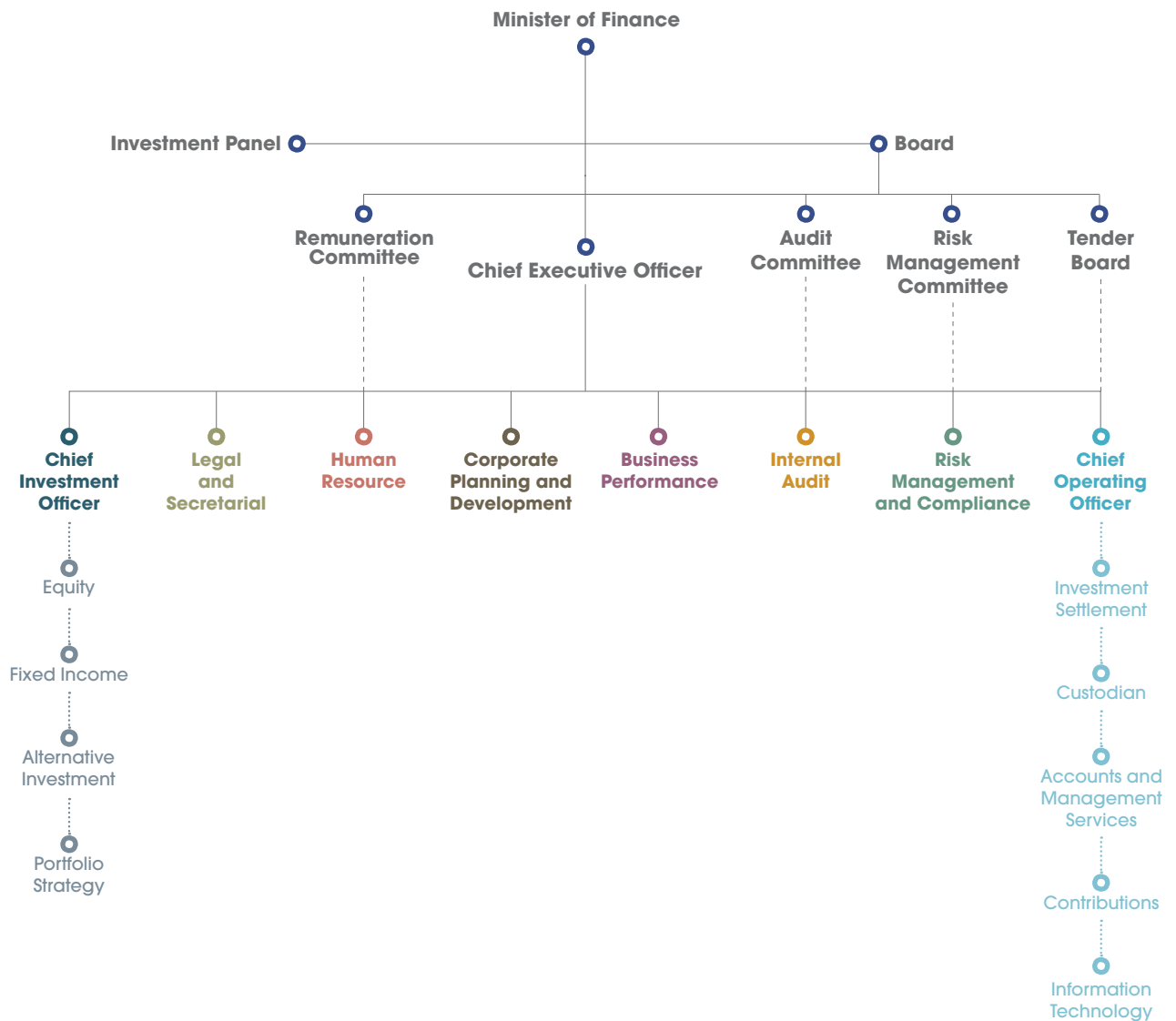


from left to right

TENDER BOARD

1. Dato' Dr. Mohd. Irwan Serigar Bin Abdullah (Chairman)
2. Datuk Idrus Bin Harun
3. Dato' Yeow Chin Kiong
4. Dato' Azian Mohd Noh

ORGANISATION CHART



EXECUTIVE COMMITTEE



from left to right

- | | |
|--|--|
| 1. Ahmad Norhisham Bin Hassan
Director of Fixed Income Department | 7. Ambalagam R. Marappan
Director of Accounts and Management
Services Department |
| 2. Aznam Bin Shahuddin
Director of Corporate Planning and
Development Department | 8. Khairul Azwa Bin Kamalul Bahrin
Director of Risk Management and
Compliance Department |
| 3. Nazaiful Affendi Bin Zainal Abidin
Director of Portfolio Strategy Department | 9. Mohd Zaki Bin Hamdan
Chief Operating Officer |
| 4. Md. Saffi Bin Nadzir
Director of Contribution Department | 10. Nik Amlizan Binti Mohamed
Director of Equity Department |
| 5. Dato' Azian Mohd Noh
Chief Executive Officer | 11. Tai Kim Fong
Director of Information Technology Department |
| 6. Zalman Bin Ismail
Director of Alternative Investment Department | |

INVESTMENT COMMITTEE AND ENTERPRISE RISK MANAGEMENT COMMITTEE

INVESTMENT COMMITTEE

1. Dato' Azian Mohd Noh
2. Nik Amlizan Binti Mohamed
3. Ahmad Norhisham Bin Hassan
4. Zalman Bin Ismail
5. Nazaiful Affendi Bin Zainal Abidin
6. Khairul Azwa Bin Kamalul Bahrin

ENTERPRISE RISK MANAGEMENT COMMITTEE

1. Dato' Azian Mohd Noh
2. Mohd Zaki Bin Hamdan
3. Nik Amlizan Binti Mohamed
4. Ahmad Norhisham Bin Hassan
5. Zalman Bin Ismail
6. Nazaiful Affendi Bin Zainal Abidin
7. Khairul Azwa Bin Kamalul Bahrin
8. Aznam Bin Shahuddin
9. Md. Saffi Bin Nadzir
10. Tai Kim Fong

VOICES OF KWAP

Being a maverick organisation at such a young age, KWAP relies greatly on its pool of qualified, highly competent and innovative employees. A few of the organisation's bright stars shares with us their working experiences with KWAP and why they choose to flourish with the organisation.



A. Name : **EEH CHONG BAN**
 Fixed Income Department
 Education : Bachelor of Finance - La Trobe University, Australia. Chartered Financial Analyst (CFA) - CFA Institute, USA. Financial Risk Manager (FRM) - Global Association of Risk Professionals, USA.

1. What is your scope of work?

I am from Fixed Income Department's Strategic Credit Unit. My key responsibilities include providing independent credit assessment on private debt securities and loan applications, as well as interest rates calls for portfolio managers in market positioning purposes.

2. What does your job entail?

The job involves analytical review from both quantitative and qualitative aspects. The objective of the works is to ensure the risks of fixed income portfolio is well contained and at the same time, helping the portfolio to achieve better risk/reward profile.

3. Which part of the job do you value the most?

The relentless efforts to discover the mispricing of risk and return, be it in the credit or interest rates markets, have given

me the most satisfaction in my job. I must say that I am blessed to have a very helpful teammate to assist me during the process.

4. What made you decide to grow your career with KWAP?

It has always been my inspiration to work in one of the largest and dynamic asset management firms in the nation. Moreover, the opportunity to sharpen up my investment perspective from public sector's viewpoint further propelled me to join KWAP when the opportunity knocked.

5. What key career lessons have you learned so far from working at KWAP?

The importance of business networking, where the combined strengths of people can achieve more than anyone on his or her own. Therefore, one must always cultivate the relationship with existing and new business associates and leverage on it.

6. What is your favourite business book of 2011 and why?

Dan Ariely's "The Upside of Irrationality". The author provides us a new understanding of human nature on the irrational side of decision-making. I really enjoy reading the real life examples from the book as well as to figure out how we can make a more "rational" decision when faced with the similar choices.

7. What activities do you indulge in when you are not at work?

I like reading, because it is simply entertaining and thought provoking. Also, reading different genre of subjects makes you smarter in many different ways and builds up your imagination and creativity.

VOICES OF KWAP



B. Name : **RAIHANA AMINUDDIN**
 Portfolio Strategy Department
 Education : BS in Actuarial Science from
 University of Illinois Urbana -
 Champaign.

1. What is your scope of work

My area involves conducting relevant research for the purpose of formulating KWAP's Strategic Asset Allocation. Essentially, I am responsible to provide support for portfolio analysis as well as to the macroeconomic and strategy units which is housed under the department.

2. What does your job entail?

My job requires a great deal of quantitative and statistical analysis. Knowledge of Visual Basic for Applications (VBA) programming is crucial to carry out the work especially in the context of providing the underlying foundation to enhance and develop our simulations model.

3. Which part of the job do you value the most?

Because of the nature of the department which is strategic in nature, a great deal of my work involves research, idea generation and projects and not so much operational. The work is always evolving. We have the benefit of looking at all asset classes and understand their intricacies and features. This also means that we have to be neutral and look at these asset classes in terms of their contribution to the overall portfolio. In addition, the teamwork-based working environment encourages everyone to share knowledge in their expertise at an informal level. Thus, it has provided me the opportunity to learn new things at a faster pace.

4. What made you decide to grow your career with KWAP?

It was basically through friends' recommendations. I decided it was a good place to start my career since KWAP was a relatively a new organisation when I joined. Since my division was thinly resourced at that time, everyone in the department including the Head was required to double up and multi-tasked. In that sense, my one year at KWAP has definitely been thoroughly amazing.

5. What are the key career lessons have you learned so far from working at KWAP?

It's all about continuous development, character and career wise. KWAP has taught me that you have to be an all rounder to succeed. In order to achieve this you have to meet more people, acknowledge and be humble of your current capacity, and learn. This is when the "unlearn in order to learn" motto kicks in. Good mentors? There're plenty of those here.

6. What is your favorite business book of 2011, and why?

I was completely blown away by Eric J. Weiner's *The Shadow Market*. It tells us how wealthy countries like China and Saudi Arabia are implicitly expanding their world presence and achieve political agenda through their sovereign wealth funds. Their economic prominence rose post 2008 crisis, when the used-to-be global superpower economies tanked in 2009/2010. The book recounts details from newspapers headlines and investigates behind-the-scene factors for such political outcomes. The world as I knew it completely flipped on its head. A very thought-provoking read indeed!

7. What activities do you indulge in when you are not at work?

I enjoy travelling. It triggers one's curiosity while one marvels at the wonders of the world. I do believe that part of self-development or discovery comes from seeing and experiencing things that are beyond our norms.

VOICES OF KWAP



C. Name : **TAUFIQ ISKANDAR JAMINGAN**
Equity Department
Education : LLB (Law) from London School
of Economics. A member of
Lincoln's Inn.

1. What is your scope of work?

I work in fund management, with specific focus on foreign equities.

2. What does your job entail?

Since international equity investment is a new foray for KWAP, my work demands strategic planning and building necessary investment framework and infrastructure for KWAP's long-term investment strategy. I also have to find regional companies with potentials for investment by analysing their business models and fundamentals, and linking the analysis to recent flows and developments in the world around us. I would say that my job entails focus, hard work and analytical mindset.

3. Which part of the job do you value the most?

Every day at KWAP I always feel as though I am being challenged and most importantly, I really enjoy what I do. I have been particularly thrilled to be involved in setting up international equity investment's framework and infrastructure, and be involved in building internal capabilities. Strategic planning and management have also been a long time passion of mine and these are areas that I have had great opportunities to develop at KWAP.

4. What made you decide to grow your career with KWAP?

KWAP offered the perfect place to make the most of what I had learned during my formative years as an investment analyst and an equity portfolio manager. I really wanted to take up new challenges and be part of KWAP's endeavor in setting up its International Equity team. At the same time, KWAP provides dynamism and practical culture, which have made the working environment productive, vibrant and full of enthusiasm.

5. What are the key careers lessons have you learned so far from working at KWAP?

Positive thinking and positive attitude. It enables me to crack very complex problems and undertake daunting tasks within a limited timeframe. This positive spirit stems from KWAP's continuous focus on performance and "getting work done". KWAP's heavy focus on results allows me to continue to develop and race against myself.

6. What is your favorite business book of 2011, and why?

"Jack: Straight From the Gut" by Jack Welch is not exactly a business/management book and is not exactly recent. I picked up that book last year and it is a good read to renew my faith that great things can be accomplished with passion.

7. What activities do you indulge in when you are not at work?

I spend a lot of time outside of work volunteering for education and social services, and have been fortunate to find a group of like-minded friends who share this passion. I am also passionate about politics, something which is exemplified by my involvement in public forums and discussion concerning youth and public policy.

VOICES OF KWAP



D. Name : **LIM HUI SI**
 Risk Management and Compliance Department
 Education : MBA from Hitotsubashi University, Tokyo (under scholarship from the Japanese Government Young Leaders Programme). B.Sc. Decision Science from Universiti Utara Malaysia.

1. What is your scope of work?

I work in risk management and compliance department, with special responsibility for market risk on all investments made, i.e. Fixed Income, Equity, Alternative Asset and Derivative instruments. This is a major responsibility as investment risk form a substantial part of KWAP's risk profile.

2. What does your job entail?

My job entails me to come up with framework, policy, system, reporting and guideline in monitoring and mitigating the risk that arise from the change in market sentiments and/or the characteristic of the asset/instruments. I have to study and recommend methodology and systems that are best suited for KWAP investment exposure and stage of development. Hence, being analytical, resourceful and a thirst to learn more are extremely beneficial in this role.

3. Which part of the job do you value the most?

I like the challenge of starting a new initiative from scratch; making the business case for it, planning and implementation of the project and seeing it to fruition.

4. What made you decide to grow your career with KWAP?

I had been in the banking industry since 2004 and have always wanted to explore and expand my knowledge and experience in the financial industry. After my MBA, I was introduced to KWAP, a pension fund organization and the notion of being empowered to explore and manage risk management from a different perspective intrigued me.

5. What key career lessons have you learned so far from working at KWAP?

Executing tasks is the easy part of your work. Managing a project that consists of a team of colleagues with different expertise, limited resources and different expectation is the challenging part. I have learnt to work with people and through people to achieve our common goals.

6. What is your favourite business book of 2011 and why?

Portfolio Construction and Risk Budgeting by Bernd Scherer. This is a good book with detail explanation on management of portfolio, very much related to the asset management world and my area of work.

7. What activities do you indulge in when you are not at work?

I like to read on my pastime, crime fiction is my all time favourite, and when my budget allows, an overseas trip to some exotic countries to recharge and broaden my horizons. My aim is to visit all the wonders of the world.

Section CORPORATE GOVERNANCE

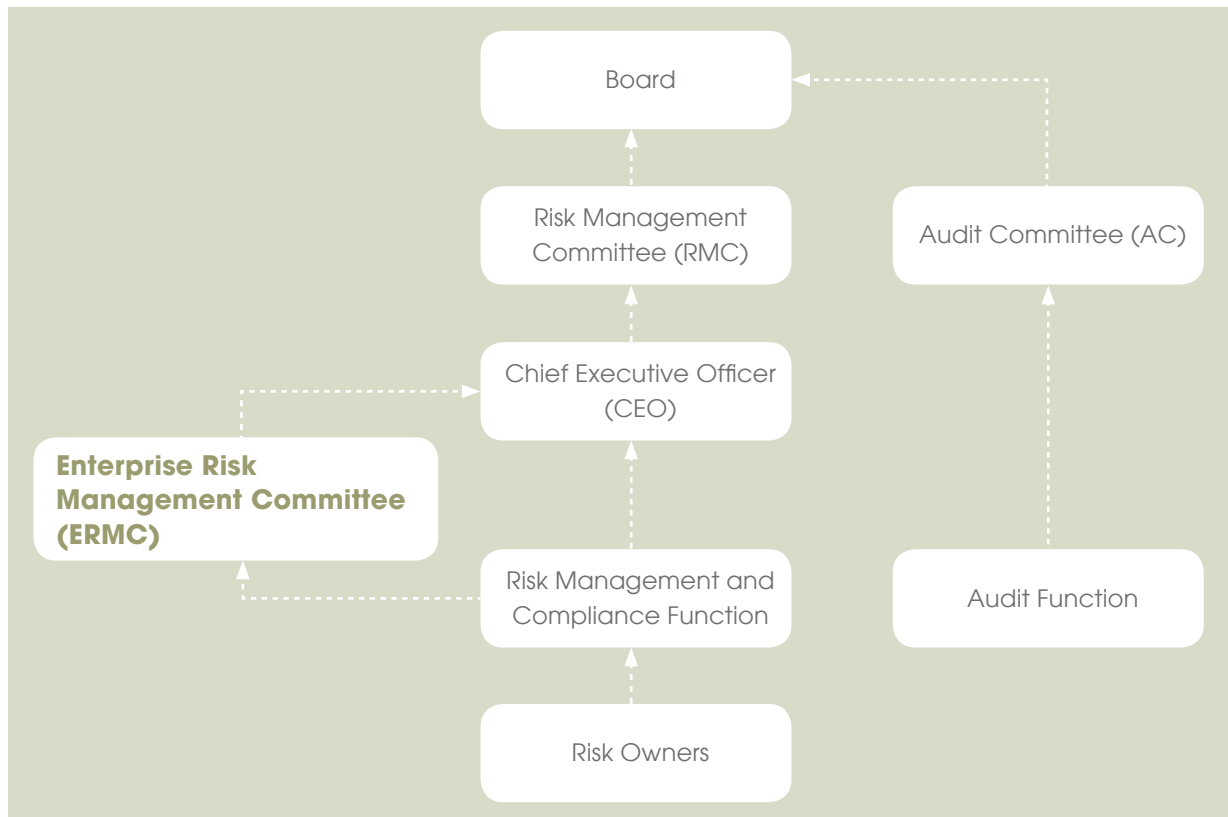
- 035** Managing our Risks
- 051** Statement on Governance
- 062** Statement on Internal Control

MANAGING OUR RISKS

ENTERPRISE RISK MANAGEMENT (ERM)

Enterprise Risk Management involves an integrated process of identifying, evaluating, monitoring, managing and reporting of significant risks associated with KWAP's investment activities and operations. In 2011, KWAP conducted a gap analysis on the existing Risk Management Framework against the ISO 31000:2009 Risk Management Standard to ensure risk management practices were aligned with the standard. Action plans were formulated to close identified gaps and implementation will stretch through to year 2012.

KWAP'S ERM OVERSIGHT STRUCTURE



MANAGING OUR RISKS

The Board is ultimately responsible for the oversight and management of KWAP's risks. The Board, through the Risk Management Committee (RMC) maintains overall responsibility for risk oversight within KWAP.

The RMC's responsibilities include among others reviewing and ensuring adequacy of risk management policies and procedures, reviewing risk exposures, and ensuring that infrastructure, resources and systems are put in place for risk management activities.

The Board is also supported by the Audit Committee whose responsibility is to provide an independent assessment of the adequacy and reliability of the risk management processes and system of internal controls and compliance with risk policies and regulatory requirements.

Enterprise Risk Management Committee which is chaired by the CEO serves as a platform where all risk related matters put forward by operational and investment units are being deliberated and addressed. Issues were then put forward to RMC for notification and decision if necessary.

The dedicated independent risk management and control functions, namely the Risk Management and Compliance Department and Internal Audit are responsible for ensuring the approved risk management framework and policies are implemented and complied with. They are also responsible for facilitating the risk management processes with operational units which include risk identification, assessment, mitigation and monitoring.

At the forefront, operational units are responsible for identifying and managing risks within their operations. They are to ensure all daily activities are carried out within the established framework and complied with the approved policies, procedures and limits.

OPERATIONAL RISK MANAGEMENT

Operational Risk Event Reporting (ORE)

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. In 2011, the reported OREs did not have damaging impact to KWAP's operation as the majority of them were rectified on timely basis. The reported OREs mainly fall under the following categories of risk events:

1. Clients, products and business practices;
2. Execution, delivery and process management; and
3. Business disruption and system failures.

In addressing the reported OREs, proactive measures were taken such as conducting a review on key processes to include new controls with clearly defined roles and responsibilities for parties involved.

Lifecycle Process Review (LPR)

Lifecycle Process Review (LPR) was introduced as one of the proactive actions to manage operational risks. It is aimed at ensuring operational risks inherent to key processes are adequately and effectively managed. The review involved documentation and analysis of process flow to identify and analyse risk points, control activities and areas for improvement. The scope for the review covers processes across relevant departments i.e. front office, pre-settlement, settlement, fund administration, custodian and accounts.

More importantly, discussions were also carried out with relevant departments to identify, formulate and agree on action plans to mitigate operational risks. Key areas that were covered include investment in fixed income instruments, money markets, listed shares and private equity funds.

MANAGING OUR RISKS

BUSINESS CONTINUITY MANAGEMENT (BCM)

In 2011, KWAP continued with the implementation of the BCM framework and identified areas where improvement can be made to internal capabilities and competencies to mitigate the risk of severe operational disruption.

Disaster Recovery Exercises remain a top priority in which two (2) exercises were carried out at our alternate site which was equipped with necessary infrastructure needed for resumption of critical business functions. During the exercises, KWAP's personnel who serve as members of the Business Continuity Team were tasked to simulate the recovery of critical functions. The results have been encouraging where key areas have been adequately tested and areas for improvement were identified.

STRATEGIC RISK MANAGEMENT

Strategic Risk Management is a process for identifying, assessing and managing risks and uncertainties, affected by internal and external events or scenarios, that could inhibit an organisation's ability to achieve its strategy and strategic objectives with the ultimate goal of creating and protecting shareholder and stakeholder value. It is a primary component and necessary foundation of Enterprise Risk Management.

In 2011, KWAP formalised its Strategic Risk Management Framework to ensure that the strategic risks are being managed on an enterprise-wide basis rather than in silos. Corporate Planning and Development Department being the principal coordinator, monitors and assesses the ongoing implementation of KWAP's strategic objectives and goals. KWAP also conducts regular reporting to the Board and continuously reviews and assesses the progress made as well as conduct a broader assessment of the macro

and micro economic conditions. Periodic review of the Strategic Asset Allocation in tandem with reassessment of our internal skill sets and capabilities is crucial in our drive to achieve our strategic goals.

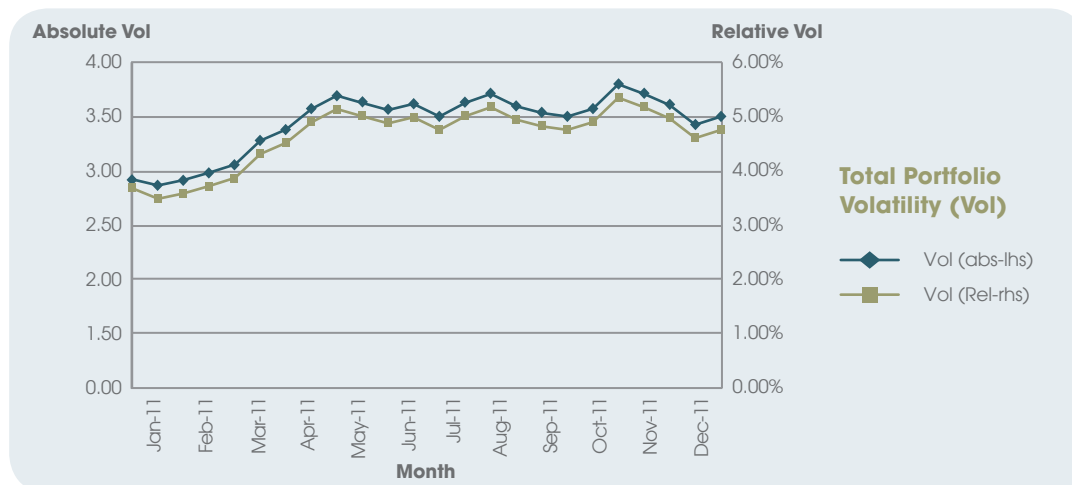
MARKET RISK MANAGEMENT

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 exposure to international investments is currently at 4.01% of total investment as at December 2011.



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 5% probability, over a 10-days trading period. Overall, KWAP's VaR averaged at 1.61% of the funds market value. In other words, for a 2-week period, there is a 95% probability that KWAP will not lose more than 1.61% of the fund's market value due to market risk.

MANAGING OUR RISKS



KWAP also measures portfolio volatility, which is defined as the likely forecast variability of the portfolio over a one (1) year period, based on one (1) Standard Deviation (or 68% probability). On average, volatility of KWAP portfolio is $\pm 4.57\%$. The model estimates that the portfolio can increase or decrease in value by 4.57% in one (1) year's time. The higher the number, the more volatile the portfolio, hence the more risky it is. We enhance our monitoring and understanding of portfolio volatility by supplementing it with risk-return measures such as Sharpe Ratio as shown by the next chart.

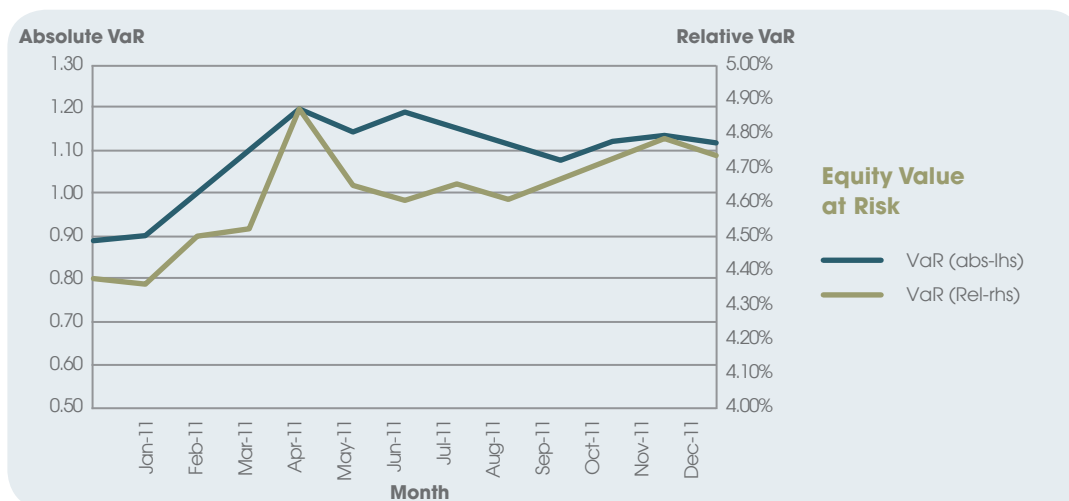
MANAGING OUR RISKS



KWAP's Sharpe ratio shed to 1.89% in December 2011. The significant drop of the stock market in the month of September 2011 has contributed to the decline of the Sharpe Ratio. Overall, KWAP's portfolio was able to add value by 189 basis points over the risk free rate.

Equity Risk Exposure

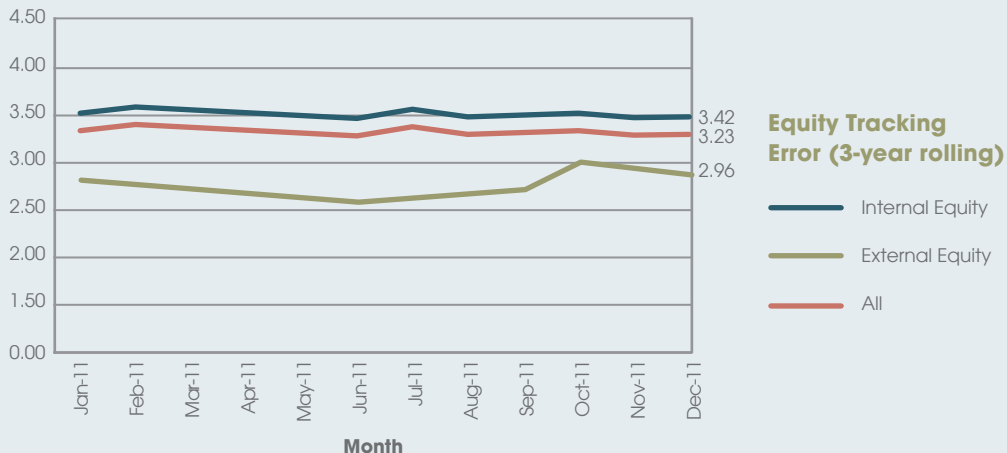
Equity Portfolio represents an average of 31.00% of the total portfolio market value, fixed income instruments 45.62%, Money Markets 21.29% and with the rest being invested in alternative investments, i.e. real estate, private equity, private equity funds 2.08%. Overall, KWAP's Equity VaR averaged at 4.60% of the fund's equity portfolio market value.



MANAGING OUR RISKS

Tracking error for Equity has been declining since the start of the year and stood at 3.23% in December 2011.

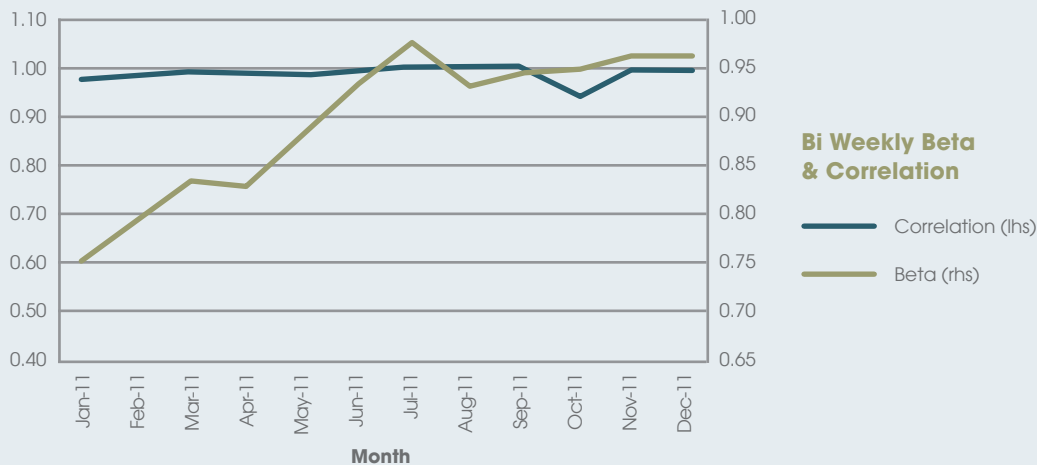
Tracking Error (%)



Correlation to the benchmark (FBM100) is relatively high for the entire year at an average of 0.98 while beta is on average 0.90. This indicated that when the index rises by 1%, our portfolio will increase by 0.90%. This is commonly seen as a defensive portfolio in line with KWAP's prudent investment strategy.

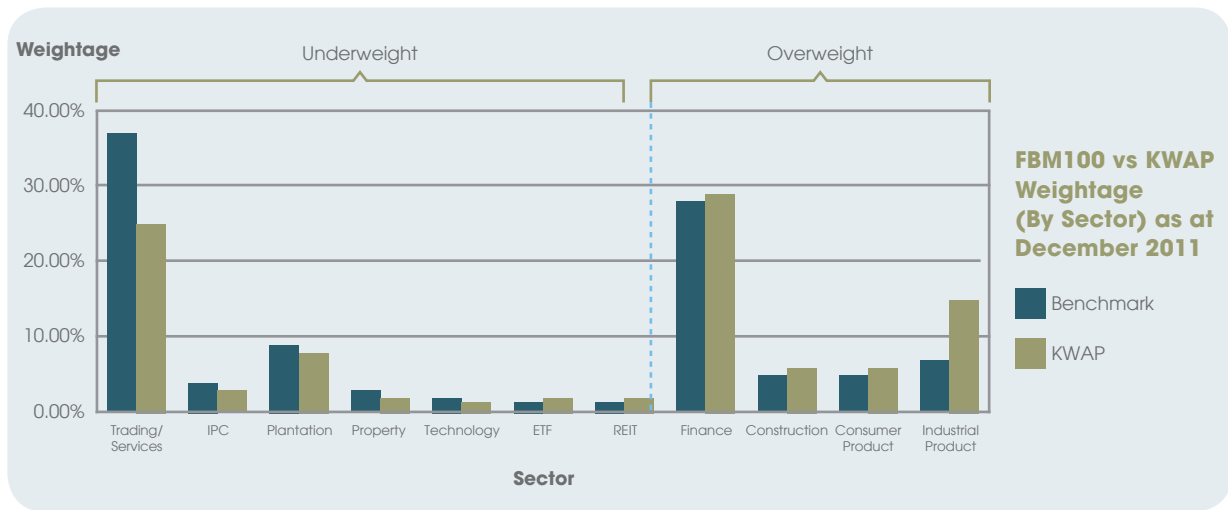
Correlation

Beta



MANAGING OUR RISKS

Diagram below illustrates KWAP's equity exposure versus the FBM100 index. As at year end 2011, our top three (3) key overweight sectors were Industrial Products, Finance and Consumer Products, while top three (3) key sectors being underweight were Trading and Services, Infrastructure/Project Company and Plantation.

**Fixed Income Exposures**

KWAP's Fixed Income exposures are mainly in MGS, Quasi-Government Bonds, PDS and Money Markets.

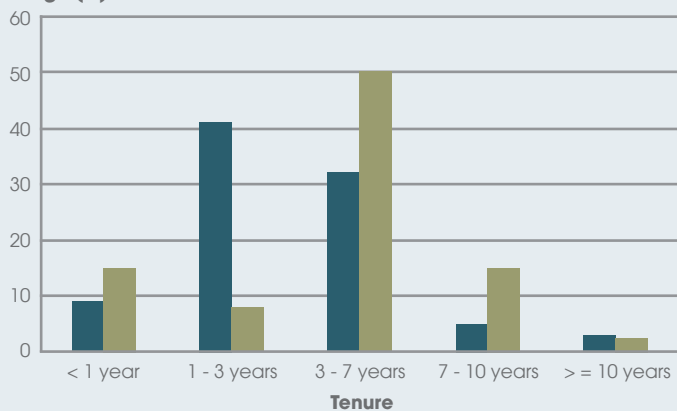
MGS and Quasi - Government Bonds

As a pension fund, our fixed income strategy takes into consideration risk objectives vis-à-vis, return objectives, liquidity of the instruments and time horizon of liabilities. In KWAP, the MGS and Quasi-Government Bonds maturity profile is skewed towards one (1) to seven (7) years maturity.

MANAGING OUR RISKS

Diagram below shows KWAP is underweight in all the remaining maturity tenure buckets except on the one (1) to three (3) years maturity and more than ten (10) years maturity compared to the benchmark Quantshop MGS All Index.

Percentage (%)



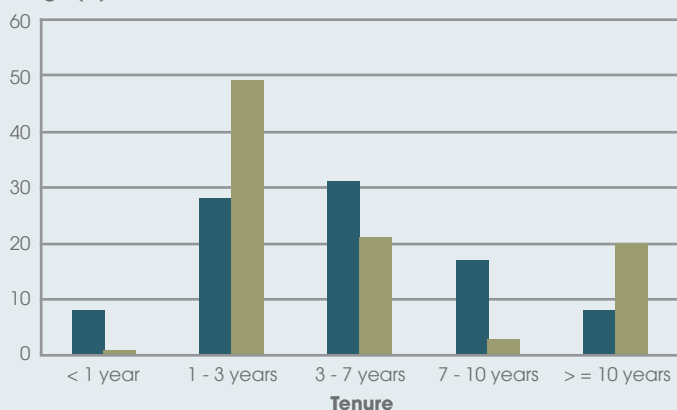
**KWAP vs MGS All
(by Tenure) as at
December 2011**

■ KWAP
■ Benchmark

PDS

As at end 2011, the maturity profile for PDS focuses on the medium term three (3) to seven (7) years (Diagram below). As at end 2011, KWAP is on average underweight on the tenure one (1) to three (3) years, and more than ten (10) years maturity category while overweight in the other remaining maturity category compared to the benchmark Quantshop All Index.

Percentage (%)

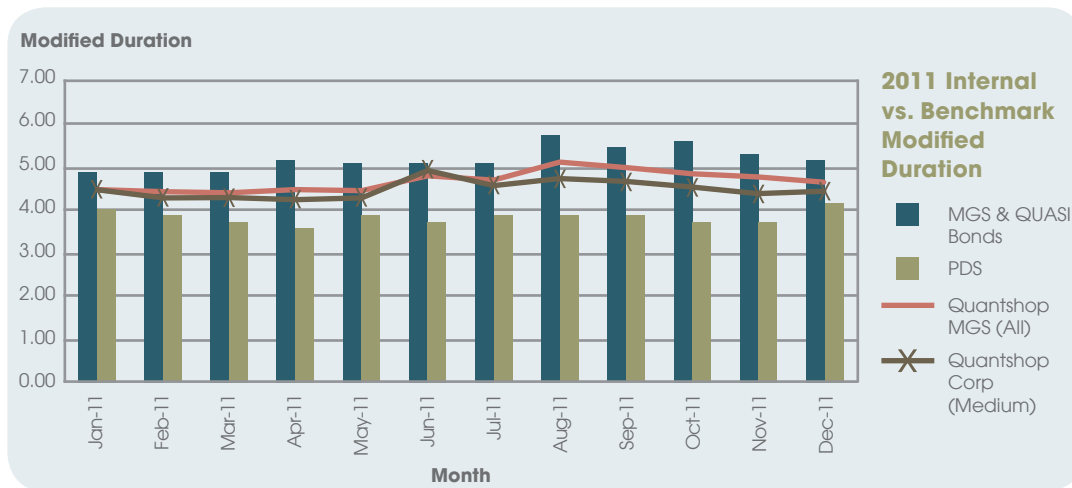


**KWAP vs Corporate
All (by Tenure) as at
December 2011**

■ KWAP
■ Benchmark

MANAGING OUR RISKS

Throughout the year, for MGS and Quasi Bonds, KWAP's average at a modified duration of 5.20 versus the benchmark Quantshop All Index of 4.67. There is still ample demand for MGS and Quasi Bonds in the market as demand far exceeds supply. Flight-to-safety flows will provide support for MGS and Quasi Bonds. For PDS, KWAP has an average modified duration of 3.86 versus the benchmark of 4.55. The shorter duration reflects KWAP's more prudent investment strategy in PDS compared to the Quantshop benchmark.



The rolling three (3) year tracking error of External Fixed Income portfolios slipped to 1.79% due to the phasing out of the data outliers during the Subprime Crisis circa 2008 to 2009.



MANAGING OUR RISKS

Alternative Investments

As at December 2011, Alternative Investments remain a relatively small portion of KWAP's total fund of 2.08%. The investments include that of property, private equity (PE) fund and domestic investment invested both in domestic and international market.

Property (International)

Our exposures of property investment in Foreign Currency is in AUD. The properties are invested mainly for the rental yield and are long term in nature; hence the risk is structured as opposed to day of transaction. We also keep aside FX provision on a monthly basis based on the lower of cost or market value practice to ensure visibility and transparency.

PE Fund (Domestic and International), and PE (Domestic)

As at December 2011, there are ten PE funds invested in USD and AUD currencies compared to two direct investments invested in local currency. For PE Funds, KWAP monitors the performance of its investments via face to face periodic update meetings with General Partners (GPs) and visits to actual sites of portfolio companies, invested by the said funds. For direct holdings, KWAP has Board representations and took active roles in various committees to ensure proper corporate governance. Performance metrics for PE funds include Internal Rate of Return (IRR), Distribution to Paid-in Capital (DPI), Residual Value to Paid-in Capital (RVPI), Total Value to Paid-in Capital (TVPI) multiples and fair market value of each portfolio companies.

Typically, PE funds tend to be progressively drawn down with progressive capital and profit repayments. The more mature portfolios would have a mix of drawn down investments and undrawn capital commitments. (as illustrated in the graph below). Risk management of PE funds during the selection process would be centred on the evaluation of the GP and how far the GP achieve their stated investment goals by staying with their investment strategy for their past mandates.



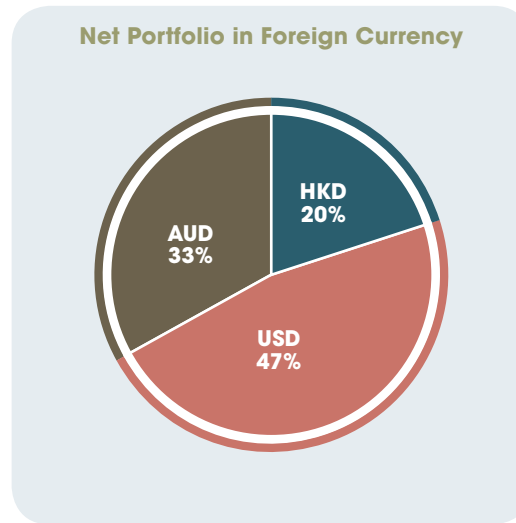
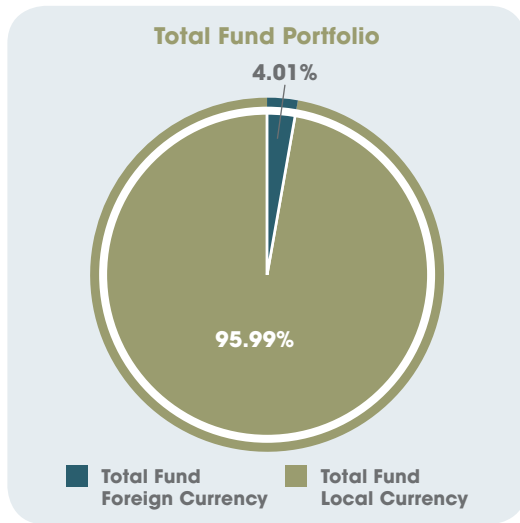
Note: Figures are calculated based on total asset allocation for the year.

MANAGING OUR RISKS

Currency Risk

Total fund portfolio consists of 4.01% investment (Equity, Fixed Income, PE Fund and Property) in foreign currencies, while the rest remained in local currency (MYR).

The foreign currency components can be broken down into three (3) major types of currencies with percentage (%) as illustrated below:

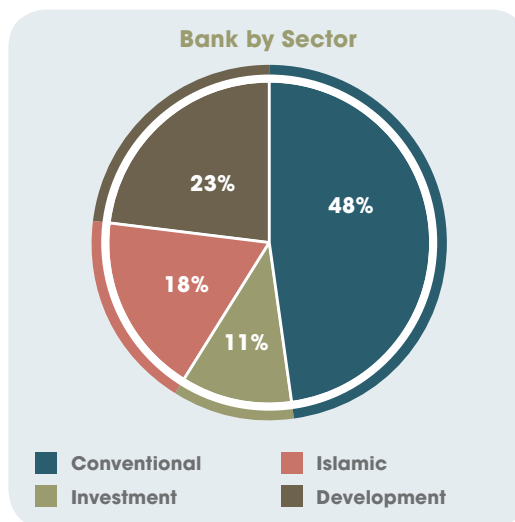


MANAGING OUR RISKS

CREDIT RISK MANAGEMENT

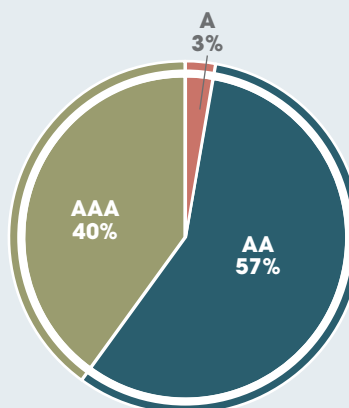
Credit risk is the risk of losses as a result of defaults by KWAP's counterparties, i.e. bond issuers, deposit taking institutions, brokers and other intermediaries. KWAP is an active player in the local fixed income and money markets with participation in both primary and secondary markets. The strong credit risk policies are developed to manage this risk. Industry best practices are instilled in the continual updating of credit risk policies. The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the fund, and to ensure the returns are commensurate with risks.

KWAP actively provides liquidity to the market via placements of deposits, this exposes 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. Furthermore, KWAP is expanding our investments into foreign currency and derivatives, which exposes us to more counterparty credit risks. A counterparty Limits Guideline was introduced to manage the counterparty credit risk in a holistic approach. This guideline will address the limits to be allocated to the money market exposure, foreign exchange and derivatives exposure based on the credit worthiness of the financial institutions as reflected in external credit ratings or KWAP's own credit assessment.



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

**Internal PDS Portfolio by Rating
(Nominal Value) as at 31 December 2011**



MANAGING OUR RISKS

Being proactive in managing the credit risk of PDS, KWAP has implemented ongoing monitoring of PDS on Negative Rating Watch. Rating Watch is an indicator issued by rating agencies to alert investors to possible changes in the existing long-term and short-term ratings assigned by them. The rating watch focuses on the identifiable events and short-term trends (e.g. mergers, acquisitions, regulatory changes, operational developments) that could alter the fundamental credit quality of a rated issue. A “negative” rating watch reflects the possibility of the rating being lowered. This mechanism serves as part of the preemptive measures in addressing the potential downgrade and/or default of the bond. This will enhance visibility and promote better risk management in the PDS portfolio.

Group Investment Exposure

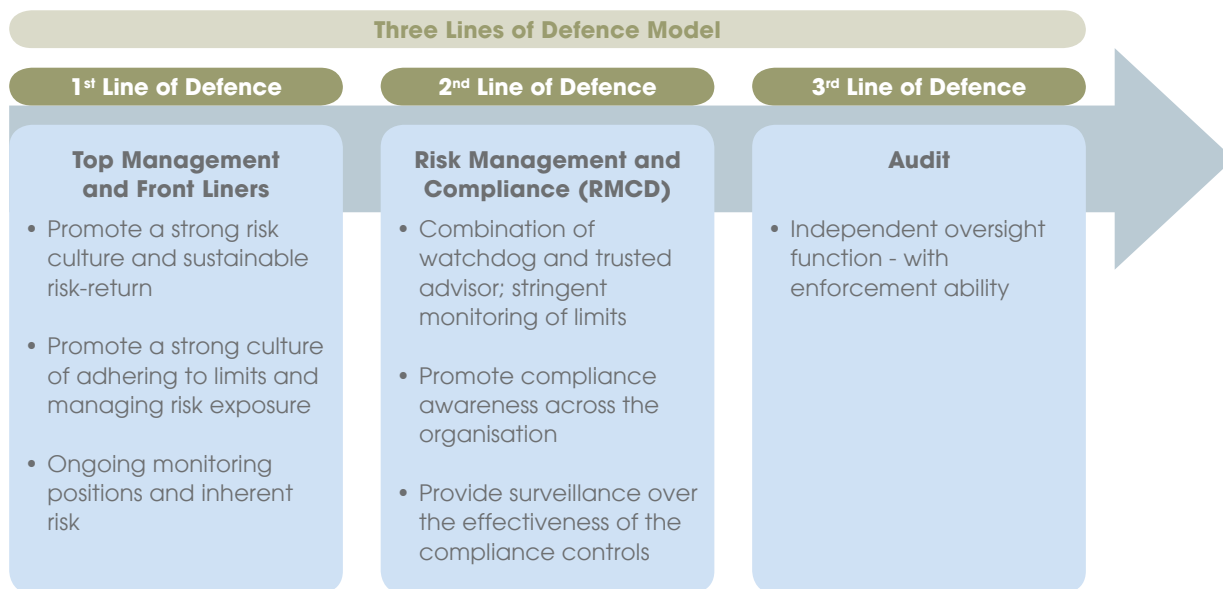
Apart from managing the counterparty risks by asset classes, KWAP also performs monitoring on the group investment exposure across all asset classes. This is where we monitor KWAP’s exposures in any single group of counterparties based on a system of traffic lights which highlights the larger group exposures.

COMPLIANCE

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

The main objectives of compliance are to preserve KWAP’s reputation so that our competitive standing and reputation is not only maintained, but also enhanced. To achieve this objective, RMCD’s underlying mission is to effectively measure and manage the compliance risk of the organisation to meet the expectation of all stakeholders. Compliance Risk within KWAP is defined as the risk of impairment to the organisation’s business model, reputation and financial condition from failure to meet requirements of the laws and regulations, internal policies and the expectation of the stakeholders. Providing the foundation to this aspiration is the Compliance Framework which was implemented in 2010; from which the building blocks of the compliance functions are shaped. In managing the roll-out of the Compliance Framework, Compliance has adopted the Three Lines of Defence Model in managing the compliance risk in KWAP.

MANAGING OUR RISKS



The three lines of defence model is adopted by KWAP for the internal control framework in the context of risk management, corporate governance and risk oversight. On a functional basis, top management and front liners form the first line of defence against compliance risk. On the other hand, they are principally responsible for monitoring and ensuring that the conducts of their business activities are carried out within the approved policies. Aside from that, a Compliance Liaison Officer has been appointed in each department to act as a reference point in any non-compliance issues and ensure that their departments are kept abreast in any implementation of the policies and guidelines.

Risk Management and Compliance Department forms the second line of defence. Compliance function has a key role in the control structure. The compliance team needs to find a careful balance between the fundamentally different mindset and approaches required by the proactive “trusted advisor” and the more reactive “independent watchdog”. The role of trusted advisor tilts the focus towards preventive measures. This includes helping the business to anticipate the regulatory requirements, thoroughly assess the potential compliance risks and ensure that the business knows how to meet its obligations on a day-to-day basis.

The third line of defence is internal audit which undertakes independent and regular ex-post reviews of the overall organisation internal controls, and the risk and compliance to regulatory requirements. In other words, it ensures the effectiveness of the first two lines of defence.

MANAGING OUR RISKS

Scope of Compliance**a) Regulatory Compliance**

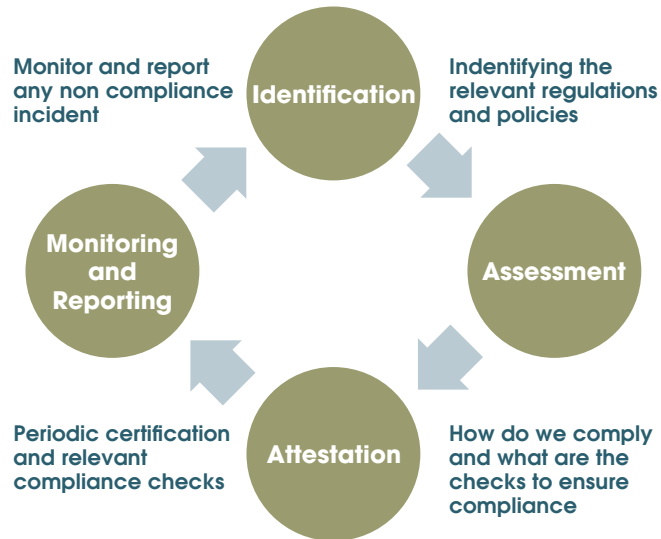
This covers the external regulations and guidelines which KWAP is bound to comply with such as the relevant Act of Parliament, Minister of Finance's Decree and relevant guidelines by regulatory bodies such as Bank Negara Malaysia, Securities Commission and Bursa Malaysia. The ownership of the regulatory compliance is with the relevant operating unit at transactional or operating level, where any potential breaches shall be identified upfront before the event. A proactive approach has been adopted as non-compliance to the regulatory compliance is treated with utmost seriousness.

b) Internal Compliance

This covers the compliance to the internal policies and guidelines, for example, Investment Policy and Guidelines, Discretionary Authority Limits and Standard Operating Procedures. RMCD approach in ensuring the internal compliance is sustained through the risk limit controls in the investment system and operational process controls embedded in the Standard Operating Procedures.

Compliance Process

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

**Compliance Toolkit****a) Attestation/Self-Compliance Checklist**

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 Self-Compliance Checklist includes the regulatory compliance and internal policies and procedures. This toolkit may also serve as a means of compliance awareness.

b) Gap Analysis

A periodic departmental exercise to identify the compliance requirements and 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 process is KWAP's Management, which oversees and provides direction for compliance within KWAP. A periodic compliance report will be 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 for appropriate risk management and mitigation actions are given.

STATEMENT ON GOVERNANCE

THE BOARD

The Board recognises the importance of the principles of Corporate Governance in conducting the affairs of KWAP. Integrity, transparency and professionalism are key components contributing to the organisation's continued progress and success. The goal is to achieve an optimal governance framework, which maximises stakeholder's value and ensures the smooth running of its 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 such as the Government, private sector, Bank Negara Malaysia and contributor's representative. They are important to the achievements of KWAP's strategies.

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

KWAP's commitment towards realising best practices in good corporate governance is evidenced through the establishment of its "Corporate Governance: Principles and Voting Guidelines" and "Whistle Blowing Policy" which was approved by the Board in early 2011. "Corporate Governance: Principles and Voting Guidelines" shall serve as a guideline for KWAP in monitoring the conduct of its investee companies with respect to corporate governance practices and the manner that KWAP will vote for resolutions raised in Annual General Meeting / Extraordinary General

Meetings of the company. On the other hand, the Whistle Blowing Policy is a mechanism to enable the employees to raise concerns, disclose internally any serious malpractice or misconduct without fear of victimisation, recrimination, discrimination or disadvantage to the employee reporting the concern. This policy will provide a safe and formal channel for employees to report their concerns so that the same can be properly addressed.

Composition of the Board

The Board consists of the following members as appointed by the Minister of Finance:

- (i) a Chairman who is the Secretary General of Treasury, Ministry of Finance;
- (ii) a representative from Bank Negara Malaysia;
- (iii) a representative from the Ministry of Finance;
- (iv) Chief Executive Officer who is an ex-officio member;
- (v) three (3) representatives of the Government of Malaysia;
- (vi) three (3) other persons from the private sector with experience and expertise in business or finance; and
- (vii) a representative of the contributors to the Fund other than the representatives of the Government of Malaysia.

STATEMENT ON GOVERNANCE

The Chairman is primarily responsible for ensuring the 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 the day to day administration of KWAP and the administrative control of the employees.

A brief profile of each Board member is presented on page 20 to 23 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 procedures and to ensure that KWAP achieves its objectives with success and excellence.

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

BEST PRACTICES IN CORPORATE GOVERNANCE : PRINCIPAL RESPONSIBILITIES OF THE BOARD

The Board explicitly assumes the following six specific responsibilities, which facilitate the discharge of the Board's stewardship responsibilities:

- Reviewing and adopting a strategic plan for the organisation;
- Overseeing the conduct of the organisation's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management;
- Developing and implementing an investor relations programme or shareholder communications policy for the organisation; and
- Reviewing the adequacy and the integrity of the organisation's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

STATEMENT ON GOVERNANCE

Board Meetings

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 2011, nine (9) Board Meetings and two (2) Special Board Meetings were held.

Board Meeting Attendance

NO	NAME	ATTENDANCE
1.	Tan Sri Dr. Wan Abd Aziz Bin Wan Abdullah (Chairman)	11/11
2.	Datuk Idrus Bin Harun	10/11
3.	Dato' Dr. Mohd Irwan Serigar Bin Abdullah (*appointed 2 January 2011)	7/11
4.	Dato' Yeow Chin Kiong	9/11
5.	Dato' Siow Kim Lun	10/11
6.	Dato' Muhammad Bin Ibrahim	9/11
7.	Dato' Seri Ahmad Johan Bin Mohammad Raslan	7/11
8.	Encik Cheah Teik Seng	8/11
9.	Dato' Omar Bin Haji Osman	7/11
10.	Dato' Azian Mohd Noh	11/11

NO	SCOPE OF THE BOARD'S RESPONSIBILITIES AND ACCOUNTABILITIES AS PROVIDED BY THE ACT	THE BOARD'S DUTIES / ACTIVITIES FOR YEAR 2011
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"> • Appointment of accounting firm to conduct Financial Reporting Standards (FRS) readiness assessment for KWAP. • Approved KWAP's Expenditure Budget for Financial Year 2012.
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 "Whistle Blowing Policy". • Approved the "Corporate Governance: Principles and Voting Guidelines". • Approved the promotion and upgrade for KWAP's employees. • Approved the Education Assistance Scheme for KWAP's employees. • Approved the Revised Salary Structure for KWAP's Non Executive Employees.

STATEMENT ON GOVERNANCE

NO	SCOPE OF THE BOARD'S RESPONSIBILITIES AND ACCOUNTABILITIES AS PROVIDED BY THE ACT	THE BOARD'S DUTIES / ACTIVITIES FOR YEAR 2011
3.	To establish appropriate disciplinary authorities with respect to the conduct and discipline of the employees of KWAP;	No new procedure was approved in 2011. KWAP is currently adopting the Statutory Bodies (Discipline and Surcharge) Act 2000 to handle issues relating to staff's conduct and discipline.
4.	To establish committees and procedure of such committees;	<ul style="list-style-type: none"> Establishment of Standing Committee to oversee whistle blowing instances.
5.	To regulate its internal procedures including procedures relating to operational matters;	<ul style="list-style-type: none"> Approved KWAP's Business Plan, Corporate Scorecard and Income Target for 2012. Approved the Domestic PDS Portfolio Rating Limits. Approved the new limits on Modified Duration for Domestic Internal PDS Portfolio. Approved the revised "Investment Policy and Guidelines". Approved the "Foreign Exchange Policy and Guidelines". Approved the Investment Policy and Guideline for International Equity Investment. Approved the setting up of KWAP's office in London for Equity Investment. Approved the "Document Retention Policy". Approved the Strategic Risk Management Framework.
6.	To prescribe the manner in which documents, cheques and instruments of any description shall be signed or executed on behalf of KWAP; and	No new procedure was approved in 2011.
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"> Approved the appointment of vendor to supply, install, test and commission an Integrated Contribution Management System (ICMS) for KWAP. Approved the appointment of vendor to supply, install, test and commission a Risk, Performance and Strategy System (RPS) for KWAP. Appointment of Global Custodian, External Fund Managers, Panel Stockbrokers and Tax Consultants.

STATEMENT ON GOVERNANCE

THE INVESTMENT PANEL

The Retirement Fund Act 2007 (Act 662) also requires the establishment of an Investment Panel to provide strategic direction on investment matters. It determines and approves investment policy & guidelines, policies on risk management, asset allocation and strategic direction on investments.

Composition of the Investment Panel

The Investment Panel consists of the following members who have been appointed by the Minister of Finance:

- (i) a Chairman who is the Chairman of the Board or such other person as may be appointed by the Minister of Finance;
- (ii) a representative from the Central Bank of Malaysia;
- (iii) a representative from the Ministry of Finance;
- (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 24 to 25 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 direction on investment matters, investment policy and guidelines, asset allocation and investment proposals. In executing its function, the Investment Panel reports its activities to the Board and shall act in accordance with the general policy that is issued by the Board and approved by the Minister of Finance.

Investment Panel Meetings

During the financial year 2011, eleven (11) Investment Panel Meetings and one (1) Special Investment Panel Meeting were held. The summary of attendance of the Investment Panel Members is as follows:

Investment Panel Meeting Attendance

NO	NAME	ATTENDANCE
1.	Tan Sri Dr. Wan Abd Aziz Bin Wan Abdullah (Chairman)	12/12
2.	Dato' Mohammed Azlan Bin Hashim	10/12
3.	Dato' Sri Abdul Wahid Bin Omar	7/12
4.	Datuk Nozilah Binti Bahari	12/12
5.	Encik Cheah Tek Kuang	11/12
6.	Cik Che Zakiah Binti Che Din	8/12
7.	Dato' Azian Mohd Noh	12/12

STATEMENT ON GOVERNANCE

Summary of Investment Panel Activities

In circumstances where there is an immediate decision needed, 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 109 proposals whereby 104 proposals were subsequently approved including approval via circulation.

BOARD COMMITTEES

To assist the Board in discharging its duties, the Board has established several committees, namely the Audit Committee, Risk Management Committee and Remuneration Committee. All Board Committees have its written terms of reference which are reviewed from time to time to ensure that they are relevant and up-to-date.

The detailed activities of Board Committees during the year are outlined below.

AUDIT COMMITTEE

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

Membership of Audit Committee

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

- (i) Encik Cheah Teik Seng (Chairman)
- (ii) Datuk Idrus Bin Harun
- (iii) Dato' Siow Kim Lun
- (iv) Dato' Seri Ahmad Johan Bin Mohammad Raslan

Dato' Seri Ahmad Johan Bin Mohammad Raslan is a member of the Malaysian Institute of Accountants (MIA). KWAP adheres to the principles of Corporate Governance to have a member of the Audit Committee who is a full fledged accountant.

Six (6) Audit Committee meetings and one (1) Special Audit Committee meeting were held throughout year 2011.

Duties and Responsibilities of Audit Committee

The following are the duties and responsibilities of the Audit Committee:

- (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 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;

STATEMENT ON GOVERNANCE

- (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).

Audit Committee Meeting Attendances

NO	NAME	ATTENDANCE
1.	Encik Cheah Teik Seng (Chairman)	6/7
2.	Datuk Idrus Bin Harun	6/7
3.	Dato' Siow Kim Lun	6/7
4.	Dato' Seri Ahmad Johan Bin Mohammad Raslan	7/7*

** Due to unforeseen circumstance, Dato' Seri Ahmad Johan Bin Mohammad Raslan replaced Encik Cheah Teik Seng as chairman of the Special Audit Committee Meeting.*

Summary of Audit Committee Activities

Among the major issues / proposals deliberated and approved by the Audit Committee were:

- (i) the appointment of the auditor to undertake the Financial Year 2011 and Financial Year 2012 internal Audit Function for KWAP;
- (ii) internal Audit Plan for 2011 and 2012; and
- (iii) the Financial Statements of KWAP for Financial Year Ended 31 December 2010.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee was established to assist the Board in discharging its functions with regards to risk management.

Membership of Risk Management Committee

Currently, the Risk Management Committee comprises four (4) Board members and one (1) Investment Panel member, i.e. a Chairman and the following four (4) other members who have been appointed by the Board:

- (i) Dato' Muhammad Bin Ibrahim (Chairman)
- (ii) Dato' Siow Kim Lun
- (iii) Dato' Mohammed Azlan Bin Hashim
- (iv) Encik Cheah Teik Seng
- (v) Dato' Azian Mohd Noh

Four (4) Risk Management Committee meetings were held throughout year 2011.

STATEMENT ON GOVERNANCE

Duties and Responsibilities of Risk Management Committee

The following are the duties and responsibilities of the Risk Management Committee:

- (i) to formulate and carry out the risk management strategies and policies;
- (ii) to assess and approve proposal 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 determine risk appetite, tolerance and parameters to Board for adoption;
- (iv) to assess and evaluate existing and new policies, controls and recommend to the Board for final 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 Business Continuity Management (BCM);
- (ix) to recommend to the Board any changes to the Risk Management Framework; and
- (x) to consider other risk related issues as defined by the Board.

Risk Management Committee Meeting Attendance

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

Summary of Risk Management Committee Activities

Among major issues deliberated and approved by the Risk Management Committee during year 2011 were:

- Corporate Risk Profile
- Fund Performance and Fund Market Risk Report
- Counterparty Limits Policy
- Strategic Risk Management Framework
- Group Investment Exposure
- Compliance Reports
- Operational Risk Event Reports
- Updates on Business Continuity Management at KWAP

REMUNERATION COMMITTEE

Remuneration Committee was established to assist the Board in discharging its functions with its primary responsibility to establish the relevant policy framework in determining the appointment and remuneration of the management and staff of KWAP and recommend to the Board the performance related remuneration of the respective staff.

STATEMENT ON GOVERNANCE

Membership of Remuneration Committee

Currently, Remuneration Committee comprises five (5) Board members and one (1) Investment Panel member, i.e. a Chairman and the following five (5) other members who have been appointed by the Board:

- (i) Datuk Idrus Bin Harun (Chairman)
- (ii) Dato' Siow Kim Lun
- (iii) Dato' Seri Ahmad Johan Bin Mohd Raslan
- (iv) Dato' Mohammed Azlan Bin Hashim
- (v) Dato' Omar Bin Osman
- (vi) Dato' Azian Mohd Noh

One (1) Remuneration Committee meeting and one (1) Special Remuneration Committee meeting were held throughout year 2011.

Duties and Responsibilities of Remuneration Committee

The following are the duties and responsibilities of Remuneration Committee:

- (i) To recommend the minimum requirements on the skills, experience, qualifications and other core competencies of employees;
- (ii) To recommend and review terms and conditions of employment and service of employees;

- (iii) To recommend and review code of conduct and discipline of employees;
- (iv) To recommend the mechanisms for the formal assessment on the effectiveness of employees;
- (v) To recommend the promotion of employees;
- (vi) To recommend the relevant policy framework in determining the remuneration (monetary and non-monetary) of employees;
- (vii) To recommend service agreement structure / principles for employees including retirement / termination benefits;
- (viii) To review annually and recommend the overall remuneration policy of key management personnel to ensure that rewards commensurate with their contributions to KWAP's growth and profitability;
- (ix) To review annually the performance of the management and recommend to the Board specific adjustment in remuneration and/or reward payments if any, reflecting their contribution for the year; and
- (x) To consider other issues as defined by the Board.

Remuneration Committee Meeting Attendance

NO	NAME	ATTENDANCE
1.	Datuk Idrus Bin Harun (Chairman)	2/2
2.	Dato' Siow Kim Lun	2/2
3.	Dato' Seri Ahmad Johan Bin Mohammad Raslan	0/2
4.	Dato' Mohammed Azlan Bin Hashim	1/2
5.	Dato' Omar Bin Osman	2/2
6.	Dato' Azian Mohd Noh	2/2

STATEMENT ON GOVERNANCE

**Summary of Remuneration
Committee Activities**

Among the proposals deliberated and endorsed by the Remuneration Committee during year 2011 were:

- (i) the Appointment of Staff and Human Resource Policy for KWAP's subsidiary, namely Prima Ekuiti (UK) Ltd;
- (ii) KWAP's Education Assistance Scheme; and
- (iii) Revised Salary Structure for Non-Executive Employees of KWAP.

TENDER BOARD

Tender Board was established to assist the Board in discharging its functions with regards to evaluation of procurement proposals.

Membership of Tender Board

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

- (i) Dato' Dr. Mohd Irwan Serigar Bin Abdullah (Chairman)
- (ii) Datuk Idrus Bin Harun
- (iii) Dato' Yeow Chin Kiong
- (iv) Dato' Azian Mohd Noh

Two (2) Tender Board meetings were held throughout year 2011.

**Duties and Responsibilities
of Tender Board**

The following are among the duties and responsibilities of the Tender Board:

- (i) To review the tenderer's registration with the Ministry of Finance and Contractor Services Centre, tender invitation advertisement, tender specification, tender documents (if necessary), tender schedule prepared by the Tender Opening Committee, technical and financial evaluation reports amongst others;
- (ii) To ensure that the tender process complies with all applicable tender procedures;
- (iii) To review the tenderer's technical and financial capabilities;
- (iv) To consider and recommend awards which are beneficial to KWAP, taking into consideration factors such as pricing, utilisation of products/goods and/or services, delivery or completion period, maintenance cost as well as other relevant factors;
- (v) To decide on the re-tender process or to recommend any other procurement methods, if the Tender Board finds that the procurement procedures are not in accordance with the regulations or suspect that there are irregularities in the tender process;
- (vi) To consider and accept the tender provided that the decision is unanimous and is within the approved limit;
- (vii) To consider and accept any quotations acknowledged by the Quotation Committee that exceed the quotations limit; and
- (viii) To consider other procurement issues as defined by the Board.

STATEMENT ON GOVERNANCE

Tender Board Meeting Attendance

NO	NAME	ATTENDANCE
1.	Dato' Dr. Mohd Irwan Serigar Bin Abdullah (Chairman)	0/2*
2.	Datuk Idrus Bin Harun	2/2
3.	Dato' Yeow Chin Kiong	2/2
4.	Dato' Azian Mohd Noh	2/2

* YBhg. Dato' Dr. Mohd Irwan Serigar Bin Abdullah's absence for both meetings were due to his official duties and as he was performing Hajj during November to December 2011. Both meetings were chaired by the alternate Chairman, YBhg. Datuk Idrus Bin Harun.

Summary of Tender Board Activities

Among the procurement proposals deliberated and endorsed by the Tender Board during year 2011 were:

- Appointment of vendor to supply, install, test and commission an Integrated Contribution Management System (ICMS) for KWAP.
- Appointment of vendor to supply, install, test and commission a Risk, Performance and Strategy System (RPS) for KWAP.

APPOINTMENT AND REMUNERATION OF BOARD AND INVESTMENT PANEL MEMBERS

The Board and 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 Investment Panel is determined from time to time, subject to the approval of the Minister of Finance.

In 2011, the Board and Investment Panel members received remuneration totalling RM353,400.00 and RM319,150.00 respectively.

STATEMENT ON INTERNAL CONTROL

RESPONSIBILITY

The Board has overall responsibility for the integrity and effectiveness of the system of internal control and risk management of KWAP. Both processes are designed to manage and mitigate risks within acceptable risk tolerance levels whilst in compliance with established policies, objectives and 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 as well as the safeguarding of the assets of KWAP. 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 risk profiles 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 the risks. 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 of KWAP:

- The Board is primarily responsible for the establishment and approval of investment policies and guidelines, asset allocation and strategic directions of investments in line with KWAP's mandate and objectives;
- Audit Committee was established to ensure the formulation, adequacy and integrity of the system of internal control as well as the execution of management responsibilities;
- Risk Management Committee was established to assist the Board in the discharge of its risk management functions as well as formulation and execution of the risk management strategies and policies. These policies and guidelines serve as a foundation for risk management activities within KWAP;
- The Investment Committee comprises of key personnel responsible to deliberate and recommend to the Investment Panel on investment related matters;
- Enterprise Risk Management Committee is responsible for the deliberation of risk management strategies, policies and guidelines prior to the approval by the Risk Management Committee. Among its functions are the review and assessment of KWAP's risk exposure and the decision making on the most appropriate mitigating controls. Enterprise Risk Management Committee is also responsible to ensure availability of infrastructure, resources and systems for effective risk management;

STATEMENT ON INTERNAL CONTROL

- The Executive Committee is primarily responsible for the execution and evaluation as well as the effective communication of key operational and management decisions throughout KWAP;
- The annual business plan and annual budget of KWAP are prepared and tabled to the Board for approval;
- The actual performance of KWAP is assessed against the approved business plan and budget by the Board on a monthly basis whereby significant variances, if any, are explained by Management to the Board;
- 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 in assuring competency, capabilities and performance of employees in executing their professional responsibilities; and
- Policies, procedures and processes are 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 Audit Committee in the validation and verification of the design and operational sufficiency of the system of internal control. The internal audit also provides support to the continuous improvement of the overall system and the prudent management of KWAP's operations. 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 and ensuring that the design and effective operation has been established by Management.

Messrs. KPMG was appointed by the Board to undertake the internal audit function of KWAP by the Board for the financial year 2011 following the recommendations by the Management and Audit Committee. As the appointed internal auditor, Messrs. KPMG reports directly to the Audit Committee in accordance to the Internal Audit Plan and the terms and conditions of the audit engagement. The audit approach executed by Messrs. KPMG involves the following procedures:

- Understanding the internal processes of the audited focus areas;
- Overview of daily business operations and procedures;
- 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.

The outcome of the fieldwork and audit visits conducted by Messrs. KPMG were 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 Audit Committee periodically reviews and evaluates the overall services of Messrs. KPMG.

STATEMENT ON INTERNAL CONTROL

Internal Audit Review of KWAP for Financial Year 2011

The internal audit review of KWAP for the financial year ended 31 December 2011 involved the operational activities and the system of internal control of the investment activities namely equity and fixed income investments. This covers the initiation of the investment transactions at the front office until the completion of the transactions at the back office of KWAP. The fieldwork and audit of the selected audit areas were conducted via visits by Messrs. KPMG.

The primary objectives of the audit review by Messrs. KPMG was to verify and assess the adequacy of the existing internal controls, make proposal to strengthen the existing internal controls of audited areas as well as validate remedial measures undertaken by Management in relation to prior year internal audit findings or issues. The audit reports generated by Messrs. KPMG were reviewed and evaluated by the Audit Committee, noting that all remedial measures undertaken and executed by the Management was in compliance with the audit recommendations within the stipulated time frame.

KWAP has continuously improved its internal control processes and mechanism throughout 2011, addressing prior year internal audit findings and issues. The enhancement of the internal control processes and mechanism was in line with the expectations of Messrs. KPMG as discussed in their audit report. The reduction in the number of audit findings or issues is further testament to the overall improvement of KWAP's system of internal control. The following key policies, processes and mechanism were initiated for the enhancement of the system of internal control throughout 2011:

- Improvements on the investment and operation guidelines of the external fund managers and the Standard Operating Procedures of KWAP's business operations;
- Improvements to the reporting structure of the investment position;
- The declaration process of conflict of interest situations by the Board members, Investment Panel members and employees of KWAP;
- Enhancement of the Risk Management Framework for a more effective monitoring and mitigation of risks within the organisation; and
- Formalisation 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.

Section III MANAGEMENT DISCUSSION AND ANALYSIS

- 065** Our Operating Environment
- 067** Review of 2011 Operations and Achievements
 - 075** Investments
 - 091** Contribution Management
 - 095** Departmental Operations Review
 - 106** 2011 Financial Overview
- 107** Corporate Scorecard for 2012
- 110** Summary of Corporate Plan 2012-2014

OUR OPERATING ENVIRONMENT

Financial markets witnessed a volatile 2011, featuring a barrage of significant and adverse events of historic proportions. The Arab uprising, the devastating earthquake which struck Japan and the resurgence of the Greek and European debt crisis ironically conspired, causing a major impact on economies and markets around the world. The US loss of its most prized AAA sovereign standing in August underlined the dramatic shift in world economic dominance.

The political unrest in North Africa and the Middle East had clearly intensified in 2011, resulting in the surge in oil prices, particularly in the months of February, March and April. Oil prices subsequently fell again, approaching the levels seen at the start of the year. The spike in the prices of oil and other commodities contributed to the build-up in inflationary pressures, summoning Central Banks in developing economies into pre-emptive action.

The major earthquake of dire proportions which shocked Japan in March, not only pushed Japan into recession, it also affected the global supply chain of components, particularly the automobile and electronics industries. This string of events had a negative impact on industrial production and caused some distress around the world and to some extent, Malaysia.

As a result of high oil prices and the Japanese triple tragedy, the global economy started to show signs of a growth slowdown from April. Most Central Banks in the emerging economies continued to embark on their normalization policies as a result. A stark comparison with the Central Banks in the more mature and developed economies as their focus was more towards sustaining economic growth. Weather anomalies and the uncanny frequency and regularity of natural disasters across the globe throughout 2011 gave little respite for supply side inflation.

However, from April onwards, turmoil re-emerged and this time it involved the sovereign bond markets in peripheral Europe. Speculation of a Greek debt restructuring resurfaced, causing yield spreads in the distressed Greek, Irish and Portuguese economies to rise appreciably above their much safer German government bonds.

Since then, the global economy weakened and became increasingly divergent, resulting in a sharp decline in business and consumer confidence. Several leading economic indicators peaked and the cyclical momentum weakened, exerting upward pressure on government bond prices. The equity markets witnessed a rotation from cyclical to defensive sectors. The much softer growth prospects also caused the oil price to fall.

With persistent concerns over unresolved economic problems hanging ominously over a world economy facing a multitude of challenges from all and sundry, financial markets became more turbulent, triggering a major sell off in risky assets throughout the world. The politics unfortunately did not help either.

OUR OPERATING ENVIRONMENT

Despite the highly challenging economic environment, the Malaysian economy continued to expand commendably in 2011. Real GDP growth expanded by 5.10% in 2011 with domestic demand being the major driver of growth. Central to this was the resilient private consumption trends coupled with a decent private investment uptick, the latter courtesy of the Government's commitment in support of the country's economic transformation programme, via the ETP and GTP.

For the first half of 2011, the Malaysian equity market showed considerable resilience against a backdrop of economic fragilities and uncertainties. Strong inflow of portfolio investment during the earlier part of 2011 was evident and indicative of investors' appetite for risky assets. The relatively more positive growth outlook in Asia vis-a-vis the developed economies bolstered the demand for the Malaysian Ringgit as well as other regional currencies. Normalisation of interest rates level across Asian economies provided another strong reason for investors' preference for Asian assets. In the local Fixed Income market, such expectations saw considerable interest in Malaysian government papers (MGS) causing yields at the short end of the yield curve to drift lower.

Despite hitting a new all time high of 1,594.74 points in July, massive selling in global equities saw a sharp correction in the local bourse. Continued uncertainties in Europe followed by the US ratings downgrade from its perch proved to be too much for the world to digest. Ironically, the swift change in sentiments reflected the massive move away from risky assets back into the perceived comfort of safe haven assets such as the US Treasury and US Dollar. The Malaysian Ringgit's sharp de-rating to a low of 3.20 against the greenback from 2.94 signalled intense concerns about the health of the global economy and the ensuing economic vulnerabilities normally associated with such environment, particularly involving emerging economies.

Going forward, global growth prospects will continue to be undermined by the anaemic recovery and stalling momentum observed in the developed economies. While prospects for emerging economies continue to stand in relatively good stead compared with the former, growth outlook has become more uncertain. Calls for fiscal consolidation and discipline amongst the developed economies will continue to resonate strongly. However, for a significant resolution to the crisis in Europe and the US, a swift conclusion remains a distant possibility.

In Malaysia's case, amidst the likely persistent external noises, domestic demand will continue to be the bastion of growth in 2012 buoyed by sustained growth in private consumption and positive investment trends. The Government's friendly but prudent fiscal incentives expressed through its 2012 Budget are expected to provide considerable buffer for the country to withstand challenges posed by a much weakened external environment. Such possibilities do not preclude the possibility of a further escalation in financial market volatilities especially given the level of fluidity we have seen thus far. On the flip side, such circumstances also provide investment opportunities for long term investors such as KWAP.

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

Since our incorporation in 2007, KWAP has made significant progress towards putting in place necessary operational building blocks to propel the organisation to the next level. The focus in the year 2011 was a combination of continuous enhancement of efforts and the roll out of new initiatives where completion went beyond 2011.

The key business objectives set in 2011 includes achieving target return on investment, enhancing capital preservation measures, accelerating portfolio diversification, implementing new investment initiatives,

improving investment management practices, strengthening risk management practices, enhancing operational efficiencies, corporate governance practices and talent management practices.

This section provides a review of our operations for the year and our achievements against 2011 Corporate Scorecard. The key business objectives are used as a basis in formulating Key Performance Indicators (KPI) for 2011, enabling KWAP to track progress made towards achieving our vision and mission and ultimately, fulfill our mandate.

Achievements

Highlights of our achievements are summarised in the 2011 Corporate Scorecard as per below:

Stakeholders Objectives	KPI Measurement	Annual Target	Full Year Performance
1. Grow fund size	a) Percentage of growth in fund size	a) Increase fund size (at cost) by circa 11% from estimated opening balance 2011	<p>a) Outperformed target</p> <p>Company level Fund size increased from RM70.52 billion to RM78.93 billion representing 11.9% growth rate or RM8.41 billion</p> <p>Group level Fund size increased from RM72.79 billion to RM81.26 billion representing 11.6% growth rate or RM8.49 billion</p>
2. Asset liability management	a) Completion of identified initiatives	<p>a) i) Implement Cabinet's decision in relation to pension liability study</p> <p>ii) Complete Phase 2 of SAA Review</p>	<p>Initiative to continue in 2012</p> <ul style="list-style-type: none"> Implementation has been put on hold by the Government <p>Partially met target</p> <p>60% completed as at 31 December 2011; due to the broadening of scope of work</p>

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

Financial Objectives	KPI Measurement	Annual Target	Full Year Performance
1. Achieve target ROI	a) ROI at fund level exceed benchmark (rolling 3 years of 10-year MGS + 100 bps) and GDP of 2011	a) ROI of 5.50%	<p>a) Outperformed target</p> <p>Company level Gross ROI is 6.30% which outperformed:</p> <ul style="list-style-type: none"> Benchmark by 133 bps (benchmark is 4.97%) 2011 GDP by 120 bps (2011's GDP is 5.1%) <p>Group level Gross ROI is 6.75%</p>
	b) Customised benchmark (weighted average of all asset classes benchmarks)	b) Meet customised benchmark	<p>Outperformed target</p> <p>TWRR of 5.30% exceeds customised benchmark by 203 bps (customised benchmark is 3.27%)</p>
2. Enhance capital preservation measures	% of fund size permanently diminished in value	Less than 1% of total fund size (at cost)	<p>Met target</p> <p>No permanent diminution in value in 2011</p>
3. Accelerate portfolio diversification	RM million	<p>Achieve target utilisation amount for:</p> <p>i) International equity: USD100 million via external manager and USD100 million via internal manager</p> <p>ii) International fixed income: USD100 million via external manager</p> <p>Achieve target utilisation amount for:</p> <p>iii) Property - circa RM945 million</p>	<p>Partially met target</p> <ul style="list-style-type: none"> Disbursed USD100 million to State Street Global Advisor for MSCI Asia ex Japan passive mandate External manager for MSCI Asia ex Japan active mandate - selection process completed in 2011 with appointment to be completed in second quarter 2012 Infrastructure has been set with target for utilisation for internal manager to be completed in second quarter of 2012 <p>Met target</p> <ul style="list-style-type: none"> Invested USD100 million in Global Sukuk mandate <p>Outperformed target</p> <ul style="list-style-type: none"> Acquired 20 Bridge Street, Sydney for RM623 million in December 2011 Joint venture with EPF on the purchase of UK properties with 7 buildings acquired up to December 2011 valued at RM1.23 billion based on 30% equity participation

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

Financial Objectives	KPI Measurement	Annual Target	Full Year Performance
		iv) Private equity funds: USD60 million Achieve target utilisation amount for: v) Unlisted equity: RM40 million	Outperformed target Invested in four PE Funds: <ul style="list-style-type: none"> Saratoga Asia III L.P: USD20 million Dragonrider Opportunity Fund II LP: USD20 million Advent VI: AUD20 million Templeton Strategic Emerging Market IV: USD20 million Outperformed target Target to conclude Share Subscription Agreement in 2012
Operational Objectives	KPI Measurement	Annual Target	Full Year Performance
1. Implement new investment initiatives in relation to international investment and Islamic finance	a) Number of initiatives completed	a) 5 initiatives	Outperformed target Completed the following initiatives: <ul style="list-style-type: none"> i) International expansion <ul style="list-style-type: none"> Set up International Equity Department Fully established critical operational requirements to support international investment Established Foreign Exchange Policy and International Equity Investment Policy and Guidelines Initiated setting up of foreign exchange function Embarked on preparatory work for investment in UK equity market (FTSE100) Secured Sovereign Immunity Exemption from UK Tax Authority exempting KWAP's investments in UK from income tax, corporation tax and capital gains tax

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

Operational Objectives	KPI Measurement	Annual Target	Full Year Performance
			<p>Completed the following initiatives:</p> <p>ii) Islamic finance</p> <p><i>As per Business Plan 2011</i></p> <ul style="list-style-type: none"> • Concluded two Islamic financing deals • Concluded investment via two new instruments under Fixed Income - Waqala Sukuk Bhd's Bond and Range Accruals
2. Improve investment management practices	<p>a) Percentage (%) of investment proposals approved by the Investment Panel</p> <p>b) No of initiatives completed</p>	<p>a) 90% approval rate</p> <p>b) 5</p>	<p>Outperformed target</p> <p>Achieved 95% approval rate (104 out of 109 proposals)</p> <p>Met target</p> <p><i>As per Business Plan 2011</i></p> <p>i) Established Alternative Investment Dept</p> <p>ii) Implemented Investment Analysis & Monitoring Dashboard</p> <p>iii) Developed monthly performance attribution report for internal equity and fixed income managers and domestic external fund managers</p> <p>iv) Developed private equity portfolio diversification strategy</p> <p><i>New initiatives added during the year</i></p> <p>i) Established Credit Manual to govern Fixed Income's credit evaluation process</p> <p>ii) Implemented KWAP's Corporate Governance: Principles and Voting Guidelines (a standardised guidelines for voting during investee companies' AGMs/EGMs)</p>

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

Operational Objectives	KPI Measurement	Annual Target	Full Year Performance
3. Strengthen risk management practices			
a) Effectiveness of Business Continuity Plan	a) % of target results	a) Meet 90% of target results	Met target Achieved 90% of targeted results
b) Effectiveness of Operational Risk Event (ORE) reporting	b) % of ORE addressed	b) 100% reported ORE addressed	Met target 21 ORE reported all of which were addressed in a timely manner
c) Implement risk related initiatives	c) No of initiatives completed	c) 5	Partially met target i) Risk-Performance-Portfolio Strategy System implementation re-scheduled to 2012 in view of the time incurred to obtain approval for restricted tender and inclusion of foreign vendors Negotiation with selected vendor is currently on-going and appointment is expected to be finalised within First Quarter 2012 ii) Conducted life cycle risk audit (LCRA) for six key business processes iii) Completed IT initiatives which form part of strengthening risk management practices: <ul style="list-style-type: none"> Redesigned IT network system Installed security compliance and governance software Upgraded data centre iv) Rolled out Enterprise Risk Management System to five departments

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

Operational Objectives	KPI Measurement	Annual Target	Full Year Performance
4. Enhance operational efficiencies & corporate governance practices			
a) Compliance	i) % of compliance rate to legislations / regulations	i) 100% compliance to legislations / regulations	Met target No breach of legislations / regulations
	ii) % of operational non compliance issues addressed within stipulated timeline	ii) 100% operational non compliance issues addressed within stipulated timeline	Met target 100% resolution; all non compliance issues were successfully addressed
	iii) % of audit observations	iii) 100% audit observations closed over stipulated timeline	All but one audit observations closed over stipulated time line
	iv) Opinion by statutory auditor	iv) Unqualified Audit Certificate for the Financial Statements	Met target Received unqualified Audit Certificate for the Financial Statements of 2010 on 6 April 2011
b) Contribution management	b) Timely collection of contributions	b) 90% compliance within the prescribed period of 30 days	Outperformed target 95.43% compliance within the specified period
c) Annual Report	c) Timeline	c) Annual Report tabled to the Parliament during Second Sitting (June 2011)	Met target Annual Report tabled to the Parliament on 27 June 2011 during Second Sitting (June 2011)
d) Implement new initiatives related to enhancing operational efficiencies & corporate governance practices	d) No of initiatives completed	d) 4	Partially met target Completed the following initiatives: i) Strengthened middle office function ii) Obtained ISO 9001:2008 Quality Management System for Investment in Domestic Equity

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

Operational Objectives	KPI Measurement	Annual Target	Full Year Performance
			<p>Initiatives that are still in progress as at 31 December 2011:</p> <ul style="list-style-type: none"> i) Contribution Management System - 40% completed as at 31 December 2011; delay was due to re-tendering process ii) Completed draft amendments to the Retirement Fund Act which currently pending final review by external legal advisor
Learning & Growth Objectives	KPI Measurement	Annual Target	Full Year Performance
1. Implement performance & talent management practices			
a) Performance management & recruitment processes	a) i) Talent turnover rate	a) i) Not exceed 10% talent pool	Met target Zero turnover from talent pool as at 31 December 2011
	ii) Achievement of performance target	ii) 70% of staff rated above 3.5 (based on rating scale between 1 to 5)	Met target
	iii) No. of Employee Development Plan implemented	iii) Implement two plans	<p>Outperformed target</p> <p>Three development plans implemented in 2011:</p> <ul style="list-style-type: none"> i) Talent Exchange Program ii) Individual Development Plan iii) Performance Improvement Program

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

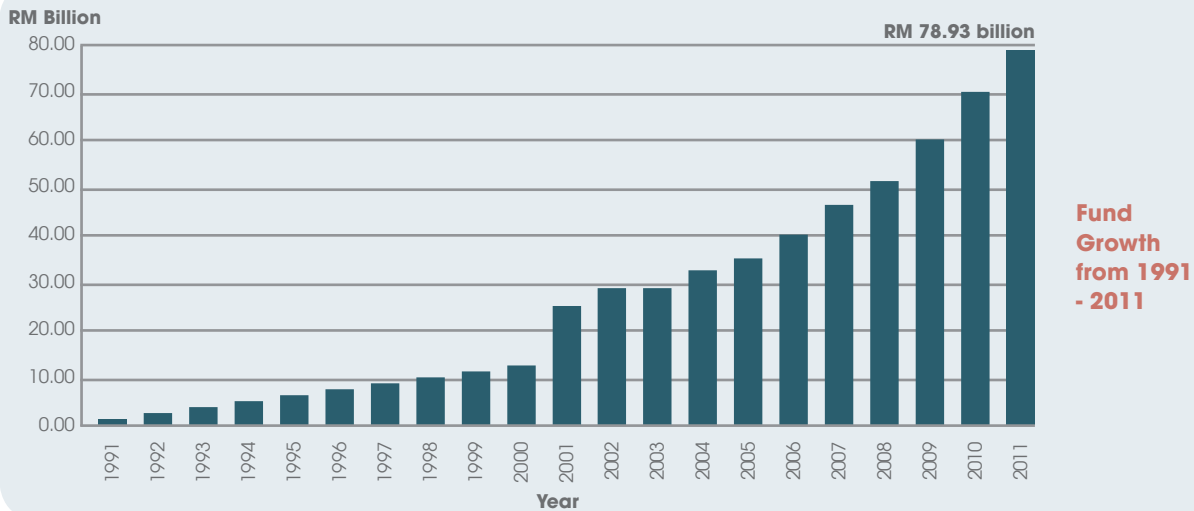
Learning & Growth Objectives	KPI Measurement	Annual Target	Full Year Performance
			<p><i>New initiative added during the year</i></p> <p>i) Enhanced the scope of Education Financial Assistance Scheme</p> <p><i>Other initiatives added during the year</i></p> <p>i) Intensive recruitment drive whereby 31 staff recruited in 2011</p> <p>ii) Conducted 8 in-house courses</p> <p>iii) 2 Leadership Series</p> <p>iv) 8 Golden Hour Series with a total of 16 staff speakers involved</p> <p>v) 11 Knowledge Sharing Sessions</p> <p>vi) 2 Management Case Study Sessions and 1 Management Video Screening</p>
b) Continuous learning organisation	b) Average training days per employee	b) 7 training days per employee	<p>Outperformed target</p> <p>Average training days is 8.7</p> <p>Initiatives implemented in relation to leadership / skills development / learning:</p> <p>i) 4 personnel from management team attended Senior Management Development Program, Harvard Business School Alumni Club of Malaysia</p> <p>ii) 3 staff attended Dale Carnegie's Leadership Program to accelerate the development of potential employees</p> <p>iii) Conducted 9 in-house training program</p>
2. CSR programs	a) No. of completed initiatives	a) Three (3) CSR programs	<p>Outperformed target</p> <p>i) Co-hosted 2011 Asian Pension Fund Roundtable organised by Pacific Pension Institute with 2 KWAP's representatives participated as speakers</p> <p>ii) 5 articles published in the Edge Financial Daily</p> <p>iii) English Workshop organised for two schools – SK Salak & SK (A) Bukit Tampoi</p> <p>iv) Financial Planning Retirement Seminar with 30 participants from Customs Dept, MBPJ, IRB and AG Dept</p> <p>v) Visit orphanage house - Rumah K.I.D.S. in USJ, Subang Jaya</p> <p>vi) Fit & Fab Challenge 2011 held from June to September for 18 employees</p>

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS - INVESTMENTS

FUND PERFORMANCE

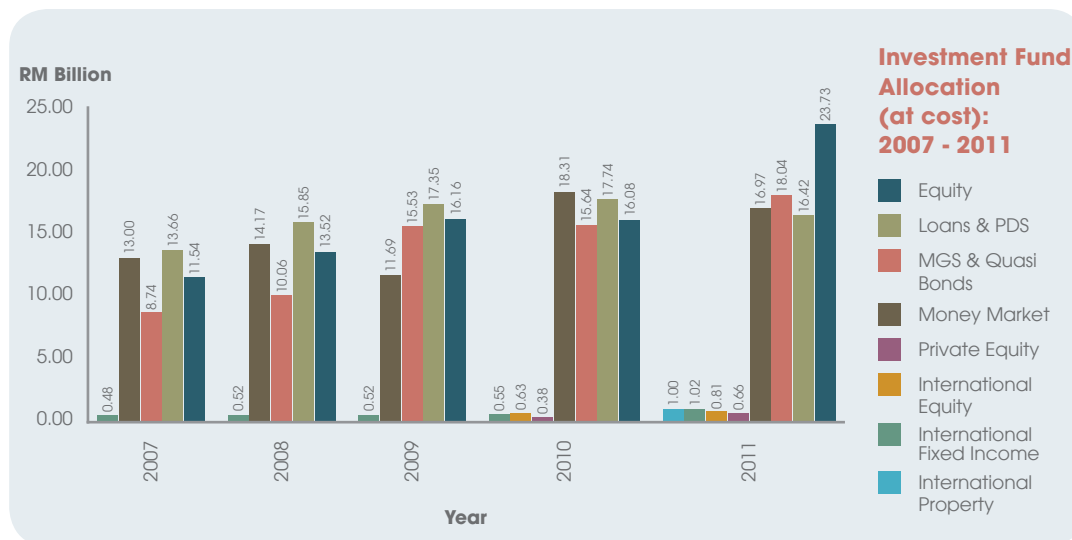
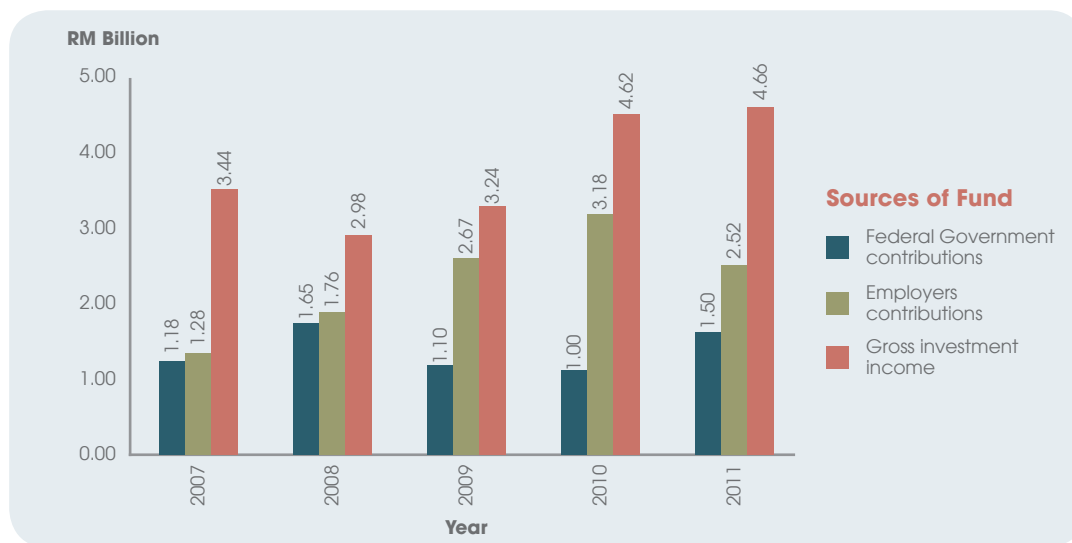
KWAP ended the year with a total fund size of RM78.93 billion, which was 12% higher than the previous year end fund size of RM70.52 billion. The largest contribution to the fund's growth was investment income of RM4.66 billion, followed by employers contributions and Federal Government contributions of RM2.52 billion and RM1.50 billion respectively.

Over the last five years, the fund recorded an average growth of 14% per year. Investment income continued being the largest contributor to the fund growth. Cumulatively, income from investments contributed 52% whilst Employers' contributions contributed 31%. Contribution by the Federal Government formed the remainder of 17%. Achieving sustainable asset growth is of utmost importance as to enable KWAP to effectively manage its future liabilities.



REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

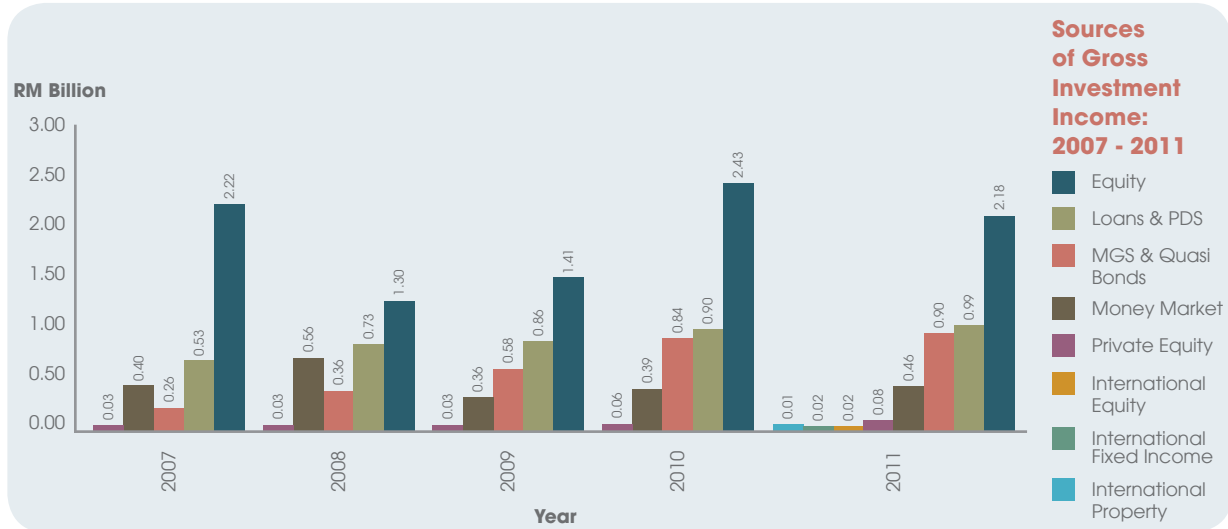
- INVESTMENTS



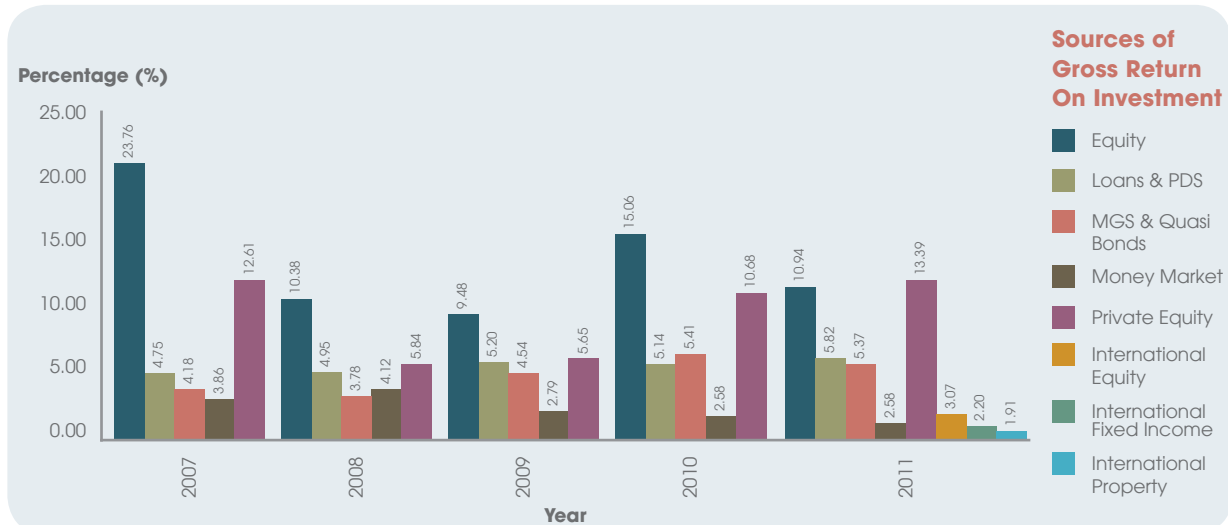
As at 31 December 2011, a total of RM52.45 billion or 67% of the fund was invested in Fixed Income securities, RM24.54 billion or 31% in equities, and RM1.66 billion or 2% in private equity and property investments. In addition, RM5.82 billion was channeled to the external fund managers for investments in domestic as well as international markets. At end of 2011, 93% of the fund was internally managed and 7% was externally managed. KWAP continued the year by expansion of international investments programs covering wider asset classes which saw the exposure increased to RM3.06 billion by end of December 2011.

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS - INVESTMENTS

GROSS INVESTMENT INCOME



In 2011, KWAP registered gross realised investment income amounting to RM4.66 billion. This represents an increase of RM40 million or 0.9% compared to the preceding year of RM4.62 billion. The increase was in spite of the weak global economic growth and volatile equity and bond market. Domestic equity contributed gross realised income of RM2.18 billion which was 47% of the total income. Loans and Private Debt Securities generated RM1.00 billion, MGS and Quasi Bonds RM903 million, Money Market at RM456 million; Private Equity and Property at RM94 million.



* The increase was in spite of the weak global economic growth and volatile equity and bond markets

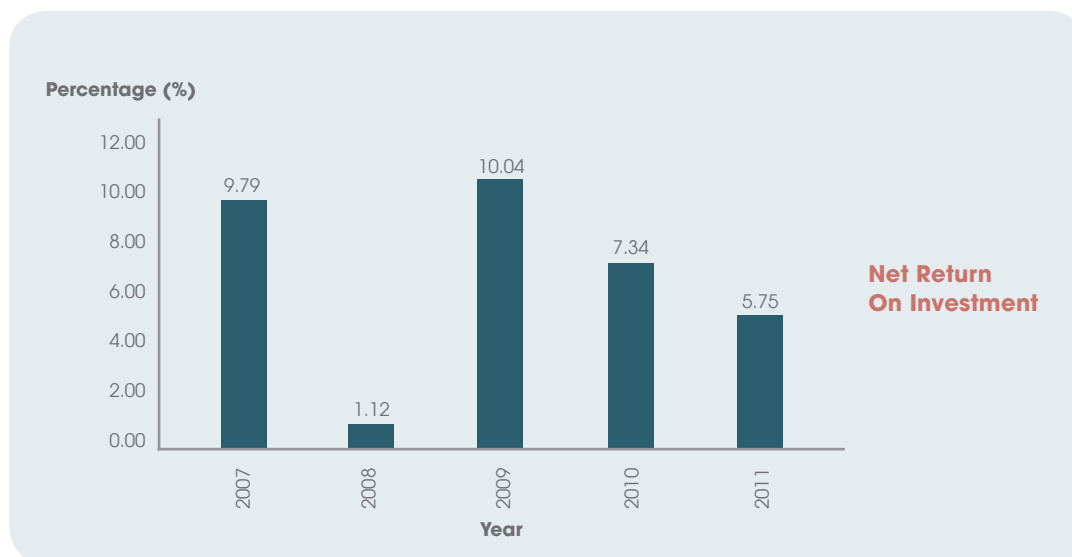
REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

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The overall gross ROI achieved for the year 2011 was 6.30% as compared to 7.07% in 2010, Private equity investments registered the highest ROI of 13.39%, followed by Domestic Equity at 10.94% while Loans and PDS was 5.82%. MGS and Quasi Bonds and Money Market contributed 5.37% and 2.58% respectively. KWAP's international investments recorded a commendable gross ROI with Equity at 3.07%, Fixed Income at 2.20% and Property at 1.91% in their maiden year of investment.

Disciplined adherence to KWAP's long term Strategic Asset Allocation, proved to be highly resilient and able to add value in the long term. Over a span of 5 years, KWAP has successfully achieved an average gross ROI of 6.81% annually.

NET INVESTMENT INCOME



Net ROI achieved for the year 2011 was 5.75% after the provision for diminution of value allowances of RM321.09 million.

TOTAL RETURN

At the end of 2011, the fund recorded an aggregate total return of 5.30%. The overall domestic internally and externally managed equities generated total return of 7.22%. The total return for domestic internal Fixed Income assets comprising MGS and Quasi Bonds, PDS, Loans and Money Market were 5.37%, 6.40%, 5.02% and 2.58% respectively. Domestic externally managed Fixed Income recorded total return of 7.23%.

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

- INVESTMENTS

RELATIVE PERFORMANCE

Table below shows the total return of each asset class relative to their respective benchmark indices:

	TWRR (%)	Benchmark	Outperformance / (Underperformance) (%)
Equity			
Domestic	7.22	FBM100	5.28
International			
Internal Managers	11.30	MSCI All Country World	20.71
External Managers*	(18.45)	MSCI AC Asia ex Japan	(0.43)
Fixed Income			
Domestic			
MGS & Quasi Bonds	5.37	Quantshop MGS (All) Yield	1.91
PDS	6.40	Quantshop Corp (Medium) Yield	2.01
External Managers	7.23	Quantshop MGS (All) Index + 130 bps	0.95
Loans	5.02	Quantshop MGS (All) Yield + 50 bps	1.06
Money Market	2.58	3-month KLIBOR	(0.61)
International			
External Managers (G7)	1.92	BofA Merrill Lynch Global Government Bond Index	0.04
External Managers* (Global Sukuk)	(0.40)	Dow Jones Citigroup Sukuk	(0.46)

* These are new portfolios (< 1 year)

EQUITY

The equity market started with strong positive momentum in January and February 2011 before sliding from March onwards in the wake of unsettling global events. FBM KLCI index posted positive returns of 0.78% with high volatility of 13.43%. The year was affected as fear of recession in developed countries combined with a series of upheavals that hit the fractious Middle East, the tragic earthquake and nuclear crisis that struck Japan and the severe flooding of Thailand and Indo China countries. 2011 tested KWAP's portfolio resiliency to global events

with KWAP coming out stronger as a result of a constant review of investments and by adopting dynamic investment strategies to navigate wisely fluctuation in the fixed income and equity market.

KWAP viewed the weak global equity market as an opportunity to further strengthen our geographical reach in equity investing. International Equity Department and London office are being setup with the target to be fully operational by April 2012.

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

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

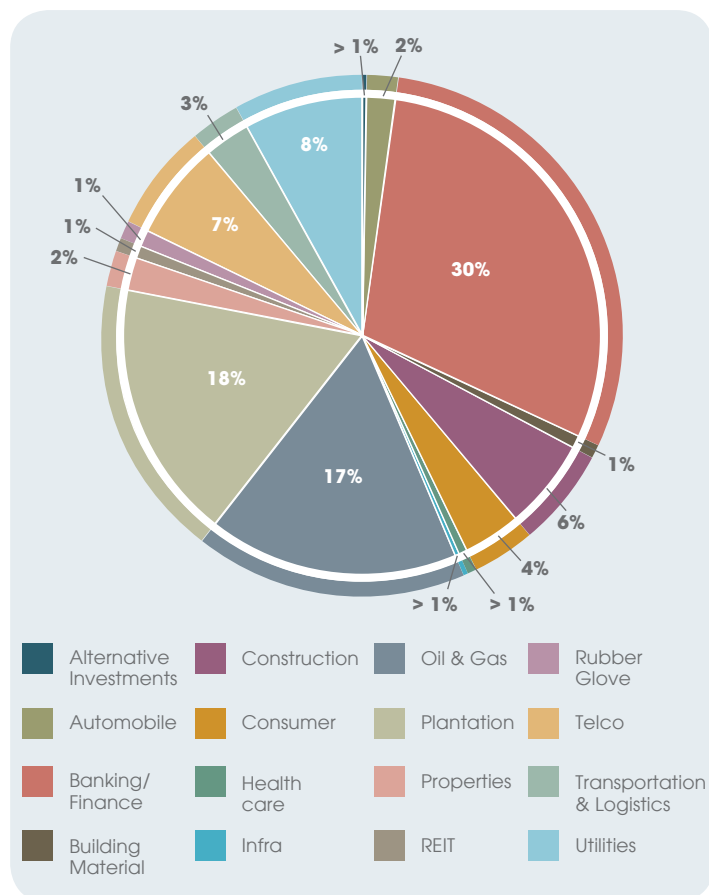
- (i) The creation of sub-core portfolios to take advantage of the weak stock prices at a new cost level;
- (ii) The creation of Syariah portfolio; and
- (iii) Internationalisation of the centralised research database.

In line with KWAP's investment monitoring process, regular meetings and visits were undertaken with its investee companies throughout the year. For 2011, KWAP attended 83 AGMs/EGMs and conducted 229 company visits and 6 senior management visits to investee companies.

Regardless of the weak performance of the KLCI, KWAP's internal exposure to domestic equity market as at 31 December 2011 increased to RM21.09 billion or 27% of total fund size of a higher base of RM78.66 billion at cost compared to RM13.88 billion or 20% on fund size of RM69.33 billion in 2010. The increase was the direct results of the adoption of the new SAA for domestic equity of 30% and international equity of 3%.

Internal equity team managed to achieve gross investment income of RM1.80 billion or ROI of 10.32% for 2011. As for international equity, we realised RM22.49 million gain from our investment in AIA Group Limited representing ROI of 3.97%. Of the total investment income, RM1.072 billion or 59% was derived from sale of shares whilst the balance of RM732.60 million was derived from dividend income net of tax.

Sector Allocation 2011



REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

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KWAP's Top Ten Holdings in Companies Listed on Bursa Malaysia as at 31 December 2011:

No	Name of Company	Percentage of Holding (%)
1	Bintulu Port Holdings Berhad	9.65
2	Gamuda Berhad	8.11
3	Benalec Holdings Berhad	7.91
4	Kossan Rubber Industries Berhad	7.55
5	Time DotCom Berhad	7.37
6	Axis Real Estate International	7.05
7	IJM Corporation Berhad	6.27
8	Mah Sing Group Berhad	5.98
9	Petronas Gas Berhad	5.76
10	JT International Berhad	5.55

External Fund Managers Equities

Beginning January 2011, externally managed portfolios were absorbed under the Equity Department to streamline KWAP's overall investment strategies and decision making. As at 31 December 2011, total outsourced funds at cost managed by the equity external fund managers (EFMs) stood at RM2.94 billion which accounted for 3.74% of overall KWAP fund size. In terms of geographical exposure, 89.6% of the externally managed equity was invested in the domestic market and the remaining 10.4% invested globally.

Domestic

As at 31 December 2011, total domestic equity funds managed by EFMs, amounted to RM2.64 billion, an increase of 20% from RM2.19 billion a year ago. Out of the 7 domestic EFMs, 1 manages a Syariah compliant mandate.

List of Domestic EFM as at 31 December 2011 :

Domestic EFM	Fund Inception (year)
CIMB-Principal Asset Management	1997
Aberdeen Asset Management	2002
Libra Invest Berhad (Formerly Avenue)	2007
Nomura Asset Management	2008
RHB Investment Management	2009
Kenanga Invest Berhad	2011
i-Vcap Management Berhad	2011

As part of KWAP's monitoring process, performance meetings were held quarterly with all external fund managers and audit visits were conducted at their respective offices. Throughout the year, 26 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 at 31 December 2011, domestic equity EFMs recorded an aggregate realised income of RM300.63 million, representing an average ROI of 12.45% (calculated based on injected capital). The aggregate realised income was derived from capital gains of RM212.62 million, interest income of RM13.25 million and dividends of RM74.76 million.

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International

Equity international investment exposure amounted to USD100.0 million. Combined with an internally managed international portfolio, overall equity investments accounted for 1.12% of KWAP fund size at market value as at 31 December 2011 which is within the SAA limit of 3% for 2011.

In June 2011, KWAP has appointed State Street Global Advisor (SSGA) to manage a passive fund for the Asia ex Japan benchmark with an initial capital of USD100 million. Combined with an internally managed portfolio, the overall international equity exposure represents 1.12% of KWAP's total fund size.

As part of the monitoring process, several discussions including a site visit were held between KWAP and the international fund manager to enhance understanding of their investment process. Regular conference call meetings and quarterly reviews were conducted to update on the portfolio performance and investment review and outlook.

FIXED INCOME

It was a year of two halves for the local bond market. The first half was characterised by fairly steady recovery of the local economy and the posture of monetary outlook was tilted to policy normalisation. In the first half of 2011, BNM hiked its OPR once by 25bps to 3.0% in May 2011 and subsequently held it steady for the rest of 2011 on heightened external growth risk and inflation peaking expectation. In the regional markets, some economies have taken a more

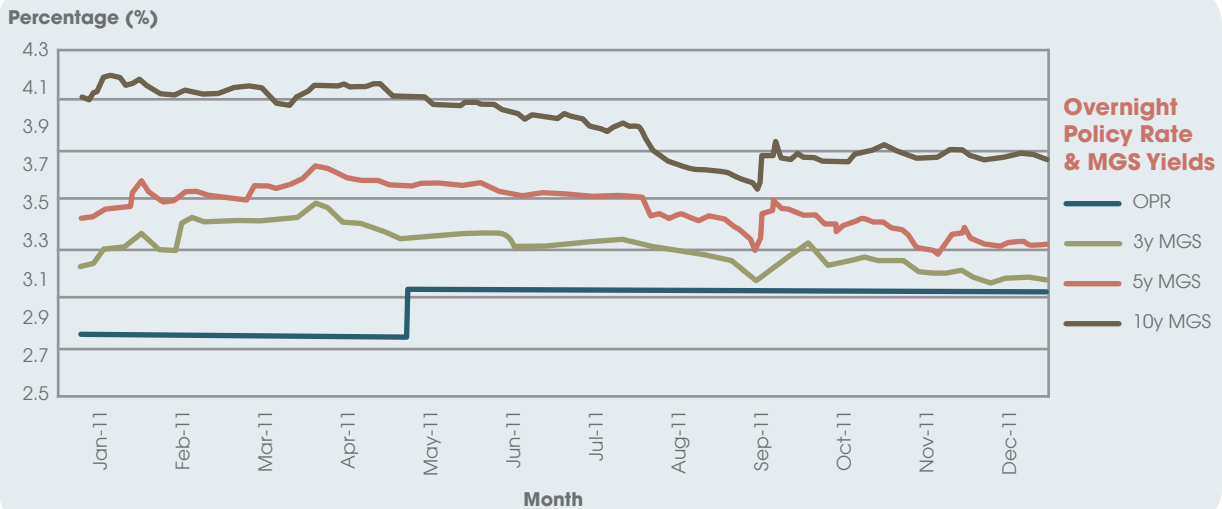
aggressive approach to tackle the cooling of growth and rising systemic risk in the financial markets by slashing rates and introducing new stimulus packages. For most major developed economies, policy makers have revived their unorthodox monetary policies via a few more rounds of quantitative easing, liquidity injection, "operation twist" to jumpstart their stalling economies. As a result, local government yield curve steepened initially on expectation of higher policy rate amidst steady growth and rising inflationary pressure. However, the rising external growth headwinds and slowing inflation pared rate hike expectation in the second part of the year, pulling the overall yield curve lower and flatter. Unlike many emerging markets, local and foreign sponsorship remained fairly strong for the local market, in which Malaysia local debt market has shown more resilience than other markets during some instances of disorderly unwinding in emerging market assets.

In addition to the continuation of previous years' initiatives, KWAP sought out better investment opportunities by looking into new investment products and analysing regional Fixed Income markets to widen existing investment spectrum as to grab the benefit of diversification and higher income. KWAP is also in the midst of carrying out studies and due diligence on the proposed opening of KWAP's Fixed Income operations offshore; and appointing a new external Fixed Income fund manager for emerging market exposure. Elsewhere, KWAP has fully implemented internal credit rating scoring for PDS and loan proposals, thus safeguarding credit exposure.

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

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Despite the challenging investment environment, all asset classes within Fixed Income posted encouraging performance. Overall ROI advanced to 4.55%, better than 2010 performance as well as higher than the average 10 year MGS yield in 2011, although interest rate risk (duration) for the overall Fixed Income portfolio was much lower. Respectively, ROI for PDS posted 6.40%, sharply higher than 5.35% reported in 2010 on capital gains for early bond redemption. MGS and Quasi Bonds ROI edged up to 5.37% from 5.41% in the previous year due to improved trading income. EFM's ROI for domestic portfolio was commendable at 7.30%, surpassing 6.18% in 2010. For International EFM, ROI was 3.20% for its first year of operation. Corporate Loan ROI rose to 5.02% from 4.50% as some loans were redeemed earlier and refinanced on the back of flush liquidity condition whilst Money Market ROI surged to 2.58% from 2.05% after OPR was raised to 3.0% from 2.0% in the previous year.



Source: Bloomberg

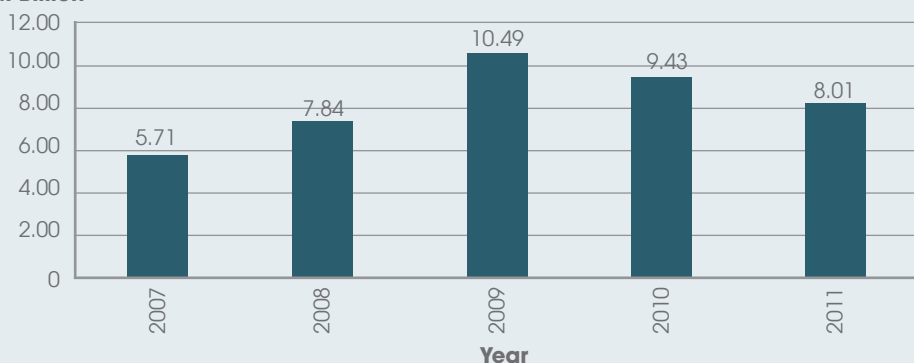
REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

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Private Debt Securities (PDS)

Investments in internally managed PDS portfolio require balancing between risk tolerance and rewards (returns). KWAP's investments in PDS market takes into account, credit risk, returns, view of interest rates and total exposure to the company. For 2011, total issuance of PDS in the market is over RM65 billion, 32% increase from 2010 issuances of RM49 billion. The increase in PDS issue is mainly led by government guaranteed papers which accounted for almost a third of the total issuances in 2011. KWAP's PDS portfolio holdings in 2011 saw a decrease by 15.1% to RM8.01 billion from RM9.43 billion in 2010 in spite of maturities of RM641 million in 2011.

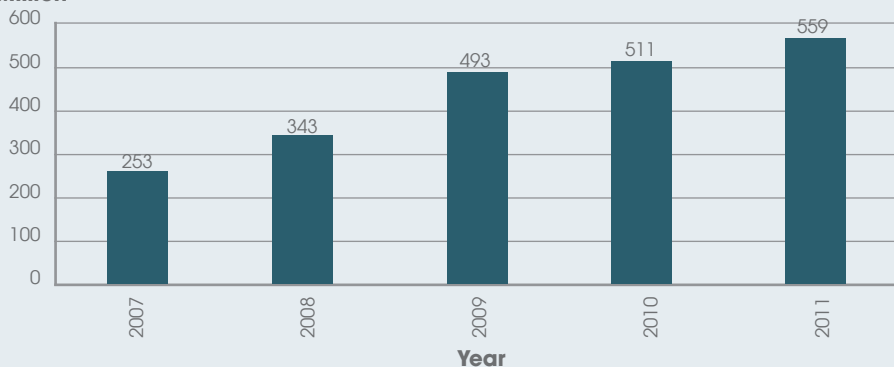
RM Billion



**PDS Portfolio
Investment At Cost**

KWAP's PDS holdings have declined compared to the increase of total issuance in the market mainly due to sizeable maturities of papers in the portfolio. Even though total issuance in the market increased in 2011, most of the new issuances are government guaranteed papers. At the same time, excess liquidity in the market which prompted strong demand for credit papers, coupled with weakening world economic growth have pushed the yields down in 2011 in tandem with southward movement in the government yields. This is in spite of BNM raising the OPR rate by 25 bps in 2011 from 2.75% to 3.0%. However income from PDS investment rose from RM511.5 million in 2010 to RM559.6 million in 2011, helped by capital gains from early redemption of PLUS SPV papers.

RM Million



**PDS Portfolio
Income**

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS - INVESTMENTS

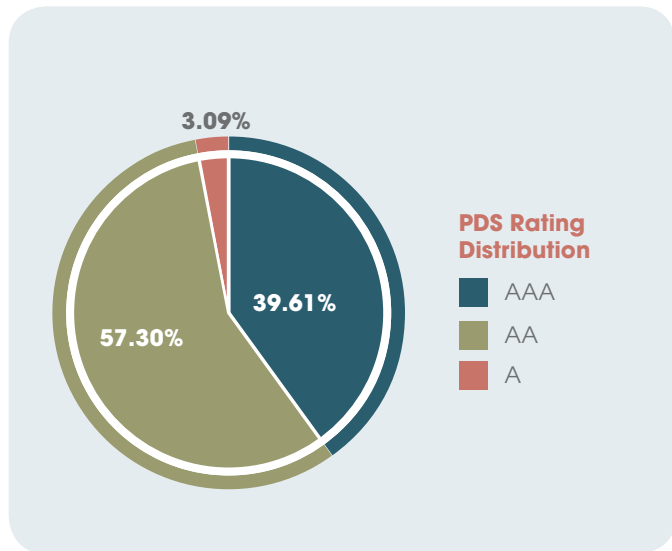
For 2011, KWAP's PDS investment was 10.18% of the total fund size compared to 13.60% in 2010. Investment in PDS as a percentage of fund size at market value declined as sizeable maturities were not replaced by new purchases. The decline was due to primary issuances receiving overwhelming demand from investors while the secondary market lacked liquidity reflecting the shortage in supply of papers.

On the credit side, KWAP maintained its average overall portfolio rating at AA1. With the settlement of SPLASH bonds in June 2011, the portfolio's lowest rated paper is at A2, which makes up 1.85% of holdings in the portfolio. The bulk of the portfolio holdings lie at AA rated papers with portfolio's average duration of 4.44 years.

KWAP's exposure to credit risk is via companies which demonstrate solid financial standing with excellent cashflows. This is reflected in KWAP's top five corporate debt exposure to companies which fulfill these requirements. KWAP's bond exposure covers various sectors such as infrastructure, toll roads, banking, telecommunications and power.

Below are the top five companies with the highest exposure in KWAP's PDS portfolio:

No	Name of Company	Percentage (%)
1	CIMB Group	20.35
2	Cagamas	19.48
3	Public Bank Group	8.80
4	Hijrah Pertama (TM SPV)	7.43
5	AmBank Group	7.31



Malaysian Government Securities and Quasi Bonds (MGS and Quasi Bonds)

The normalisation of the interest rate trend continued in the beginning of the year pushing the yield curve higher across the tenures. Moreover, the MGS and Quasi Bonds 2011 auction calendar which came out to be heavy on long term issuances steepened the curve further to result the first primary tender to close at an average of 4.17% yield. However, the bearish steepening trend did not last long as foreign investors were seen to buy more MGS in anticipation that Malaysia's economic growth will remain stable with potential investment gains hence switching the yield curve to a flattening trend. Total gross issuance of MGS and Quasi Bonds in 2011 was higher at RM90.2 billion compared to RM60.5 billion in 2010 as the Government sought more funds to roll over matured debts.

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KWAP's total investment in Government Securities (MGS, GIL and Quasi government bonds) ended at RM18.04 billion as compared to RM15.64 billion at the end of 2010. The gross investment income continued to grow by 7.21% to RM903.99 million as compared to last year's figure at RM843.18 million despite the lower portfolio SAA for this asset class at 29% for 2010 and 24% for 2011. The portfolio also registered ROI of 5.37% this year as compared to 5.41% for 2010. Current ROI outperformed the benchmark, Quantshop MGS All Yield of 3.46% by 191 bps.

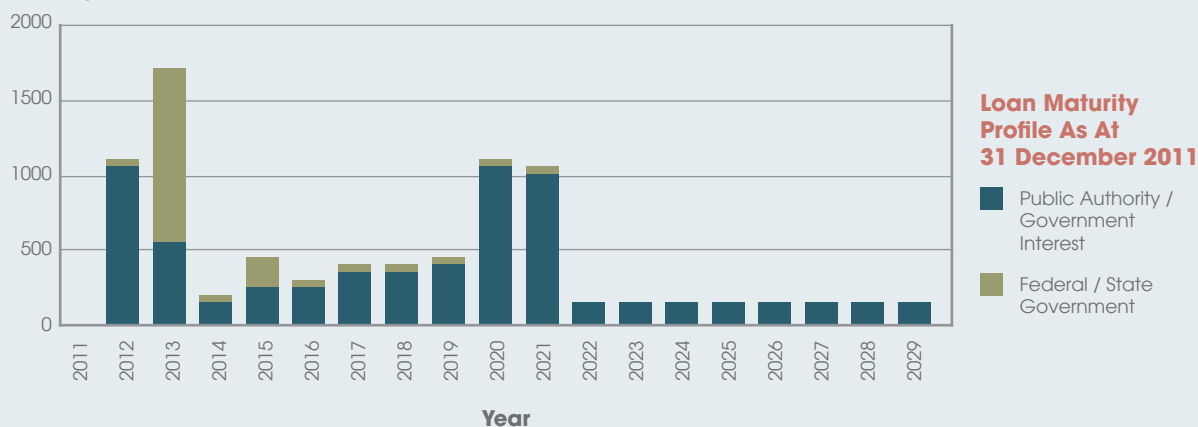
Loans

During 2011, tighter credit spreads across the Malaysian corporate bond market provided a taxing backdrop for KWAP's loans and financing investment activities, where we focus

on selective loans growth to borrowers with strong credit profile which has passed through our stringent credit evaluation process. All loan activities are guided by KWAP's IPG.

Overall total loans portfolio decreased by 2.84% to RM7.53 billion in 2011 as compared to RM7.75 billion in 2010. The decrease in the disbursement of loans to corporate entities of RM1.7 billion was mainly due to prepayment by borrowers. Nevertheless, loans disbursed to local authorities and public corporation increased sharply by 36.6% to RM6.10 billion. Realised income increased by 7.31% to RM383.29 million in 2011, registering an ROI of 5.02%, exceeding the benchmark Quantshop MGS All Yield (plus 50bps) by 106 bps. The loans portfolio comprised 9.58% of KWAP's total fund size.

RM Million



REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

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Money Market

KWAP's total outstanding balance in the money market investment in January 2011 was RM18.31 billion. Toward the end of 2011 the amount reduced to RM16.97 billion. The amount constitutes 21.58% of total fund size in 2011 compared to 26.42% in 2010. The higher balance in early 2011 was actually built up from the income realisation activities of other asset classes that took place during the fourth quarter of 2010. In 2011, new investment in other asset classes has reduced the balance in Money Market. In line with our SAA plan, the quantum of Money Market investment is targeted to reduce to the targeted optimal level of 2.00%.

The investment was largely in money market term deposits, followed by Negotiable Instrument of Deposit (NID), Commercial Papers (CP) and Banker's Acceptance (BA), in both conventional and Islamic terms. The tenure ranges between overnight and 12-months.

The gross income generated from money market investment in 2011 was RM455.66 million or 18% higher compared to RM387.31 million in 2010. BNM's decision to raise the OPR from 2.75% to 3.00% in May 2011 has resulted in parallel movement in money market rates which has translated to higher gross income.

External Fixed Income - Fund Managers

Beginning 2011, External Fund Manager (EFM) portfolio was adopted under Fixed Income Department which aimed in streamlining overall investment strategies and decision making. As at 31 December 2011, total funds at cost managed by the Fixed Income EFM stood at RM1.63 billion which accounted for 2.08% of overall KWAP fund size. In terms of geographical exposure, 53.9% of the externally-managed assets were invested in the domestic bond market and the remaining 46.1% invested globally.

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Domestic

As at 31 December 2011, the accumulated total funds at cost managed by domestic EFM rose to RM880 million, an increase of 57.1% from RM560 million a year ago. Total Fixed Income portfolios managed by domestic EFM accounted for 1.1% of overall Fixed Income investments.

List of Domestic EFM as at 31 December 2011:

Domestic - External Fund Manager	Fund Inception (year)
CIMB-Principal Asset Management Bhd	2006
AmlInvestment Management Sdn. Bhd.	2007
HwangDBS Investment Management Berhad	2011

As part of KWAP's monitoring process, performance meetings were regularly held with all external fund managers and audit visits were conducted at their respective offices occasionally. Throughout the year, ten (10) quarterly meetings, three (3) compliance audits and four (4) due diligence audits were conducted to observe their compliance with relevant internal control procedures and best business practice with regard to day-to-day trading activities and back office operations.

As part of the EFM portfolio's ongoing initiatives to enhance return, an RFP (request for proposal) process was carried out which was participated by several domestic bond fund managers. Based on the evaluation, one (1) new external manager was mandated to manage domestic external Fixed Income portfolio.

External Fixed Income fund managers continued to deliver higher income contribution, from RM32.75 million in 2010 to RM52.54 million in 2011. This represents an ROI of 7.30%.

International

In 2011, KWAP has increased its exposure in international Fixed Income via the appointment of World Bank Treasury, CIMB-Principal Islamic Assets Management Sdn. Bhd. and AmlIslamic Funds Management Sdn. Bhd. amounted to USD250.0 million. Together with the internally managed International Government bond portfolio, overall Fixed Income assets invested globally accounted 0.96% of KWAP's fund size.

List of International EFM as at 31 December 2011:

International - External Fund Manager	Fund Inception (year)
World Bank Treasury	2011
CIMB-Principal Islamic Asset Management Sdn. Bhd.	2011
AmlIslamic Funds Management Sdn. Bhd.	2011

During the year, World Bank Treasury has officially managed a portion of KWAP funds in G7 Government Bond portfolio which predominantly invest in sovereign debt papers and government related issuers of the G7 member countries. As privileged under the Reserves Advisory and Management Program (RAMP), KWAP has participated in several capacity building workshops and advisory services as part of the asset management and technical assistance and consulting services offered by World Bank Treasury. Programs that took place this year include technical advisory in asset allocation workbench system, RAMP workshops and customised attachment program at World Bank Treasury headquarters in Washington DC.

As part of the department's expansion plan in exploring Shariah-compliant instruments, the Global Sukuk mandate was inceptioned in the same year and is currently being managed by two (2) local fund managers. KWAP also sent its officer to partake in an International summit series forum organised by one of the external managers as part of their commitment to develop Malaysia's fund management industry as well as offer value added services.

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS - INVESTMENTS

As part of its monitoring process, KWP held several discussions with regards to investment related or operational matters, including site visits at the fund manager's premises in ensuring their adherence to the terms of contract as well as understanding business best practice. Regular conference call discussions and quarterly reviews were conducted to update on the portfolio performance and investment review and outlook.

As at 31 December 2011, external International Fixed Income fund managers recorded an aggregate realised income of USD2.96 million (RM9.10 million) representing an average ROI of 2.42%.

ALTERNATIVE INVESTMENT

Private Equity Market Review

Asia-Pacific private equity markets (including Australia) have gradually increased in prominence over the last decade. Many global private equity firms have changed their focus to Asia-Pacific markets especially after the 2007 global financial crisis. Asia-Pacific fundraising accounted for 6% of all funds raised worldwide in 2003. In the period of January to August 2011 its share had risen to 16%. During this period, a total of 70 private equity funds have been established in Asia-Pacific with a total amount raised of USD25.6 billion.

The interest on Asia-Pacific markets is attributable to their favorable economic growth. The emerging Asian market itself is expected to grow 8.4% in 2012¹. Growth in consumption and trade in Asian market will increase the demand for capital for expansion into new markets, response to consumer trends and improvement in technologies & productivity. The middle class population in emerging Asian markets grew 7.0% per annum from 1990-2010; whilst its consumption grew 8.8% per annum during the same period².

Favourable economic development and demographic structure were translated into better investment return in the Asia-Pacific

region. The aggregate performance of Asia-Pacific private equity funds established from 2003-2008 has consistently outperformed the private equity funds in Northern America and Europe. Asia-Pacific funds established during these vintage years registered net IRR of between 8-25% compared to net IRR of less than 15% for North America and Europe³.

In line with the market scenario, KWP has been focusing its 2011 private equity investments in the Asia-Pacific region.

Property Market Review

Global commercial real estate recorded approximately USD200 billion transaction volumes in the third quarter 2011 which is a 27% year on year increase⁴ with strong interest in core markets. US, UK, Japan and Australia core markets account for more than 50% of market share of global transactions.

Australian CBD offices saw a reduction in average vacancy rate from 8.4% to 8.0% in the first half of 2011⁵. The market was supported by its strong mining sector which benefited the business and financial service industries. Tenants in Sydney CBD were competing for limited premium grade space. Melbourne CBD, with no new completion in the second quarter 2011 recorded the lowest average vacancy rate in Australia of 5.8%. Quality Grade A offices delivered net income yield of above 6% per annum.

In Central London, the average vacancy rate increased manually to 7.1% in November 2011 from 6.4% in October 2011⁶ due to completion of four (4) buildings over 100,000 sq ft within November 2011. The average prime office yields in Central London for third quarter 2011 was at 5.1%⁷. This moderate return however, provides long term income security based on the industry practice of long lease contracts. Furthermore, as GBP remained attractive against other major currencies, the UK market continued to attract international investors due to its high liquidity and transparency. At third quarter 2011, international investors

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

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accounted for 54% of transactions volume in the UK properties but it is a reduction of 14% from 68% in third quarter 2010.

The Malaysian investment market was dominated by local investors as foreign investors were cautious. The average occupancy rate of office buildings in third quarter 2011 was at 13.10% and 7.4 million sq ft of new space expected to enter the market in 2012⁸. Nevertheless, the market is expected to grow together with the Malaysian economy on aggressive implementation of the 10th Malaysian Plan and the ETP on the back of low unemployment rate, strong financials and low external debt.

Private Equity

The funds' investment mandate is global. In view of the global economic uncertainty during 2011 especially in the United States and Europe, KWAP's investment activities were mainly focused in Asia and Australia.

During 2011, KWAP made its first drawdown into the following:

No	Private Equity Fund	Countries
1	Tata Capital Growth I	India
2	Asia Water Fund I	China
3	Ancora Fund II	Indonesia
4	Saratoga Asia III	Indonesia
5	Advent VI	Australia/ New Zealand

During the same period, KWAP has obtained approval from its Investment Panel to invest in four (4) new private equity funds with geographical exposure mainly in Asia and to a lesser extent non-Asia emerging markets.

No	Private Equity Fund	Countries
1	Saratoga Asia III L.P	Indonesia
2	DragonRider Opportunity Fund II	Emerging East Asia
3	Advent VI	Australia/ New Zealand
4	Templeton Strategic Emerging Market IV	Emerging Market

Direct Private Equity

As at 31 December 2011, KWAP has two (2) direct private equity investments. During 2011, KWAP has reviewed a number of local direct private equity deals.

Property

As at 31 December 2011, KWAP's total investment in international property is RM998.88 million or 1.27% of KWAP's total fund size and is within the approved international property investment SAA of 3.0%. Utilisation of the fund was for 737 Bourke Street Melbourne office building, acquired in 2010 and the acquisition of 20 Bridge Street, Sydney (ASX Building) completed in December 2011.

As at December 2011, the two Australian properties generated a net cash income of RM24.86 million with both assets generating an annual net yield of above 6%.

¹ IMF's World Economic Outlook, April 2011

² ADB Key Indicators 2010

³ Preqin Special Report: Asia-Pacific Private Equity, September 2011

⁴ Credit Suisse Global Real Estate, December 2011

⁵ CBRE Market View Australian CBD Third Quarter 2011

⁶ CBRE Monthly Overview on London Offices December 2011

⁷ CBRE Research Central London Property Market Review Third Quarter 2011

⁸ DTZ Research Property Times Kuala Lumpur Third Quarter 2011

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

- CONTRIBUTION MANAGEMENT

PENSION CONTRIBUTION

One of KWAP's functions is to manage pension contributions remitted to KWAP by contributing employers in accordance to Statutory and Local Authorities Pensions Acts 1980 (Act 239) and Service Circular No. 12/2008 on the Policies and Procedures regarding appointment of Seconded officers; and Temporary and Permanent Transfers. As stipulated by the Act, contributing employers comprising statutory bodies, local authorities and agencies are required to remit their pension contributions to KWAP for employees who have been granted pensionable status. Apart from employers' contribution, KWAP also receives the Government's contributions portion from agencies such as the Employees' Provident Fund (EPF), Armed Forces Fund Board (LTAT) and Teachers' Provident Fund (KWSG).

In 2011, KWAP received a total of RM4.02 billion comprising Federal Government's contribution of RM1.5 billion, receipts of government's portion of RM1.84 billion and employers' contribution of RM675.77 million.

Employers' Contribution

Collection of employers' contribution in 2011 totalled RM675.77 million.

Breakdown of Employers' Contribution:

Categories of Employers	Contribution (RM Million)
Statutory Bodies	539.73
Local Authorities	127.93
Agencies	8.11

Receipts of Government's Portion

Receipts of Governments' Portion remitted to KWAP by EPF, LTAT, PSD and other government organisations in 2011 amounted to RM1.84 billion.

Government Agencies	Contribution (RM Million)
Employees' Provident Fund	1,442.90
Armed Forces Fund Board	342.37
Public Service Department	56.00
Other Government Agencies	1.28

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

- CONTRIBUTION MANAGEMENT

New employers (statutory bodies and local authorities) registered in 2011.

No	New Employers	Date of Registration
1	Selangor Housing and Property Board (<i>Lembaga Perumahan & Hartanah Selangor</i>)	14.01.2011
2	Sabah State Sports Board (<i>Lembaga Sukan Negeri Sabah</i>)	10.03.2011
3	Land Public Transport Commission (<i>Suruhanjaya Pengangkutan Awam Darat</i>)	12.04.2011
4	Malacca Housing Board (<i>Lembaga Perumahan Melaka</i>)	24.05.2011
5	Desatra Sdn. Bhd.	17.06.2011
6	The Commission of the City of Kuching North (<i>Dewan Bandaraya Kuching Utara</i>)	04.07.2011
7	Perak State Park Corporation (<i>Perbadanan Taman Negeri Perak</i>)	07.10.2011

Top 20 Contributors

No	Contributing Employers	Amount (RM Million)
1	Universiti Teknologi Mara (UITM)	71.08
2	Majlis Amanah Rakyat (MARA)	41.63
3	Universiti Kebangsaan Malaysia (UKM)	35.68
4	Universiti Malaya (UM)	25.71
5	Universiti Teknologi Malaysia (UTM)	24.80
6	Dewan Bandaraya Kuala Lumpur (DBKL)	24.80
7	Universiti Putra Malaysia (UPM)	22.43
8	Hospital Universiti Sains Malaysia (HUSM)	19.80
9	Universiti Sains Malaysia (USM)	16.90
10	Pihak Berkuasa Kemajuan Pekebun Kecil Perusahaan Getah (RISDA)	16.38
11	Institut Penyelidikan Dan Kemajuan Pertanian Malaysia (MARDI)	13.90
12	Lembaga Kemajuan Tanah Persekutuan (FELDA)	13.20
13	Universiti Utara Malaysia (UUM)	13.05
14	Lembaga Pertubuhan Peladang (LPP)	11.94
15	Pusat Perubatan Universiti Malaya (PPUM)	10.96
16	Universiti Tun Hussein Onn Malaysia (UTHM)	8.76
17	Lembaga Pemasaran Pertanian Persekutuan (FAMA)	8.43
18	Lembaga Minyak Sawit Malaysia (MPOB)	7.74
19	Universiti Pendidikan Sultan Idris (UPSI)	7.51
20	Universiti Teknikal Malaysia (UTEM)	7.10

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

- CONTRIBUTION MANAGEMENT

Statistics of Contributing Employers and Members

Total Number of Contributing Employers

	2007	2008	2009	2010	2011
Statutory Bodies	172	173	175	176	181
Local Authorities	143	144	145	148	149
Agencies	160	176	218	244	271
Total	475	493	538	568	601

Total Number of Members

	2007	2008	2009	2010	2011
Statutory Bodies	73,292	74,420	86,421	90,789	96,881
Local Authorities	30,274	31,991	34,497	34,924	36,349
Agencies	915	533	654	671	825
Total	104,081	106,944	121,572	126,384	134,055

Collaborations with Government Agencies

One of the initiatives undertaken by KWAP is to hold meetings with the Human Resource Division of the State Secretary Offices, Employees Provident Fund, Public Service Department, ministries and other central agencies. The objective of the meeting is to gather relevant information on the secondment of federal and state officers and to streamline and coordinate efforts amongst these agencies in relation to contributions and refund.

Collaboration With Government Agencies In 2011.

No	Date of Meetings	Government Agencies
1	25 February	Ministry of Local Government & Housing, Sabah
2	1 March	Three-way Meeting With JPA, EPF & KWAP
3	6 April	Ministry of Higher Education, Putrajaya
4	12 April	State Secretary Office of Selangor
5	27 May	Public Services Commission of Malaysia (SPA)
6	12 July	Employees' Provident Fund (Finance Department)
7	29 September	Public Services Department (JPA)
8	6 October	State Secretary Office of Sarawak
9	6 October	Public Service Department (Pension Division) Sarawak Branch

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

- CONTRIBUTION MANAGEMENT

Compliance and Enforcement

As part of our initiatives, Compliance and Enforcement visits to the employers offices were undertaken since 2007. The objective of the visits is to ensure total compliance by the employees to the provisions of Act 239 and Service Circular No 12/2008. Briefings were conducted during these visits and discussions were held to resolve issues relating to contributions management such as registration of members, managing of defaulters, imposing penalties and processing refund. A total of 51 employers offices were visited in 2011 in the following states:

States	Number of Employers Visited	Dates of Visit
Selangor	14	4 – 14 April
Federal Territory	16	12 Sept – 12 Oct
Sarawak and Labuan	21	31 Oct – 4 Nov
Total	51	

Employers' Training Program

KWAP has also conducted Employers' Training Programs to guide employers on the usage of contribution forms, computation of penalties, refund issues and others. This program is normally conducted on the request of new employers. Employers that have attended the training programs are:

- Malacca Housing Board - June 2011
- The Commission of The City of Kuching North - July 2011
- Mara University of Technology - July 2011
- National Anti-Drug Agency Malaysia - September 2011
- Majlis Daerah Sarikei - 21 December 2011

Refund

There are three (3) categories of refund namely, refund to employers, Government Agencies and individuals. Throughout 2011, 4,801 refund applications were approved totaling RM13.20 million.

Year	2007	2008	2009	2010	2011
Refund Amount (RM Million)	-	14.91	10.57	11.26	13.20
Number of Applications	-	5,008	3,403	4,087	4,801

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

- DEPARTMENTAL OPERATIONS REVIEW

DEPARTMENT	KEY ACHIEVEMENTS IN 2011 AND GOING FORWARD
CONTRIBUTION	<ol style="list-style-type: none"> 1. Collected Employers' Contribution and Receipts of Government Portion totaling RM4.03 billion. 2. Achieved 95.4% compliance rate by contributing employers. 3. Completed 35% of Implementation of Integrated Contribution Management System. 4. Collaborated with the following central government agencies on areas of secondments, refunds, and receipts of government portion: <ul style="list-style-type: none"> • Ministry of Sabah Local Government & Housing; • Public Services Commission of Malaysia; • State Secretary Offices of Selangor and Sarawak; and • Public Service Department (Pension Division) Sarawak Branch. 5. Conducted enforcement visits to 51 employers. 6. Conducted Employers' Training Programme to: <ul style="list-style-type: none"> • Malacca Housing Board; • North Kuching City Hall; • Mara University of Technology; • National Anti-Drug Agency Malaysia; and • Majlis Daerah Sarikei
	GOING FORWARD <p>To achieve 100% completion of ICMS.</p> <p>Collaboration to be extended to other Government Agencies and Ministries.</p> <p>Compliance and enforcement visit in 2012 will cover 35 employees in Kelantan, Terengganu and Perak.</p> <p>Conduct employers workshops upon full implementation of ICMS.</p>

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

- DEPARTMENTAL OPERATIONS REVIEW

DEPARTMENT	KEY ACHIEVEMENTS IN 2011 AND GOING FORWARD
CUSTODIAN	<ol style="list-style-type: none"> Established necessary operational requirements with global custodian that includes: <ul style="list-style-type: none"> Developing and reviewing investment policy and guidelines in relation to custodian services. Opening securities and settlement accounts in various markets with external custodian. Discussion with portfolio managers and custodian on setting up KWAP's portfolios. Developing custodian operating and monitoring procedures. Conducting and attending trainings related to custody operations. Centralised local custodian's functions with KWAP's EFM's to a single custodian appointed by KWAP. Activities involved are: <ul style="list-style-type: none"> Local custodian selection process. Appointment of custodian and formulate assets migration plan. Transfer of assets from existing custodians to appointed custodian. Setting up Securities Borrowing Lending (SBL) facilities at KWAP. Activities include: <ul style="list-style-type: none"> Application to Bursa Malaysia to be Non Trading Clearing Participant (NCTP). Application to Bursa Malaysia to be Authorised SBL Agent and Authorised Lender. Trainings with Bursa Malaysia on SBL. Administration of Bursa's SBL system at KWAP. Develop operational procedures on SBL activities.
	GOING FORWARD <p>Focus on building capabilities that includes continuous improvement on work processes, understanding market rules and regulations and adoption of best market practices in providing its custody services.</p> <p>To open additional securities and settlement accounts with global custodian.</p> <p>Level of service provided by global custodian will be monitored from time to time to ensure business continuity and adherence to relevant standards and agreement.</p>

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

- DEPARTMENTAL OPERATIONS REVIEW

DEPARTMENT	KEY ACHIEVEMENTS IN 2011 AND GOING FORWARD
HUMAN RESOURCE	<p>1. Talent Management</p> <p>Talent Exchange Program (TEx)</p> <ul style="list-style-type: none"> Objective: To accelerate leadership growth and capability by providing greater exposure and responsibilities. Seconded one key talent to an investee company. <p>Job Rotation Program</p> <ul style="list-style-type: none"> Objective: To broaden the skills, knowledge and capabilities of employees by providing diversified exposure whilst optimising their capabilities. Also aimed at assisting employees in their career progression. One employee was successfully placed on the program. <p>Performance Improvement Plan (PIP)</p> <ul style="list-style-type: none"> Objective: To assist the non performing employees and those struggling to meet their KPIs. Assists employees to identify and overcome performance issues for the betterment of both the individual and the organisation. <p>Management Preparation Program (MPP)</p> <ul style="list-style-type: none"> Objective: To assist employees who are assigned overseas duties to become a more wholesome manager, to equip them with technical skills and build their leadership and management skills. Program includes personal grooming, etiquette and protocol to enable them to be exceptional representatives of KWAP abroad. <p>Cross Fertilisation Program with MOF</p> <ul style="list-style-type: none"> Objective : To provide an avenue for exchange of knowledge and skills amongst employees within the Ministry of Finance. One employee was attached to the Corporate Planning Development Department of the Ministry of Finance for two months. <p>2. Sourcing and Recruitment</p> <ul style="list-style-type: none"> In line with the current trend, KWAP now actively uses social media such as Facebook and Linked-In for sourcing of talents. A total of 31 employees were recruited in 2011. A buddy system has been implemented for all new recruits to ensure that they are immediately accepted into the organisation with better understanding of the people and working culture in KWAP. <p>3. Learning and Development</p> <p>Education Assistance Scheme</p> <ul style="list-style-type: none"> Objective: Assists employees to enhance their education and technical competencies in areas relevant to their job scope to enable them to deliver better work performance.

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

- DEPARTMENTAL OPERATIONS REVIEW

DEPARTMENT	KEY ACHIEVEMENTS IN 2011 AND GOING FORWARD
HUMAN RESOURCE (continued)	<p>4. Employee Relations</p> <p>KWAP Annual Dinner 2011</p> <ul style="list-style-type: none"> Held to show appreciation to all employees for their contribution and accomplishments. <p>KWAP's second off-site Team Building program</p> <ul style="list-style-type: none"> Conducted with the objective of ensuring that all employees embrace common values and are committed towards achieving the organisation's goals. <p>Familiarisation Program</p> <ul style="list-style-type: none"> Introduced as an extension of the on boarding program for all new employees. <p>Morning Tea with the CEO</p> <ul style="list-style-type: none"> Enables all new employees to have an informal session with the CEO. Serves as a platform for the CEO to share her expectations and aspirations. <p>Annual Gift Exchange</p> <ul style="list-style-type: none"> Tradition introduced in 2007 where employees exchange gifts to provide employees with an avenue to wind down the year on a positive note. <p>Annual Staff and Family Hari Raya Gathering</p> <ul style="list-style-type: none"> Fosters closer relationship amongst the KWAP family. <p>5. Compensation and Benefits Review</p> <ul style="list-style-type: none"> Objective: To ensure that KWAP remains competitive against the market especially in attracting the best talents as well as retaining and motivating its high performers. <p>6. Employee Administration</p> <p>E-claims Module under the Human Resource Management System</p> <p>Enables employees to submit claims online for reimbursement of benefits and work related expenses. By automating the verification and approval process, administrative cost is significantly reduced, efficiency increased and record keeping improved.</p>

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

- DEPARTMENTAL OPERATIONS REVIEW

DEPARTMENT	KEY ACHIEVEMENTS IN 2011 AND GOING FORWARD
HUMAN RESOURCE (continued)	GOING FORWARD <ul style="list-style-type: none"> • To redefine KWAP as a High Performance Organisation (HPO) to increase organisational performance, employee efficiency and productivity. • To rebrand KWAP's Internship Program as part of KWAP's early talent acquisition strategy. • Rotation of employees under the Job Rotation Program will continue to ensure the continued growth and exposure of our employees in all areas both in the investment and business support departments. This will also facilitate career progression of employees within the organisation. • To expand the usage of social media as an integral part of our talent acquisition strategy especially for acquisition of talents for our international offices. • To introduce programs that will promote diversity and culture in KWAP. • To blend traditional learning with e-learning for better accessibility, flexibility and a more cost effective platform for continuous learning. • To conduct the Employee Engagement Survey to measure the engagement level of employees with the organisation and their commitment towards its success. • To upgrade the HR Management System. • To optimise the usage of existing Modules in the HR Management system to ensure full automation of HR processes.

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

- DEPARTMENTAL OPERATIONS REVIEW

DEPARTMENT	KEY ACHIEVEMENTS IN 2011 AND GOING FORWARD
INVESTMENT SETTLEMENT	1. Real Time Electronic Transfer System (RENTAS) <ul style="list-style-type: none"> Objective: To enable KWAP to manage its cash settlement accounts and scriptless debt securities accounts in real-time. A substantial reduction of settlement risk in KWAP's payment system and improved the efficiency and safety of KWAP's payment infrastructure.
	2. Setting up of Pre-Trade Settlement Division (Middle-Office) <ul style="list-style-type: none"> Pre-Trade Settlement came into operation on 15 July 2011. Objective: <ul style="list-style-type: none"> Offers various support functions for the back and front offices. Involves trade confirmation, matching and verification with third party on KWAP's daily investment activities. clear segregation of duties between investment and support functions. To manage new instruments of rolled out products.
	GOING FORWARD <p>To implement new RENTAS Full STP Gateway</p> <ul style="list-style-type: none"> New front end system which allows RENTAS Members to access the new RENTAS host services. Target date of completion is in 2014. <p>To strengthen Pre-Trade Settlement Division:</p> <p>Continue to adopt and ensure compliance with best practices in investment activities and collaboration with Risk Management and Compliance Department on compliance issues.</p>

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

- DEPARTMENTAL OPERATIONS REVIEW

DEPARTMENT	KEY ACHIEVEMENTS IN 2011 AND GOING FORWARD
INFORMATION TECHNOLOGY	<ol style="list-style-type: none"> 1. Establishment of IT Governance / Security Framework and Functions Rolled out the IT Security Framework to control how KWAP implements information security. It includes IT Security Policies, IT Security Baseline Settings and IT Procedures established to provide controlled and consistent practices. 2. Successful Implementation of Security Compliance / Configuration Management System Established baselines on the servers, network devices and databases and implemented a Security Compliance / Configuration Management system to facilitate more efficient compliance monitoring and incident response. 3. Improved User Desktop Productivity & IT Resource Utilisation <ul style="list-style-type: none"> A more comprehensive Antivirus solution featuring Client Server and Cloud technology has been implemented to cater to diverse user needs. The web filtering system was enhanced to ensure ROI on Internet bandwidth. Implemented the e-Mail Security system to mitigate security risk and unproductive consumption of IT resources. 4. Penetration and Web Security Vulnerability Assessment Review Successfully carried out Penetration and Web Security Vulnerability Assessment review on network, servers and system security. 5. Continuous IT Security Awareness and Education Successfully conducted regular IT Security Awareness education. 6. Upgraded KWAP's Data Centre A proper Data Centre was constructed to mitigate risk of facility outages and to improve physical and environmental security controls and incident response. 7. Enhanced Server Infrastructure Server virtualisation technology was deployed to simplify server management, improve reliability and availability. 8. Reviewed and enhanced IT Network, Security Infrastructure and Telco services The network was redesigned to incorporate the following salient features: enhanced security, reliability and availability, and efficiency.

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

- DEPARTMENTAL OPERATIONS REVIEW

DEPARTMENT	KEY ACHIEVEMENTS IN 2011 AND GOING FORWARD
INFORMATION TECHNOLOGY (continued)	<p>9. Equity Research Database System & Economic Research Database System</p> <p>This Knowledge base facilitates more productive research and analysis, shortening turnaround time by up to 60%.</p> <p>10. Risk Management Dashboard</p> <p>The online dashboard was created with RMCD to communicate key organisation-wide risk information to top management, presenting the relevant risk indicators, metrics and trends which helps to steer tactical and strategic business decisions.</p> <p>11. RPS (Risk Performance Strategy) and ICMS (Integrated Contributions Management System) Initiatives</p> <ul style="list-style-type: none"> • To facilitate better decision making for the increased Assets Under Management. • To automate and improve the overall management of pension contributions, collections, penalties and payment processes. <p>GOING FORWARD</p> <p>To strengthen and equip the "People component" of IT Service Delivery, the IT Department will train and certify our IT personnel. In 2012 KWAP will commence the Information Security Management System (ISMS) journey to provide a holistic Information Security Management to face cyber threats, covering people, processes, systems and service providers. ISMS initiative is aligned with our National needs i.e. to protect the Critical National Information Infrastructure. The ISMS entails ISO 27001 certification by 2013.</p>

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS
- DEPARTMENTAL OPERATIONS REVIEW

DEPARTMENT	KEY ACHIEVEMENTS IN 2011 AND GOING FORWARD
RISK MANAGEMENT AND COMPLIANCE	<p>1. Operational and Strategic Risk Management</p> <p>Lifecycle Process Review (LPR)</p> <ul style="list-style-type: none"> Completed the LPR for six key processes e.g. Purchase and sale of listed equities, Investment in private equity fund and investment in fixed income instruments. <p>Business Continuity Management</p> <ul style="list-style-type: none"> Reviewed and updated the disaster recovery strategy in view of the significant changes in systems and processes at KWAP. <p>Departmental Risk Profiling</p> <ul style="list-style-type: none"> Completed six risk profiling exercises for key investment related departments e.g. Fixed Income Department, Equity Department and Investment Settlement Department. <p>Risk Management Framework Gap Analysis</p> <ul style="list-style-type: none"> Completed the gap analysis exercise on existing Risk Management Framework against the ISO 31000 (Risk Management) standards 2009. <p>Strategic Risk Management Framework (SRMF)</p> <ul style="list-style-type: none"> Developed and formalized the SRMF. <p>Corporate Risk Profile (Key Risk Indicators)</p> <ul style="list-style-type: none"> Formulation of Key Risk Indicators for key corporate risk. <p>2. Market Risk Management</p> <p>Market Risk Management System</p> <ul style="list-style-type: none"> Appointed a vendor to supply an integrated Risk, Performance and Strategy (RPS) system to KWAP. <p>Market Risk Measurement</p> <ul style="list-style-type: none"> Enhanced market risk measures and formulation, rollout of daily, weekly and monthly's analysis reporting for Equity, Fixed Income and Foreign Exchange. Introduced alternative risk reporting ERM and RMC.

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

- DEPARTMENTAL OPERATIONS REVIEW

DEPARTMENT	KEY ACHIEVEMENTS IN 2011 AND GOING FORWARD
RISK MANAGEMENT AND COMPLIANCE (continued)	3. Credit Risk Management <ul style="list-style-type: none"> Counterparty Limit Guidelines implemented to manage counterparty risk for money market, foreign exchange and derivatives products. Group Investment Exposure monitoring mechanism enhanced via "Traffic Light Indicators Model". PDS Negative Rating Watch monitoring as a preemptive measure in addressing the potential downgrade and/or default of the bonds. 4. Compliance <ul style="list-style-type: none"> Roll-out Compliance Framework and Self Compliance Checklist: <ul style="list-style-type: none"> Completed the roll out the Compliance Framework in KWAP. Compliance Limits: Implemented Compliance Limits in the Investment System.
	GOING FORWARD <ul style="list-style-type: none"> Besides continuing the good work in Lifecycle Process Review, Business Continuity Management and Department Risk Profiling. To refine the Risk Management Framework to be ISO 31000 compliant and in line with other industry benchmarks on risk management. To embed strategic risk management as per SRMF into the strategic planning and monitoring process. Rollout of the RPS and risk budgeting. Formalisation and rollout of scenario analysis and stress testing. Development and formalization of credit risk management framework and policy, market risk management framework and policy, operational risk management framework and policy. Improvements to the compliance toolkit in order to enhance the compliance awareness in KWAP, incorporating a more robust Self-Compliance rollout and sample test. To implement more comprehensive limits structure throughout all asset classes including external fund managers.

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS
- DEPARTMENTAL OPERATIONS REVIEW

DEPARTMENT	KEY ACHIEVEMENTS IN 2011 AND GOING FORWARD
ACCOUNTS & MANAGEMENT SERVICES DEPARTMENT	1. FRS Feasibility Study <ul style="list-style-type: none"> Objective: To enable KWAP to ascertain and assess the extent and shortcoming of its FRS readiness in view of future implementation. Results: A comprehensive report and assessment on the requirement and shortcomings of KWAP's FRS readiness.
	2. Document Retention Policy <ul style="list-style-type: none"> Objective: To provide a systematic review, retention and destruction of documents. Results: A guideline on the identification, maintenance and retention of documents prior to disposal.
	GOING FORWARD <p>To strengthen KWAP overall processes and procedures</p> <ul style="list-style-type: none"> Enhancement of KWAP's processes and procedures in accordance to the FRS Feasibility Study recommendations in view of future FRS implementation. <p>Implementation of the Document Retention Policy</p> <ul style="list-style-type: none"> Target: First Quarter of 2012.

REVIEW OF 2011 OPERATIONS AND ACHIEVEMENTS

- 2011 FINANCIAL OVERVIEW

OPERATING EXPENDITURE

The total operating expenditure for the year ended 31 December 2011 was RM65.78 million. It was also RM23.64 million or 56.10% higher compared to 2010. The higher expenditure against 2010 was mainly attributable to the higher expenditure on professional fees and services primarily fund managers' fees, associated professional fees and services for property investment, and custodian fees as well as staff related cost. The Group also recorded full year expenditure on property investment in 2011 in comparison to 22 days of property investment expenditure in 2010.

In 2011, the Group continued its investment in employees through employee recruitment and training. Throughout 2011, the Group recruited 26 additional employees, thus increasing the total manpower to 152 employees. Total emolument for 2011 was 33.41% of total operating expenditure. The Group also appointed 7 new external fund managers, which resulted in the increase of fund managers' fees incurred in 2011. Furthermore, the Group continued its focus on enhancing and developing the core IT systems throughout 2011, primarily the Disaster Recovery Center under its Business Continuity Plan and ICMS.

The management continued the Group's expansion plans into foreign markets in 2011 through the establishment of a subsidiary in the UK for the provision of fund management services in relation to the Group's investment in the UK equity market. The establishment of a new property trust was included in the Group's existing Australian subsidiary in relation to a property acquisition in Sydney, Australia. The international expansion contributed to the increase in overall legal and professional fees for the Group.

As at 31 December 2011, there was an increase in the total depreciation for the Group by 346.19% to RM14.70 million as compared to RM3.29 million in 2010. Depreciation charges arising from international property investments increased by 712.0% to RM12.70 million as compared to 2010. This is expected to rise further in 2012 in view of increased investment in international property.

Capital Expenditure

The Group continued to build strong and effective operational infrastructure primarily in Information Technology (IT) i.e the enhancement and development of the core IT systems namely the new Contribution System (ICMS) as well as enhancements on its existing investment system, IFIMS. All planned upgrades and enhancement of the IT operational infrastructure together with the network and security updates were successfully completed in 2011.

The total 2011 capital expenditure for the Group was approximately RM633.74 million which was primarily for international property.

CORPORATE SCORECARD FOR 2012

Stakeholders' Objectives	KPI Measurement	Annual Target
1. Grow fund size	a) Percentage of growth in fund size	a) Increase fund size (at cost) by circa 9.9% from estimated opening balance 2012
2. Funding Government's pension liability	a) Timely identification of funding solution (in relation to Government's contribution to KWAP)	a) Submission of funding solution

Financial Objectives	KPI Measurement	Annual Target
1. Achieve target ROI	a) GDP of 2012 b) Customised benchmark (weighted average of all asset classes benchmarks)	a) ROI of 5.00% b) Outperform customised benchmark
2. Higher utilisation of international asset allocation	a) % of international asset allocation utilised from total fund size	a) More than 6% from total fund size

Operational Objectives	KPI Measurement	Annual Target
1. Enhance investment practices	a) No. of operational initiatives completed as identified under 'enhance investment strategy objective' b) % of investment proposals approved by the Investment Panel	a) 6 operational initiatives b) 90%
2. Adopt best practices	a) No. of operational initiatives completed as identified under 'adopt best practices' b) % of compliance to legislations / regulations	a) 13 operational initiatives b) 100% compliance

CORPORATE SCORECARD FOR 2012

Operational Objectives	KPI Measurement	Annual Target
2. Adopt best practices (continued)	c) % of audit observations closed over stipulated time d) Opinion by statutory auditor e) Opinion by Auditor General in relation to performance audit	c) 100% closure d) Unqualified Audit Certificate for the Financial Statements e) No material findings raised by Auditor General and all non-material findings raised to be resolved within 6 months
3. Conduct feasibility study on KWAP's plan to:		
a) Build capabilities in Islamic Finance	a) Completion of study as per timeline	a) Table to the Board in May 2012
b) Participate in the Private Retirement Scheme industry		

Learning & Growth Objectives	KPI Measurement	Annual Target
1. Enhance talent management model		
a) Review HRM Framework	a) No. of new initiatives developed pursuant to review	a) 4 programs
b) Revised compensation and benefits	b) Timely approval by the Board	b) April 2012
c) Promote learning organisation	c) i) Implementation of Employee Education Assistance Scheme ii) Numbers of programs	c) i) Jan 2012 ii) 12 programs
d) High performance culture	d) No. of programs implemented	d) 3 programs

CORPORATE SCORECARD FOR 2012

Learning & Growth Objectives	KPI Measurement	Annual Target
1. Enhance talent management model (continued)		
e) Learning	e) Average training days per employee	e) 7 training days per employee
f) Succession planning	f) Completion of Succession Planning Framework	f) Establish Succession Planning Framework by August 2012
2. Employee engagement	a) Conduct and implement Employee Engagement Survey	a) Minimum 2 programs
	b) % of Participation rate in Employee Engagement Survey	b) Participation rate 65% - 75%
3. Profiling of KWAP in local and international arena	a) Participation of KWAP's employees in conferences / seminars as speakers	a) 2 conferences / seminars
	b) Participation of KWAP in working committee form by Government / regulatory bodies / industry associations	b) 4 participations
4. CSR programs	a) No. of completed initiatives	a) Four (4) CSR programs

SUMMARY OF CORPORATE PLAN 2012 – 2014

OUR STRATEGY

KWAP was incorporated in 2007. The first phase of KWAP's strategic transformation initiatives were carried out from 2007 to 2011. This phase known as Wave 1 was geared towards building capabilities and growing the asset base.

In terms of being a return focused asset manager, the key strategic thrust was towards implementing a new business model and migrating to a new Strategic Asset Allocation. A quick review of progress made under Wave 1 includes the following:

- Completed 20 initiatives identified under the Business Model Study aimed at enhancing organisational design, compensation and benefits as well as investment and risk management practices.
- Around 3% of international asset allocation has been utilised to-date.
- KWAP reported 5-year average (2007-2011) ROI of 6.81%.
- KWAP reported 3-year average (2009-2011) Total Return of 8.61%.
- Fund size grew by 64.2% from RM48.08 billion in 2008 to RM78.93 billion at end 2011.

One of the key initiatives embarked upon was to seek greater influence over policy formulation process. A quick snapshot of progress made in this area includes the following:

- Completed the Pension Liability Study which led to approval by the Cabinet in November 2010. KWAP is engaging the Government through the MOF on the way forward of implementing the study.

- KWAP was part of a committee spearheaded by PSD in 2011 that was overseeing the proposed development of a new contributory pension scheme.
- KWAP was invited to be a member of a multi agency Pension and Social Security committee spearheaded by the MOF in 2011 to look at the multi-pillared pension and social security framework in Malaysia.

Our Area of Focus

Moving forward to Wave 2 which will commence in 2012, the key strategic thrusts for KWAP will revolve around the following:

- a) Engagement and collaboration with the Government on policy matters including the implementation of the outcome of the Pension Liability Study. KWAP intends to collaborate with the PSD on matters pertaining to developments in the public pension sector.
- b) Further enhance investment management practices through multiple approaches. For 2012, this includes greater utilisation of international asset allocation, further review of Strategic Asset Allocation, active management of international equity through the establishment of an International Equity Department as well as implementing value added strategies in property investments.

SUMMARY OF CORPORATE PLAN 2012 – 2014

- c) KWAP will continue to pursue best business practices, among others, ISO certification and building necessary information technology infrastructure.
- d) KWAP will continue to enhance talent management practices with focus on attracting, engaging and retaining talent.
- e) KWAP will look at some specific profiling initiatives in both the domestic and international arena in particular in the pension and investment space. This could be through participation in relevant national and international conferences and targeted corporate social responsibility programs.
- f) KWAP will undertake specific studies on areas where it believes it should build capabilities such as Islamic Finance and other specific business development initiatives.

Section FINANCIAL STATEMENTS

- 113** Statement by the Chairman
and a Member of the Board
- 114** Statutory Declaration by the Officer Primarily
Responsible for the Financial Management
of KWAP 2011
- 115** Auditor General's Certification
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STATEMENT BY THE CHAIRMAN

AND A MEMBER OF THE BOARD

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 2011 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 : 22 MARCH 2012
Venue : Kuala Lumpur

Signed on behalf of the Board,



.....
Name : **Cheah Teik Seng**
Title : Member of the Board
Date : 22 MARCH 2012
Venue : Kuala Lumpur

STATUTORY DECLARATION

BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF
KUMPULAN WANG PERSARAAN (DIPERBADANKAN) 2011

I, Dato' Azian Binti Mohd Noh, being the officer primarily responsible for the financial management of Signed on behalf of the Board, Kumpulan Wang Persaraan (Diperbadankan), do solemnly and sincerely declare that the Financial Statements set out on pages 122 to 141 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 21 MARCH 2012

)
)
)
)



Before me,



Level 16, Menara Tokio Marine Life
189, Jalan Tun Razak,
50400 Kuala Lumpur.

COMMISSIONER FOR OATHS

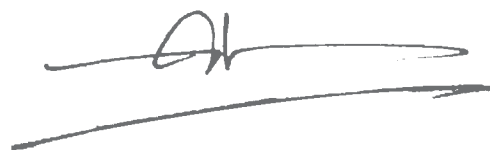
AUDITOR GENERAL'S CERTIFICATION

I have audited the financial statements of the Kumpulan Wang Persaraan (Diperbadankan) and the Group for the year ended 31 December 2011. 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. I believe that the audit provides a reasonable basis for my opinion.

I have considered the financial statements of subsidiary companies 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 companies 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 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 2011 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' SETIA HAJI AMBRIN BIN BUANG
AUDITOR GENERAL
MALAYSIA

PUTRAJAYA
23 MARCH 2012

BALANCE SHEET

AS AT 31 DECEMBER 2011

		GROUP		KWAP	
	Note	2011 (RM'000)	2010 (RM'000)	2011 (RM'000)	2010 (RM'000)
Non-Current Assets					
Property And Equipment	4	1,005,923	388,422	9,149	8,515
Investments	5	60,245,451	50,431,863	60,245,451	50,431,863
Investment In Subsidiaries	6	-	-	770,967	383,045
Investment In Associate	7	2,354,367	2,289,487	16,670	16,670
		63,605,741	53,109,772	61,042,237	50,840,093
Current Assets					
Loan to Subsidiary	8	-	-	251,176	-
Trade Debtors	9	878,684	1,338,205	891,470	1,338,175
Other Debtors	10	142,912	72,185	142,867	72,181
Deposits And Prepayments	11	32,260	9,842	31,875	8,712
Cash And Cash Equivalents	12	17,022,440	18,339,549	16,970,903	18,313,561
		18,076,296	19,759,781	18,288,291	19,732,629
Current Liabilities					
Trade Creditors	13	391,833	46,833	384,053	45,763
Other Creditors	14	1,811	355	455	365
Accrued Expenditures	15	26,159	33,531	19,789	10,335
		419,803	80,719	404,297	56,463
Net Current Assets					
		17,656,493	19,679,062	17,883,994	19,676,166
		81,262,234	72,788,834	78,926,231	70,516,259
Financed by:					
Allocation Of Statutory Fund	16	19,601,944	18,101,944	19,601,944	18,101,944
Pension Contributions	17	32,438,170	29,919,843	32,438,170	29,919,843
Deferred Income	18	1,094	1,945	1,094	1,945
Reserves		29,221,026	24,765,102	26,885,023	22,492,527
		81,262,234	72,788,834	78,926,231	70,516,259

The notes on pages 122 to 141 form an integral part of these financial statements.

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	GROUP		KWAP	
		2011 (RM'000)	2010 (RM'000)	2011 (RM'000)	2010 (RM'000)
Gross Investment Income	19	4,634,062	4,568,911	4,663,551	4,617,126
(Allowance For Diminution) / Write Back Of Allowance For Diminution		(321,091)	269,583	(321,091)	269,583
		4,312,971	4,838,494	4,342,460	4,886,709
Non-Investment Income		1,611	900	887	869
		4,314,582	4,839,394	4,343,347	4,887,578
Operating Expenditures	20	(65,777)	(42,139)	(43,772)	(40,073)
Operating Profit		4,248,805	4,797,255	4,299,575	4,847,505
Share of Profit of Equity Accounted Associate, Net of Tax		565,296	431,207	-	-
Net Income		4,814,101	5,228,462	4,299,575	4,847,505

The notes on pages 122 to 141 form an integral part of these financial statements.

STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2011

GROUP

	Accumulated Surplus (RM'000)	Foreign Exchange Translation Reserve (RM'000)	Revaluation Reserve (RM'000)	Non- Controlling Interest (RM'000)	Total (RM'000)
Balance As At 1 January 2010	18,717,722	-	606,182	-	19,323,904
Prior Year Adjustment	(5,001)	-	-	-	(5,001)
Balance As At 1 January 2010	18,712,721	-	606,182	-	19,318,903
Net Income For Current Year	5,228,462	-	-	-	5,228,462
Revaluation charge For The Year	-	-	223,757	-	223,757
Unrealised (Loss) On Foreign Exchange	-	(6,020)	-	-	(6,020)
Balance As At 31 December 2010	23,941,183	(6,020)	829,939	-	24,765,102
Balance As At 1 January 2011	23,948,398	(6,020)	829,939	-	24,772,317
Prior Year Adjustment	(7,215)	-	-	-	(7,215)
Balance As At 1 January 2011	23,941,183	(6,020)	829,939	-	24,765,102
Net Income For Current Year	4,814,101	-	-	-	4,814,101
Current Year Distribution	(648)	-	-	-	(648)
Revaluation Charge For The Year	-	-	(452,086)	-	(452,086)
Unrealised Gain On Foreign Exchange	-	92,878	-	-	92,878
Reserve On Consolidation Of Associate	-	-	-	1,679	1,679
Balance As At 31 December 2011	28,754,636	86,858	377,853	1,679	29,221,026

STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2011

		KWAP	
	Accumulated Surplus (RM'000)	Foreign Exchange Translation Reserve (RM'000)	Total (RM'000)
Balance As At 1 January 2010	17,651,040	-	17,651,040
Net Income For Current Year	4,847,505	-	4,847,505
Unrealised (Loss) On Foreign Exchange	-	(6,018)	(6,018)
Balance As At 31 December 2010	22,498,545	(6,018)	22,492,527
Balance As At 1 January 2011	22,498,545	(6,018)	22,492,527
Net Income For Current Year	4,299,575	-	4,299,575
Unrealised Gain On Foreign Exchange	-	92,921	92,921
Balance As At 31 December 2011	26,798,120	86,903	26,885,023

The notes on pages 122 to 141 form an integral part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

	GROUP		KWAP	
Note	2011 (RM'000)	2010 (RM'000)	2011 (RM'000)	2010 (RM'000)
Cash Flow From Operating Activities				
Cash Receipts From Customers And Employees	2,893	58	1,796	24
Cash Payment To Suppliers And Employees	(33,136)	(27,933)	(32,001)	(25,778)
Net Cash Used In Operating Activities	(30,243)	(27,875)	(30,205)	(25,754)
Cash Flow From Investment Activities				
Receipts				
Proceeds From Sales Of Shares	13,083,611	15,564,841	13,083,611	15,564,841
Share Dividends	754,484	665,899	754,484	665,899
Tax Claim On Dividends	1,726	53,411	1,726	53,411
Income From Equity Fund Manager	228,867	167,859	228,867	167,859
Income From Bond Fund Manager	32,746	27,483	32,746	27,483
Repayment Of Loan	2,692,657	439,866	2,692,657	439,866
Sale Of Malaysian Government Securities	31,164,229	18,285,691	31,164,229	18,285,691
Interest From Loans	378,255	344,337	378,255	344,337
Proceeds From Disposal Of Private Debt Securities	3,785,952	887,126	3,785,952	887,126
Private Debt Securities Interest	571,152	507,122	571,152	507,122
Fixed Deposit Interest	311,076	238,543	311,076	238,543
Short Term Money Market Interest	150,057	128,874	150,057	128,874
Malaysian Government Securities Interest	900,178	791,336	900,178	791,336
Money Market Current Account Interest	431	107	431	107
Bank's Current Account Interest	18	20	18	20
Sale Of Share In Subsidiary	-	-	251,207	-
Return Of Capital From Private Equity Fund	25,596	18,681	25,596	18,681
Income From Private Equity Fund	12,408	1,565	12,408	1,565
Property Rental	48,799	2,100	-	-
Dividend Received From An Associate	50,009	50,009	50,009	50,009

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	GROUP		KWAP	
		2011 (RM'000)	2010 (RM'000)	2011 (RM'000)	2010 (RM'000)
Payments					
Quoted Shares		(18,199,300)	(14,890,643)	(18,199,300)	(14,890,643)
Fund Managers		(1,820,452)	(360,000)	(1,820,452)	(360,000)
Fund Managers Fee		(9,369)	(6,427)	(9,369)	(6,427)
Custodian Fee		(1,191)	(207)	(1,191)	(207)
Loans		(2,474,215)	(1,021,907)	(2,474,215)	(1,021,907)
Malaysian Government Securities		(33,107,642)	(17,809,941)	(33,107,642)	(17,809,941)
Bonds		(2,861,608)	(1,375,133)	(2,861,608)	(1,375,133)
Malaysian Government Securities Advances		(241,599)	(132,292)	(241,599)	(132,292)
Private Equity Fund		(133,196)	(62,974)	(133,196)	(62,974)
Investment In Subsidiary		-	-	(623,026)	(375,355)
Purchase Of Fixed Asset		(654,368)	(357,714)	(2,634)	(1,307)
Property Related Expenses		(5,812)	(630)	-	-
Loan To Subsidiary		-	-	(251,207)	-
Net Cash (Used In) / Generated From Investment Activities		(5,316,501)	2,157,002	(5,330,780)	2,136,584
Cash Flow From Financing Activities					
Receipt Of Federal Government Contribution		1,500,000	1,000,000	1,500,000	1,000,000
Receipt Of Pension Contribution		2,531,532	3,190,450	2,531,532	3,190,450
Repayment Of Pension Contribution		(13,205)	(11,259)	(13,205)	(11,259)
Net Cash Generated From Financing Activities		4,018,327	4,179,191	4,018,327	4,179,191
Net (Decrease) / Increase In Cash And Cash Equivalents		(1,328,417)	6,308,318	(1,342,658)	6,290,021
Exchange Difference On Translation Of Financial Statement Of Foreign Operations		11,308	7,691	-	-
Cash And Cash Equivalents As At 1 January		18,339,549	12,023,540	18,313,561	12,023,540
Cash And Cash Equivalents As At 31 December	12	17,022,440	18,339,549	16,970,903	18,313,561

The notes on pages 122 to 141 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1. GENERAL INFORMATION

Retirement Fund (Incorporated) (KWAP) was established on 1 March 2007 under the Retirement Fund Act 2007 (Act 662) with a launching grant of RM27.0 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 contributions from Statutory Bodies and Local Governments, other Agencies, contributions from Government's share of employee contributions, gratuities and other deductions as well as investment income. The Fund is invested in Asset Classes in accordance with the 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 and principal place of business of KWAP is located at Level 4, 5, 6 & 8, Menara Yayasan Tun Razak, 200 Jalan Bukit Bintang, 55100 Kuala Lumpur.

2. 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 optimising returns to KWAP.

2.1 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 are continuously reviewing and monitoring the risks.

2.2 Credit Risks

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

2.3 Market Risks

The market risk is managed using value at risk approach. Value at risk is a statistical measure that estimates the potential changes in portfolio value that may occur due to daily changes in market rates over a specified holding period at a specific confidence level under normal market condition.

2.4 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 commitments for the operating expenses and financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 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.

3.2 ECONOMIC ENTITIES IN THE GROUP

3.2.1 Investment In Subsidiaries

Subsidiary 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 (Australia) and Prima Ekuiti (UK) Limited are categorised as subsidiary companies 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.

3.2.2 Investment In Associate

Associates 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 is recognised using the equity method of accounting in accordance with MASB 12.

3.3 PROPERTY AND EQUIPMENT

3.3.1 Recognition And Measurement

Property and equipment are recognised at cost less accumulated depreciation and accumulated impairment of losses, if any.

Costs include expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use and the costs of dismantling, removal as well as the restoration of the site where the asset was located.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 PROPERTY AND EQUIPMENT (continued)

3.3.2 Impairment Loss

The policy for the recognition and measurement of impairment losses is in the event the carrying value exceeds the recoverable value of the asset in accordance with Note 3.4.

3.3.3 Subsequent Costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part shall be obtained by KWAP and its cost can be reliably measured. The carrying amount of the replaced parts is derecognised. The daily service costs of the property or equipment are recognised in the Income Statement as incurred.

3.3.4 Depreciation

Work in progress and paintings are not depreciated. Depreciation is provided on a straight line basis with the exception of investment property assets categorised under the low value pool category whereby the depreciation is provided on a reducing balance method. Depreciation is 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) Investment Property	2.5% per annum
(ii) Investment Property – Low Value Pool	18.75% in the first year and 37.5% per annum thereafter
(iii) Office Renovation	16.67% per annum
(iv) Furniture	15.00% per annum
(v) Office Equipment	15.00% per annum
(vi) Computers	20.00% per annum
(vii) Computer Software	20.00% per annum
(viii) 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.

3.3.5 Disposal

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 IMPAIRMENT OF ASSETS

Assets with indefinite useful life are not subjected to amortisation but reviewed at each financial year end to determine whether there is any indication of impairment. Assets subjected to amortisation will be revised for impairment upon indication that the carrying value is unlikely to be recovered due to events or changes in circumstances. 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 of the asset is recognised in the Income Statement. Reversible loss from impairment over revalued asset 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.

3.5 INVESTMENTS

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

3.5.1 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 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 INVESTMENTS (continued)

3.5.2 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.

3.5.3 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.

3.5.4 Private Equity Funds

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

3.6 FOREIGN CURRENCY

3.6.1 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).

3.6.2 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 date of the Balance Sheet date. KWAP will undertake to proactively manage its foreign currency exposure.

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.

3.6.3 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; and
- (iii) All resulting exchange differences are recognised as a separate component in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 ALLOCATION OF STATUTORY FUNDS

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

3.8 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 deductions in accordance with the Statutory and Local Authorities Pensions Act, 1980 (Act 239) and Service Circular No. 12/2008.

3.9 RECOGNITION OF INCOME AND EXPENDITURES

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

3.10 TAXATION

KWAP is exempted from income tax in accordance with Section 127(3A) of the Income Tax Act 1967 for all income from domestic sources. All income from international sources are subject to the income tax laws and rates of the respective country of origin.

3.11 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.

3.12 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.

3.13 EMPLOYEE BENEFITS

3.13.1 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 EMPLOYEE BENEFITS (continued)

3.13.2 Defined Contribution Plan

As required 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.

3.14 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

4. PROPERTY AND EQUIPMENT

	GROUP								
	Land & Buildings RM'000	Office Renovation RM'000	Furniture RM'000	Office Equip-ment RM'000	Com-puters RM'000	Com-puter Software RM'000	Vehicles RM'000	Work In Progress RM'000	Total RM'000
Cost									
At 1 January 2011	381,471	4,398	2,509	989	3,011	1,100	147	2,029	395,654
Additions	629,671	171	311	145	138	1,935	163	1,208	633,742
Adjustments/Disposals	-	(302)	(497)	(94)	(34)	(66)	-	(450)	(1,443)
At 31 December 2011	1,011,142	4,267	2,323	1,040	3,115	2,969	310	2,787	1,027,953
Accumulated Depreciation									
At 1 January 2011	1,564	2,265	885	353	1,757	301	107	-	7,232
Current Year Charge	12,700	695	279	146	607	241	29	-	14,697
Adjustments/Disposals	104	-	-	-	(3)	-	-	-	101
At 31 December 2011	14,368	2,960	1,164	499	2,361	542	136	-	22,030
Carrying Amounts									
At 31 December 2011	996,774	1,307	1,159	541	754	2,427	174	2,787	1,005,923
Cost									
At 1 January 2010	-	4,679	1,577	852	2,959	923	147	1,734	12,871
Additions	381,471	385	649	137	52	177	-	295	383,166
Adjustments/Disposals	-	(666)	283	-	-	-	-	-	(383)
At 31 December 2010	381,471	4,398	2,509	989	3,011	1,100	147	2,029	395,654
Accumulated Depreciation									
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
Adjustments/Disposals	-	(231)	-	-	-	-	-	-	(231)
At 31 December 2010	1,564	2,265	885	353	1,757	301	107	-	7,232
Carrying Amounts									
At 31 December 2010	379,907	2,133	1,624	636	1,254	799	40	2,029	388,422

Land and buildings refer to the Investment Property by KWAP MIT in the subtrust being the 737 Bourke Street Trust and Bridge Street Trust. The accumulated depreciation charge for the land and buildings is at 2.5% per annum (2010: nil) on a straight line basis and 18.75% in the first year and 37.50% per annum thereafter (2010: nil) on a reducing balance method, respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

4. 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								
At 1 January 2011	4,398	2,509	989	3,011	1,100	147	2,029	14,183
Additions	171	311	145	138	1,935	163	1,208	4,071
Adjustments/Disposals	(302)	(497)	(94)	(34)	(66)	-	(450)	(1,443)
At 31 December 2011	4,267	2,323	1,040	3,115	2,969	310	2,787	16,811
Accumulated Depreciation								
At 1 January 2011	2,265	885	353	1,757	301	107	-	5,668
Current Year Charge	695	279	146	607	241	29	-	1,997
Adjustments/Disposals	-	-	-	(3)	-	-	-	(3)
At 31 December 2011	2,960	1,164	499	2,361	542	136	-	7,662
Carrying Amounts								
At 31 December 2011	1,307	1,159	541	754	2,427	174	2,787	9,149
Cost								
At 1 January 2010	4,679	1,577	852	2,959	923	147	1,734	12,871
Additions	385	649	137	52	177	-	295	1,695
Adjustments/Disposals	(666)	283	-	-	-	-	-	(383)
At 31 December 2010	4,398	2,509	989	3,011	1,100	147	2,029	14,183
Accumulated Depreciation								
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
Adjustments/Disposals	(231)	-	-	-	-	-	-	(231)
At 31 December 2010	2,265	885	353	1,757	301	107	-	5,668
Carrying Amounts								
At 31 December 2010	2,133	1,624	636	1,254	799	40	2,029	8,515

Carrying amounts of computers as at 31 December 2011 include assets held under the finance lease arrangement of RM96,080.03 (2010 : RM288,278).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

5. INVESTMENTS

	GROUP AND KWAP			
	2011		2010	
	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	24,560,738	24,712,805	16,695,463	17,216,923
Allowance For Diminution	(497,971)		(174,735)	
	24,062,767		16,520,728	
Unquoted Shares	393,136		393,136	
Malaysian Government Securities (Amortisation Of Premium)	16,544,437 (74,502)	16,783,463	14,456,072 (85,021)	14,556,140
	16,469,935		14,371,051	
Private Debt Securities	11,458,723	12,045,374	11,094,427	11,653,106
Accretion Of Discount	79,731		166,609	
	11,538,454		11,261,036	
Participation In Private Equity Fund Loans	247,909 7,533,250		134,221 7,751,691	
	60,245,451		50,431,863	

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

	GROUP AND KWAP	
	2011 (RM'000)	2010 (RM'000)
Maturity Within 12 months	1,388,362	924,247
Maturity After 12 months	24,942,798	24,066,253
	26,331,160	24,990,500

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

6. INVESTMENT IN SUBSIDIARIES

6.1 INVESTMENT IN MANAGED INVESTMENT TRUST

	Note	2011 (RM'000)	2010 (RM'000)
At Cost:			
Unit Holding			
At 1 January		375,355	375,355
Add : Subscription Of Additional Units		623,026	-
Less : Issuance Of Loan	8	(251,207)	-
		747,174	375,355
Foreign Exchange Differences		23,793	7,690
At 31 December		770,967	383,045

Details of investment in Managed Investment Trust are as follow:

Name	Country Incorporated	Effective Ownership Interest		Principal Activities
		2011 %	2010 %	
KWAP Managed Investment Trust (KWAP MIT)*	Australia	100	100	Management of Investment Trust
Investment Trust by KWAP MIT				
737 Bourke Street Trust*	Australia	100	100	Property Rental
Bridge Street Trust*	Australia	100	-	Property Rental

* Not audited by Jabatan Audit Negara Malaysia

KWAP's initial investment in KWAP MIT was on 4 November 2010 whereby the main activity of KWAP MIT is the management of property investment trusts. As at 1 January 2011, the total units held by KWAP in KWAP MIT amounted to 120,538,000 units of AUD1.00 per unit and the total units held by KWAP MIT in a subtrust being 737 Bourke Street Trust amounted to 120,538,000 units of AUD1.00 per unit. On 20 May 2011, there was a reduction of KWAP's unit holding in KWAP MIT due to the issuance of loan to KWAP MIT of AUD78,000,000. Subsequently, KWAP increased its investment in KWAP MIT on 14 December 2011 and 20 December 2011 by 9,250,000 units of AUD1.00 per unit and 187,628,000 units of AUD1.00 per unit respectively via KWAP MIT's investment in Bridge Street Trust. As at 31 December 2011, the total units held by KWAP in KWAP MIT was 239,416,000 units of AUD1.00 per unit and total units held by KWAP MIT in two subtrusts being 737 Bourke Street Trust and Bridge Street Trust amounted to 120,538,000 units of AUD1.00 and 196,878,000 units of AUD1.00 per unit respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

6. INVESTMENT IN SUBSIDIARIES (continued)

6.2 INVESTMENT IN PRIMA EKITI (UK) LIMITED

On 6 October 2011, KWAP acquired 2 ordinary shares of GBP2.00 each in Prima Ekiti (UK) Limited for a purchase consideration of GBP2.00 satisfied by cash. The main activity of Prima Ekiti (UK) Ltd is the provision of fund management services to KWAP in relation to KWAP's investments in United Kingdom's equity market. It is the intention of KWAP to increase the paid up capital of Prima Ekiti (UK) Ltd to GBP50,000.00 in 2012.

7. INVESTMENT IN ASSOCIATE

	GROUP		KWAP	
	2011 (RM'000)	2010 (RM'000)	2011 (RM'000)	2010 (RM'000)
At Cost:				
Unquoted Shares	16,670	16,670	16,670	16,670
Share Of Post-Acquisition Profit	2,141,533	1,576,236	-	-
Share Of Post-Acquisition Asset Revaluation Reserve	377,853	829,939	-	-
Share Of Post-Acquisition Non-Controlling Interest	1,679	-	-	-
	2,537,735	2,422,845	16,670	16,670
Less: Total Dividend Received	(183,368)	(133,358)	-	-
Share Of Net Asset	2,354,367	2,289,487	16,670	16,670

7.1 PERCENTAGE HOLDING AND FINANCIALS OF ASSOCIATE

Summary of financial information of associate, unadjusted by percentage ownership held by the Group:

2011	Country Incorporated	Effective Ownership Interest %	Principal Activities	Revenue 100% (RM'000)	Net Profit 100% (RM'000)	Total Assets 100% (RM'000)	Total Liabilities 100% (RM'000)
Valuecap Sdn Bhd	Malaysia	33.34	Investment in Listed Securities on Bursa Malaysia	2,318,376	1,695,614	12,252,715	5,190,941

2010	Country Incorporated	Effective Ownership Interest %	Principal Activities	Revenue 100% (RM'000)	Net Profit 100% (RM'000)	Total Assets 100% (RM'000)	Total Liabilities 100% (RM'000)
Valuecap Sdn Bhd	Malaysia	33.34	Investment in Listed Securities on Bursa Malaysia	1,705,247	1,293,379	17,258,708	10,391,537

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

8. LOAN TO A SUBSIDIARY

	GROUP		KWAP	
	2011 (RM'000)	2010 (RM'000)	2011 (RM'000)	2010 (RM'000)
At Cost	-	-	251,207	-
Unrealised (Loss) On Foreign Exchange	-	-	(31)	-
At 31 December	-	-	251,176	-

Loan to subsidiary is denominated in Australian Dollar (AUD), unsecured, subject to the interest rate of 8% per annum and annual review (2010 : nil) as well as repayable on demand.

9. TRADE DEBTORS

	GROUP		KWAP	
	2011 (RM'000)	2010 (RM'000)	2011 (RM'000)	2010 (RM'000)
Sales Of Shares	90,752	634,500	90,752	634,500
Dividend Income	6,743	7,178	7,534	7,178
Income From External Equity Fund Managers	300,278	228,867	300,278	228,867
Interest On Malaysian Government Securities	156,364	153,422	156,364	153,422
Income From External Bond Fund Managers	61,910	32,746	61,910	32,746
Interest On Private Debt Securities	88,405	105,024	88,405	105,024
Interest On Loans	97,309	94,035	97,309	94,035
Interest On Short Term Money Market	10,656	20,563	10,656	20,563
Interest On Fixed Deposit	65,820	61,840	65,820	61,840
Interest On Loan To Subsidiary	-	-	12,442	-
Accrued Rental Income	447	30	-	-
	878,684	1,338,205	891,470	1,338,175

10. OTHER DEBTORS

	GROUP		KWAP	
	2011 (RM'000)	2010 (RM'000)	2011 (RM'000)	2010 (RM'000)
Income Tax Receivable	135,600	64,905	135,600	64,905
Investment Receivable*	7,254	7,254	7,254	7,254
Miscellaneous	58	26	13	22
	142,912	72,185	142,867	72,181

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

11. DEPOSITS AND PREPAYMENTS

	GROUP		KWAP	
	2011	2010	2011	2010
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Interest On Malaysian Government Securities	29,513	6,861	29,513	6,861
Other Advances	209	7	594	7
Other Prepayments	278	433	278	433
Other Deposits*	1,490	1,411	1,490	1,411
Property Related Prepayments :				
Property Establishment Fee	-	315	-	-
Insurance	36	217	-	-
Prepaid Property Expenses	734	598	-	-
	32,260	9,842	31,875	8,712

* There is no other contingent liability for KWAP for 2011 apart from the legal deposit of RM1,346,625 (2010 : RM1,346,625).

12. CASH AND CASH EQUIVALENTS

	GROUP		KWAP	
	2011	2010	2011	2010
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Cash And Bank Balance	72,494	96,864	20,956	70,876
Deposits With Financial Institutions				
- Merchant Bank	10,766,534	8,151,095	10,766,535	8,151,095
- Islamic Bank	2,804,532	3,977,380	2,804,532	3,977,380
- Development Bank	1,490,000	4,473,180	1,490,000	4,473,180
- Investment Bank	1,888,739	1,403,490	1,888,739	1,403,490
- Bank Negara Malaysia	141	46	141	46
Commercial Papers	-	237,494	-	237,494
	17,022,440	18,339,549	16,970,903	18,313,561

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

13. TRADE CREDITORS

	GROUP		KWAP	
	2011 (RM'000)	2010 (RM'000)	2011 (RM'000)	2010 (RM'000)
Fund Managers	3	-	3	-
Stock Brokers	384,050	45,763	384,050	45,763
Property Related Payables:				
Trade Creditors	121	116	-	-
Rental Incentive	7,377	318	-	-
Reimbursement To Tenants	282	-	-	-
Property Fittings	-	636	-	-
	391,833	46,833	384,053	45,763

14. OTHER CREDITORS

	GROUP		KWAP	
	2011 (RM'000)	2010 (RM'000)	2011 (RM'000)	2010 (RM'000)
Goods And Services Tax Payable	1,356	(10)	-	-
Others	455	365	455	365
	1,811	355	455	365

15. ACCRUED EXPENDITURES

	GROUP		KWAP	
	2011 (RM'000)	2010 (RM'000)	2011 (RM'000)	2010 (RM'000)
Provision For Bonus	8,000	5,645	8,000	5,645
Provision For Services	2,138	1,875	2,138	1,875
Provision For Fund Managers' Fees	9,438	2,798	9,438	2,798
Provision For Custodian's Fees	213	17	213	17
Property Related Expenditures:				
Property Acquisition Cost	3,575	21,909	-	-
Due Diligence Cost	539	366	-	-
Establishment Fee	-	343	-	-
Other Expenditures	2,256	578	-	-
	26,159	33,531	19,789	10,335

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

16. ALLOCATION OF STATUTORY FUNDS

	GROUP		KWAP	
	2011 (RM'000)	2010 (RM'000)	2011 (RM'000)	2010 (RM'000)
At 1 January	18,101,944	17,101,944	18,101,944	17,101,944
Add:				
Allocation For Current Year	1,500,000	1,000,000	1,500,000	1,000,000
At 31 December	19,601,944	18,101,944	19,601,944	18,101,944

17. PENSION CONTRIBUTIONS

	GROUP		KWAP	
	2011 (RM'000)	2010 (RM'000)	2011 (RM'000)	2010 (RM'000)
Contribution From Statutory Bodies, Local Authorities And Other Agencies	7,234,260	6,558,487	7,234,260	6,558,487
Contribution From Government's Share, Gratuities And Other Deductions	25,203,910	23,361,356	25,203,910	23,361,356
	32,438,170	29,919,843	32,438,170	29,919,843

17.1 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 01/01/2011 (RM'000)	Receipts 2011 (RM'000)	Balance 31/12/2011 (RM'000)	Accumulated Contribution 01/01/2010 (RM'000)	Receipts 2010 (RM'000)	Balance 31/12/2010 (RM'000)
Statutory Bodies	5,146,901	539,778	5,686,679	4,644,741	502,160	5,146,901
Local Authorities	1,344,005	127,934	1,471,939	1,223,143	120,862	1,344,005
Other Agencies	69,900	8,131	78,031	62,786	7,114	69,900
	6,560,806	675,843	7,236,649	5,930,670	630,136	6,560,806
Less:						
Repayment Of Claims	(2,319)	(70)	(2,389)	(2,134)	(185)	(2,319)
	6,558,487	675,773	7,234,260	5,928,536	629,951	6,558,487

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

17. PENSION CONTRIBUTIONS (continued)

17.2 Contribution Of Government's Share of Employees' Contribution, Gratuities And Other Deductions

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

	Accumulated Contribution 01/01/2011 (RM'000)	Receipts 2011 (RM'000)	Balance 31/12/2011 (RM'000)	Accumulated Contribution 01/01/2010 (RM'000)	Receipts 2010 (RM'000)	Balance 31/12/2010 (RM'000)
KWSP	18,512,832	1,456,649	19,969,481	16,357,048	2,155,784	18,512,832
KWSG	146,613	30	146,643	146,595	18	146,613
KWSG - Sabah	13,236	(757)	12,479	13,236	-	13,236
LTAT	3,956,755	342,365	4,299,120	3,588,286	368,469	3,956,755
SESCO	45,309	-	45,309	45,309	-	45,309
JPA - Gratuities	736,059	56,148	792,207	700,872	35,187	736,059
Others	29,321	1,254	30,575	28,466	855	29,321
	23,440,125	1,855,689	25,295,814	20,879,812	2,560,313	23,440,125
Less: Repayment Of Claims	(78,769)	(13,135)	(91,904)	(67,695)	(11,074)	(78,769)
	23,361,356	1,842,554	25,203,910	20,812,117	2,549,239	23,361,356

KWSP refers to the Employee Provident Fund; KWSG refers to the Kumpulan Wang Simpanan Guru; LTAT refers to the Armed Forces Fund Board; SESCO refers to the Sarawak Electricity Supply Corporation and JPA refers to the Public Service Department of Malaysia.

18. DEFERRED INCOME

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

	GROUP		KWAP	
	2011 (RM'000)	2010 (RM'000)	2011 (RM'000)	2010 (RM'000)
Deferred Income	1,945	2,797	1,945	2,797
Less: Amortisation Of Deferred Income	(851)	(852)	(851)	(852)
Deferred Income After Amortisation	1,094	1,945	1,094	1,945

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

19. GROSS INVESTMENT INCOME

	GROUP		KWAP	
	2011 (RM'000)	2010 (RM'000)	2011 (RM'000)	2010 (RM'000)
Proceeds From Disposal Of Shares	1,090,911	1,453,845	1,090,911	1,453,845
Share Dividends	753,841	658,314	804,643	708,323
Tax Claim On Dividends	72,421	64,356	72,421	64,356
Income From External Fund Managers	361,859	301,337	361,859	301,337
Interest On Malaysian Government Securities	684,144	653,694	684,144	653,694
Profit On Sale Of Malaysian Government Securities	197,845	166,572	197,845	166,572
Profit On Sale Of Private Debt Securities	55,725	22,355	55,725	22,355
Interest On Private Debt Securities	554,532	511,485	554,532	511,485
(Amortisation Of Investment Premium) / Accretion Of Investment Discount	(23,310)	645	(23,310)	645
Income / (Loss) From Private Equity Fund Investments	13,516	(9,978)	13,516	(9,978)
Interest On Loans	383,288	357,181	383,288	357,181
Interest On Loan To Subsidiary	-	-	12,321	-
Interest On Deposits	455,206	387,184	455,206	387,184
Interest On Bank Balances	450	127	450	127
Property Rental Income	33,634	1,794	-	-
	4,634,062	4,568,911	4,663,551	4,617,126

20. OPERATING EXPENDITURES

	GROUP		KWAP	
	2011 (RM'000)	2010 (RM'000)	2011 (RM'000)	2010 (RM'000)
Salaries And Allowances	18,977	16,216	18,977	16,216
Contributions To EPF	2,929	2,951	2,929	2,951
Contributions To SOCSO	72	57	72	57
Services And Supplies	31,345	18,195	28,329	18,021
Gifts And Donations	84	42	84	42
Depreciation On Property And Equipment	14,697	3,294	1,997	1,746
Provision For Foreign Currency Exchange	(8,616)	1,040	(8,616)	1,040
Other Operating Expenditure - Property	6,289	344	-	-
	65,777	42,139	43,772	40,073

Total number of KWAP's employees stood at 152 employees as at 31 December 2011 (2010 : 126).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

21. CAPITAL COMMITMENT

	GROUP AND KWAP	
	2011 (RM'000)	2010 (RM'000)
Contracted	2,787	2,029
Work In Progress	(2,787)	(2,029)
Contracted But Not Accounted For In The Financial Statements	-	-

22. COMPARATIVE FIGURES

22.1 Restatements

Certain comparative figures were restated to reflect the changes in the audited financial statements of associate as well as the understatement of dividend received from associate as follows:

	As Previously Reported (RM'000)	As Restated (RM'000)
Income Statement For The Year Ended 31 December 2010		
GROUP		
Share Of Profit Of Equity Accounted Associate, Net Of Tax	433,421	431,207
Balance Sheet As At 31 December 2010		
GROUP		
Investment In Associate	2,296,702	2,289,487

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

22. COMPARATIVE FIGURES (continued)

22.2 Reclassification

Certain comparative figures were reclassified to conform with the current year's presentation for the purposes of fairer presentation as follows:

	As Previously Reported (RM'000)	As Reclassified (RM'000)
--	--	--------------------------------

Income Statement For The Year Ended 31 December 2010

GROUP

Income From Associate	433,421	-
Share Of Profit Of Equity Accounted Associate, Net Of Tax	-	431,207

The reclassification is in relation to the share of profit of associate which was previously included in the income from associate and currently included in the share of profit of equity accounted associate, net of tax, in accordance with MASB 12.

	As Previously Reported (RM'000)	As Reclassified (RM'000)
--	--	--------------------------------

Income Statement For The Year Ended 31 December 2010

KWAP

Gross investment Income	4,567,117	4,617,126
Income From Associate	50,009	-

The reclassification is in relation to dividend received from associate which was previously included in the income from associate and currently included in the gross investment income for a better reflection of the Group's operations.

Section ARTICLES

- 143** KWAP CEO : Top 25 Most Influential Women in Asset Management
- 145** Employee Statistics
- 148** Importance of ISO9001:2008 for KWAP
- 149** Shareholder Activism
- 150** SPARC

KWAP CEO : TOP 25 MOST INFLUENTIAL WOMEN IN ASSET MANAGEMENT



The task of transforming KWAP from a Government unit into a corporatised organisation fell on the shoulders of its CEO, Dato' Azian Mohd Noh. Her visionary leadership took KWAP to a higher level, to an increase in KWAP's gross return on investments and assets under management, and at the same time positioning KWAP as one of Malaysia's biggest institutional investors.

KWAP CEO : TOP 25 MOST INFLUENTIAL WOMEN IN ASSET MANAGEMENT

The rapid yet steady rise of KWAP has caught the eyes of many, within as well as outside the industry including international organisations. It was only a matter of time before Dato' Azian would carve a mark in the international scene.

Such event materialised when Dato' Azian was listed as one of the 25 Most Influential Women In Asset Management by the *AsianInvestor* magazine, Hong Kong.

For its May 2011 edition, the magazine recognises 25 significant women which includes fund manager, institutional investors, distributors and entrepreneurs that have changed the landscape of Asian asset management field.

Acknowledging the milestone developments that has been achieved by Dato' Azian, the magazine, among others, mentioned Dato' Azian's impressive investment insights when she decided to make KWAP's first international direct investments by purchasing properties in Australia, amounting to more than AUD317.32 million.

However, that particular information was only the tip of an impressive resume iceberg. Dato' Azian brought to the plate a variety of outstanding accomplishments throughout her tenure with KWAP.

Dato' Azian championed the transformation of KWAP; from a Government unit to a corporate entity; building KWAP's talent pool from a small team of 30 to more than 150 people with an ongoing expansion process. She outlined KWAP's whole infrastructure, including the blueprint for KWAP's governance, benchmarking, risk management and Strategic Asset Allocation, among others. She also expanded KWAP's investment scope by introducing new products and asset classes, and also realigned KWAP's direction to be a Return Focused Fund Manager.

Any leader will tell you that the job of a CEO extends beyond the board room. It's about making sharp, effective decisions; taking bigger, calculated risks and making the best of it. I am also lucky that I have a strong team of experts working together with me in KWAP.

Her tenacity in establishing KWAP as a high performing organisation with excellent credibility has led to numerous international nods, including KWAP's successful participation as the in-country host for The 2011 Asian Pension Fund Roundtable, organised by the Pacific Pension Institute, an internationally renowned California-based pension fund organisation.

Asked on the impressive acknowledgment, Dato' Azian credits her 30 plus years in various Government bodies as her training field that shaped her into the tour de force she is today.

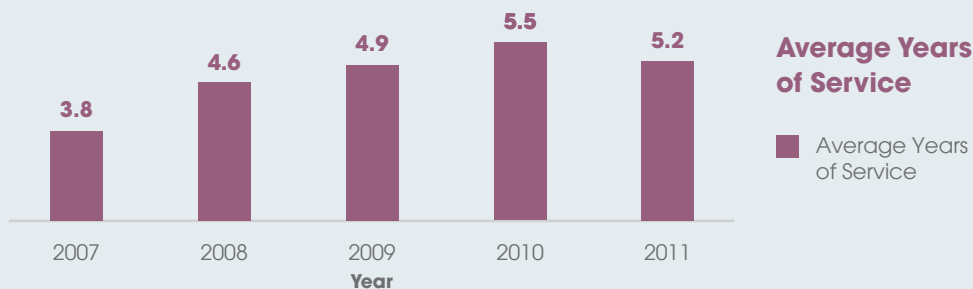
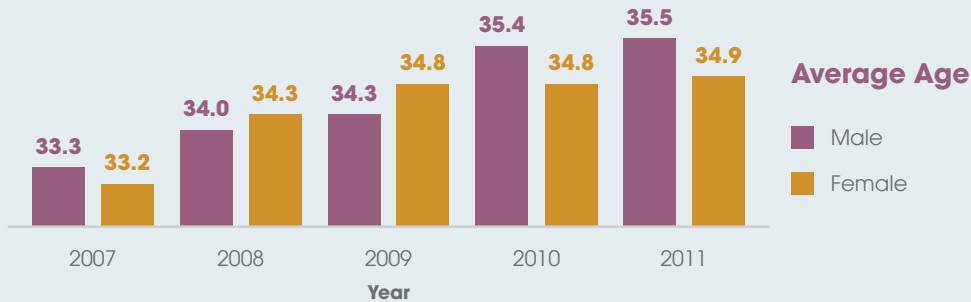
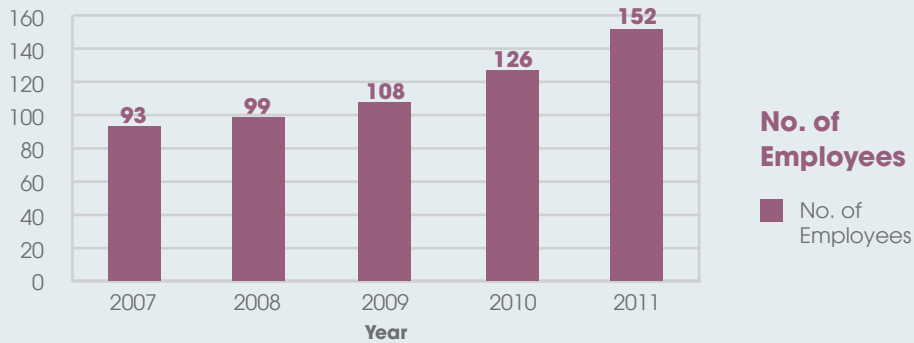
Dato' Azian was one of the three Malaysians who made the cut for the *AsianInvestor* award. A ceremony was held in Hong Kong in June 2011 for the award ceremony, witnessed by people from the industry.

This highly valued recognition has further strengthened KWAP's reputation in the investment world, particularly in the asset management field.

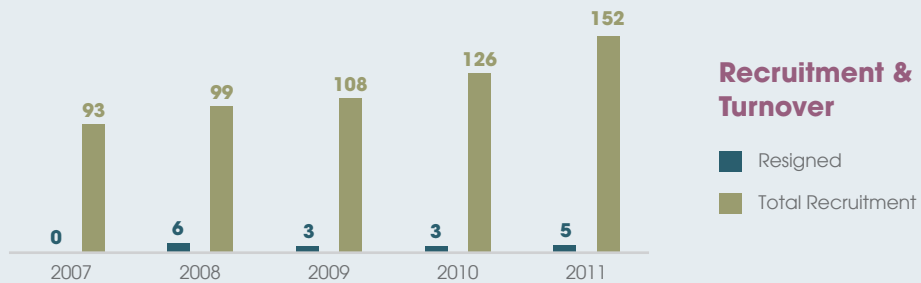
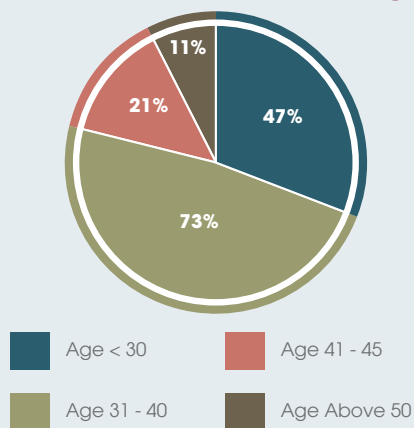
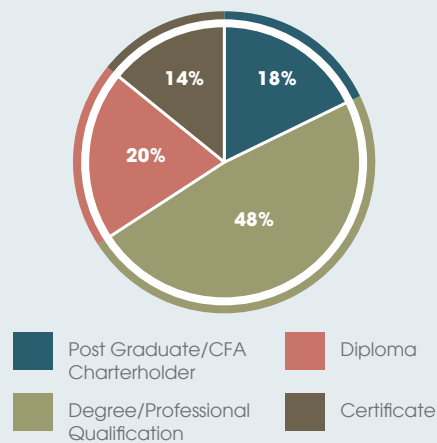
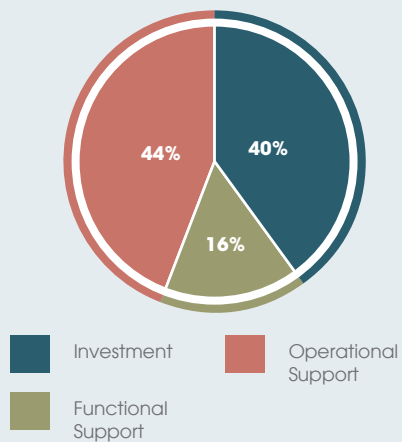
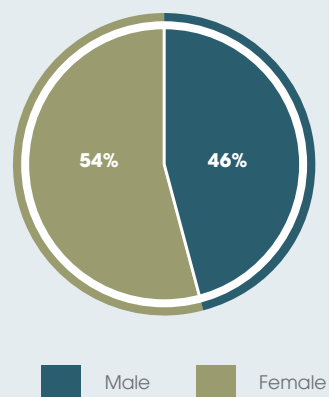
Note: The AsianInvestor is a leading publication dedicated to the region's asset management industry. Published 10 times a year, it covers topics as diverse as alternative investments, securities services, pension reform, risk management, mutual funds, institutional investment trends and regulation across the region.

EMPLOYEE STATISTICS

In tandem with KWAP's expansion, 2011 registered the highest number of new recruitments since 2007. A total of 31 new employees were recruited. There were also a total of 5 resignations in 2011. However the average turnover rate is still very much below the industry average. Resignations were predominantly from the non investment departments and are from the younger generation whom are more mobile and are in constant search for better opportunities.



EMPLOYEE STATISTICS

**Manpower Distribution by Age****Professional Qualification****Investment & Support Function****Gender Distribution**

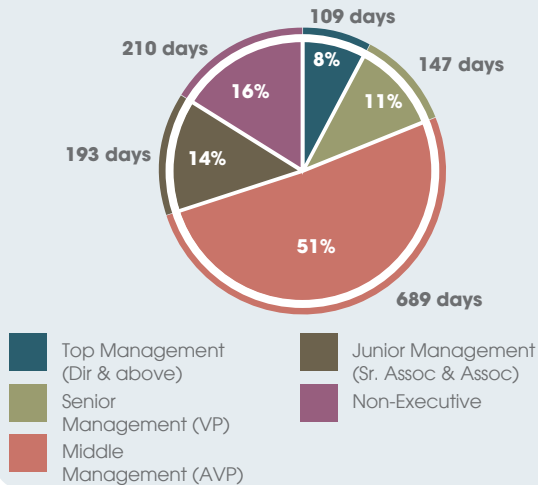
EMPLOYEE STATISTICS

LEARNING & GROWTH

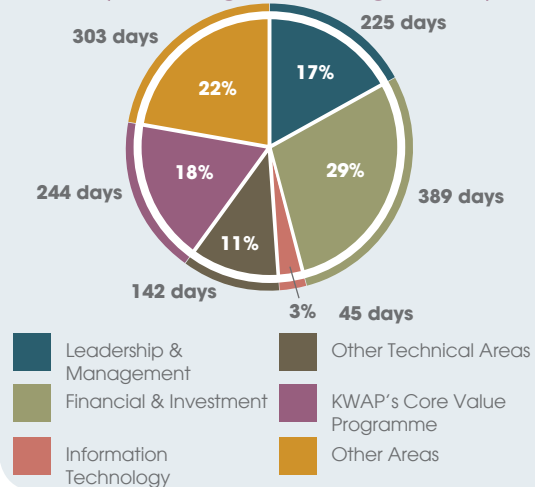
As an organisation that embraces continuous learning, KWAP has always encouraged its employees to constantly involve themselves in activities and programs that would help their personal and career development. As in the previous years, this culture has continued in 2011 with every employee achieving an average of 8.5 days on learning and development programs.

In 2011, KWAP's investment in the area of learning & development continued to be focused in developing its leadership and management capabilities as well as improving the financial and investment competencies of its employees. Approximately 65% of the utilised training budget was utilised for learning and development programs in this area. As part of KWAP's initiative to re-align our employees and businesses with the corporate values of the organisation, KWAP also invested approximately 14% of the training budget to organise programs related to corporate values.

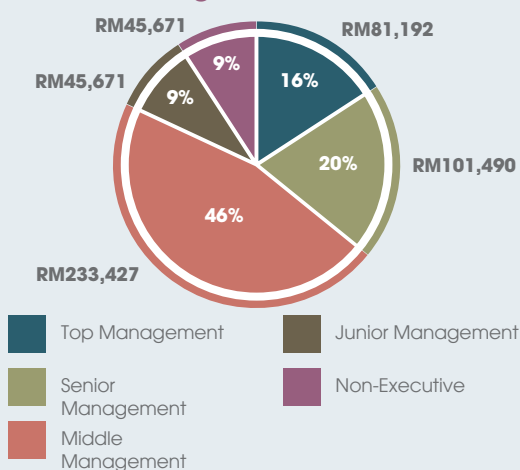
Learning Days by Category of Employees



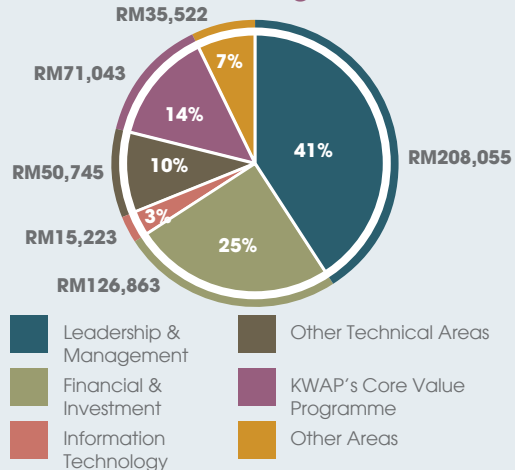
Learning Days Attended by Employees (by Category of Programme)



Training Expenditure by Category of Employees



Training Expenditure by Type of Program



IMPORTANCE OF ISO9001: 2008 FOR KWAP

KWAP believes in continuous improvements in pursuit to seek greater height of achievement. During the year, KWAP undertook the journey for ISO 9001:2008 Quality Management Systems with the scope of certification in Investment Management in Domestic Equity.

KWAP underwent a stringent evaluation process which includes ISO internal audit, pre-audit assessment, review of documentation and clearance of non-conformances. KWAP aims to ensure that its Quality Management System fulfills the aspirations of its stakeholder, while meeting international standards and requirements.

KWAP was awarded the ISO 9001: 2008 by Moody International under Department of Standards Malaysia ("DSM") and United Kingdom Accreditation Service ("UKAS") accreditation on 9 September 2011. It is a testament that KWAP's internal processes is in place and maintained to meet regulatory and stakeholder's requirements. The recognition will provide KWAP with an opportunity to increase value to its activities and to improve its performance continually by focusing on its core processes to satisfy stakeholder's expectation.

This international standard recognises and validates KWAP's dedication to stakeholder's satisfaction, which has always been central to KWAP's vision and business practise. This ISO award makes the start of the ISO certification journey for KWAP.

Through the certification, KWAP's employees are more motivated and committed because they are now directly involved in the Quality Management System as every member of staff is an owner of at least one quality process and is charged with ensuring the continued improvement of the process.

SHAREHOLDER ACTIVISM

IMPORTANCE OF CORPORATE GOVERNANCE

KWAP's Board, Investment Panel and its management recognises the importance of the principle of corporate governance in conducting the affairs of KWAP and its investee companies.

"Corporate governance is the process and structure used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value, whilst taking into account the interest of other stakeholders".

- Finance Committee on Corporate Governance
(Report On Corporate Governance, Malaysia, February 1999)

Based on the belief that investments in companies that are well managed from the corporate governance perspective will provide higher returns and lower risks in the long term, KWAP has chosen to be proactive on shareholder activism. In this context, proactive shareholder activism refers to corporate governance and issues related to the organisation's responsibility for socially and environmentally related aspects of their operations.

The importance is further amplified in the present volatile economic environment where shareholder activism, will ensure only well managed investments both in terms of efficiency and adherence to strict ethical values are retained.

KWAP strongly advocates that shareholder activism is not a task to be borne solely by the regulators such as Bursa Malaysia and Securities Commission. With the policies and regulations put into effect by the regulators, it is the shareholders who are in the best position to enforce their rights.

Based on the above, KWAP launched its Corporate Governance: Principles and Voting Guidelines which is to guide KWAP in monitoring the conduct of its investee companies and the manner in which KWAP will vote for resolutions raised in AGMs/EGMs.

SPARC

KWAP Sports And Recreational Club (SPARC) was established by KWAP employees to promote a healthy lifestyle and work life balance at the workplace through sports, education and other recreational activities. All KWAP employees are members of SPARC who then elect a committee amongst their peers to administer the club and drive its activities. Dato' Azian Mohd Noh acts as the club's advisor, while Khairul Azwa bin Kamalul Bahrin chairs the club. He leads a team of 12 members from all levels of KWAP for a 2-year term.

SPARC organises the weekly well attended "Fitness after Five" sessions, a brisk walking or jogging sessions held every Tuesday at KLCC Park. On rainy days, the club organises aerobics sessions on KWAP premises led by a team of volunteers.

The Sports and Fitness Bureau also organises the much anticipated and enthusiastically supported Annual Sports Carnival. The Carnival takes place throughout the year, culminating in the annual prize giving ceremony. All SPARC members are divided into three teams who then compete in 10 to 12 games covering

diverse competitive sports and games such as futsal, bowling, badminton, darts, congkak, chess and scrabble. Prizes are given for individual winners, best team, best male athlete and best female athlete.

On the recreational side, SPARC also organised trips and events, from a weekend retreat to Redang Island Resort to more unconventional activities such as paintball. SPARC also strives to fulfill the educational and spiritual needs under work-life balance by holding a series of religious activities especially during the Ramadhan months

SPARC

including religious sermons and distribution of *bubur lambuk* for breaking of fast to all staff.

In 2011, we held a special prayer to celebrate our colleagues who went for the *Haji*. We were also fortunate to feature a talk on cancer at KWAP premises by MAKNA representatives.

In late 2010 SPARC successfully applied to join *Majlis Kebajikan dan Sukan Anggota-anggota Kementerian Kewangan* (MKSAKK), a body comprising all the sports, recreation and welfare clubs or organizations under the umbrella of the Ministry of Finance including members such as BNM, EPF and Securities Commission.

Besides organising sports and recreational activities for its members, its key activity is the Ministry of Finance Sports Carnival or *Pesta Sukan Kementerian Kewangan* of which KWAP has an active participation in 2011.

Section VI CORPORATE SOCIAL RESPONSIBILITY

- 153** Sharing Our Values
- 154** Corporate Social Responsibility
 - 154** Responsibility to the Marketplace
 - 154** Responsibility to the Workplace
 - 156** Responsibility to the Environment
 - 156** Responsibility to the Community

SHARING OUR VALUES

Corporate Social Responsibility plays an important role in KWAP. As an organisation that aspires to be a beacon in the industry, KWAP's commitment towards CSR grows every year, and 2011 saw a positive increase in both internal and external projects.

KWAP believes that every individual in the company is a positive contributor to the needs of the community around them and in the wider world; and CSR is the perfect platform to realise this aspiration. Involvement in these caring activities instills a sense of delight and pride for every employee, which subconsciously translate into a renewed working force that is more engaging and dynamic.

Understanding the impact of a positive working environment towards the growth of a company, KWAP undertook several activities that helped cultivate a more desirable working atmosphere. Much like their CSR tagline, **"Sharing Our Values"**, the company concentrates on sharing its four core commitments to The Marketplace, The Workplace, The Environment and The Community.

CORPORATE SOCIAL RESPONSIBILITY

RESPONSIBILITY TO THE MARKETPLACE

CO-HOSTING 2011 ASIAN PENSION FUND ROUNDTABLE

KWAP was given the honour of becoming the in-country host of the 2011 Asian Pension Fund Roundtable, a yearly event organized by the Pacific Pension Institute of San Francisco. The three-day event saw the congregation of more than 170 participants from 15 countries all across Asia. Two of KWAP's representatives were selected as panelists in the seminars. Nazaiful Affendi Zainal Abidin, Portfolio Strategy Department's Director presented Today's Optimum Portfolio: Comparative Perspectives from Asia & North America, while Khairul Azwa Kamalul Bahrin, KWAP's Risk Management and Compliance Director presented in Master Class: Strategies for Institutional Investors in The Face of Volatility.

ARTICLE CONTRIBUTIONS

KWAP continues its commitment in promoting a healthy discourse on issues regarding the financial and capital market industry through regular article contributions to The Edge Financial Daily. 2011 saw the contribution of thought-provoking articles, namely What Can Bond Investors Do To Mitigate Defaults by Ahmad Zahir Bin Mohd Tabri, Five Lines Of Defense by Uzair Bin Ali and Lim Hui Si, Mitigating The Outsourcing Disappointment by Azizan Bin Abdul Rahman, Managing Large Equity Funds Versus Small Funds by Mohamed Irfan Bin Mohamed Khalif and Weathering the Rough Weather by Muhammad Hafiz Abas and Yeap Lay Yan. KWAP plans to continue the effort in promulgating market dialogues with the public through the daily newspaper and other media channels.



RESPONSIBILITY TO THE WORKPLACE

FIT & FAB CHALLENGE 2011

KWAP organised its first Fit & Fab Challenge, a weight loss competition that promoted healthier living amongst employees. In the span of 3 months, 18 employees with BMI over 25 were provided with manuals, guides and food diaries, educated on the correct diet regiment and joined weekly cardio workout sessions tailored for maximum weight loss. Free activities and classes received positive responses from non-participants as well, making the challenge a huge success. Winners walked away with exciting prizes and most importantly a fitter, healthier lifestyle.

CORPORATE SOCIAL RESPONSIBILITY

SMOKE FREE DAY

Healthcare is often given the back seat in the busy corporate world, and KWAP seeks to rectify that issue by promoting health awareness campaigns as part of their mind-body balance activity. One of such activities is the KWAP Smoke Free Day. Employees were given awareness emails and videos related to smoking. Such videos were uploaded on PULSE, KWAP's internal portal. Nicotine gums and patches were also made available to aid smoking employees to quit the habit.

**BREAST CANCER AWARENESS DAY**

In conjunction with the Pink October Month, KWAP held a Breast Cancer Awareness Day. Both female and male employees received awareness posters on Breast Cancer and a guide to Breast Self Examination.

WORLD AIDS DAY

In December, KWAP celebrated the World AIDS Day by having a week full of activities. Employees were treated to AIDS related movie screenings, testimonial videos by people living with HIV, a talk by an official from the Malaysian AIDS Council and educational and destigmatization materials. Employees were also encouraged to create positive discourse on the pandemic with friends and family on victims and people living with AIDS around the world.



CORPORATE SOCIAL RESPONSIBILITY

RESPONSIBILITY TO THE ENVIRONMENT

EARTH HOUR

KWAP pledges its support for action against climate change by implementing lights off throughout the event day. Going Beyond The Hour, employees were committed to unplug all electrical items after work for a week. The Earth Hour desktop wallpaper and email header were installed on all workstations, and awareness posters were also spurred through emails. The week also promoted less plastic bags usage and reduction of carbon footprints by encouraging employees to walk to nearby lunch places.

RESPONSIBILITY TO THE COMMUNITY

FUN KIDS WITH KWAP ENGLISH WORKSHOPS

KWAP organized two English Workshops with Sekolah Kebangsaan Bukit Tampoi (A) and Sekolah Kebangsaan Salak, Sepang. Well into its third year, the half-day workshops explored the possible ways of making classroom teaching more entertaining and fun, and promoted positive participation from all students involved.

For 3 hours, 10 to 12 employees of KWAP took groups of ten Standard 5 and 6 students under their wing, sharing stories and doing outside-the-box activities. Modules used in these workshops were created by KWAP staff and were tailored to complement the current school syllabus.

FINANCIAL PLANNING FOR RETIREMENT SEMINAR PLANNING

KWAP's philanthropy effort extends beyond English education. The company also held a free Financial Planning for Retirement Seminar in November, targeted to soon-to-be retirees. This year's participants include employees from the Malaysian Royal Customs, Petaling Jaya Municipal Council, Malaysia Inland Revenue Board and Accountant General's Office. A multitude of topics were covered during the one day seminar, including budgeting and investment for retirement, as well as health and well-being at old age.



CORPORATE SOCIAL RESPONSIBILITY

VISIT TO KWAP'S TRADING ROOM BY STUDENTS OF UNIVERSITY OF MALAYA

2011 saw KWAP adding new initiatives in the education field by initiating collaboration with University of Malaya, one of Malaysia's premiere universities.

The organisation opened its doors to 30 students from the Faculty of Accountancy and Business Management for a half day visit to the Trading Room, where representatives from the Equity and Fixed Income Department exposed them to real life trading room environment. Apart from a live demonstration, students were also given talks on the world of Fixed Income by Md Hayrani Mireso, while Mushida Muhammad presented students with KWAP's Equity investment activities and a career path guide in the investment industry. The organisation looks forward to hosting more visit sessions and other collaboration opportunities with the University in the future.

**YEAR END VISIT TO RUMAH K.I.D.S.**

In order to build a wholesome high-profile organisation, each member should be able to grasp and live the philanthropic life, and it should not stop at efforts in only a few concentrated areas.

Acknowledging the need for social charity contribution, KWAP shared the gift of giving with the occupants of two Rumah K.I.D.S (Kanak-Kanak Ini Disayangi) orphanages in Subang Jaya. A group of KWAP employees, headed by Dato' Azian Mohd Noh visited the houses bearing food and gifts. The children, ranging between 7 to 17 years of age were delighted to receive school bags, full stationery sets and educational books that came just in time for the Christmas celebration.



Section VII CORPORATE CALENDAR

159 Corporate Calendar for 2011

CORPORATE CALENDAR FOR 2011



JANUARY

- 1 **11 Jan**
Audit Committee Meeting
- 2 **14 Jan**
CEO Mandate
- 3 **19 Jan**
Investment Panel Meeting
- 4 **24 Jan**
Special Audit Committee Meeting and Special Board Meeting

FEBRUARY

- 5 **9 Feb**
Cancer Awareness Talk
- 6 **11 Feb**
Chinese New Year Celebration and Opening of Server Room
- 7 **16 Feb**
Investment Panel Meeting
- 8 **22 Feb**
KWAP Annual Dinner
- 9 **25 Feb**
Golden Hour Series
- 10 **28 Feb**
Board Meeting

MARCH

- 11 **15 Mar**
Audit Committee Meeting
- 12 **25 Mar**
Golden Hour Series
- 13 **27 Mar**
CSR: Earth Hour
- 14 **28 Mar**
Investment Panel Meeting
- 15 **29 Mar**
Leadership Series with YBhg. Tan Sri Mohd. Munir Abdul Majid

CORPORATE CALENDAR FOR 2011



APRIL

- 16 11 Apr**
Risk Management
Committee Meeting
- 17 15 Apr**
Management
Case Study
- 18 20 Apr**
Investment Panel
Meeting
- 19 22 Apr**
Knowledge Sharing
Session
- 20 25 Apr**
Board Meeting
- 21 29 Apr**
Dana Yang Berkat
Recitation Competition

MAY

- 22 3 May**
IT Security Awareness
Program
- 23 7 May**
CSR : English Workshop,
SK Bukit Tampoi (A)
- 24 11 May**
Tender Board Meeting
- 25 18-20 May**
Disaster Recovery
Exercise
- 26 20 May**
Golden Hour Series

CORPORATE CALENDAR FOR 2011

**MAY**

- 27 21-22 May**
Team Building,
Nilai Spring
- 28 23 May**
Board Meeting
Investment Panel Meeting
- 29 31 May**
CSR : Smoke Free Day

JUNE

- 30 1 Jun**
Board Meeting
- 31 21 Jun**
CSR : Fit & Fab Challenge
- 32 24 Jun**
25 Most Influential
Women in Asset
Management Award
Ceremony
- 33 30 Jun**
Golden Hour Series

JULY

- 34 5 Jul**
Investment Panel
Meeting & Board
Meeting
- 35 8 Jul**
Risk Management
Committee Meeting
- 36 12 Jul**
Management Visit -
Iskandar Investment
Berhad
- 37 14 Jul**
Audit Committee Meeting

CORPORATE CALENDAR FOR 2011



40



41



46



45

JULY

- 38 **16 Jul**
CSR : English Workshop,
SK Salak
- 39 **19 Jul**
Special Investment
Panel Meeting
- 40 **21 Jul**
2010 Financial Result
Announcement by
Minister of Finance II
- 41 **27 Jul**
Loan Cheque
Presentation Ceremony
from Negeri Sembilan
Government to KWAP
- 42 **28 Jul**
Ramadhan Talk
- 43 **29 Jul**
Golden Hour Series

AUGUST

- 44 **8 Aug**
Investment Panel Meeting
- 45 **22 Aug**
Board Meeting
- 46 **23 Aug**
Leadership Series with
YBhg. Tan Sri Lim Wee Chai
- 47 **24 Aug**
Audit Committee Meeting

CORPORATE CALENDAR FOR 2011

**SEPTEMBER**

- 48 **9 Sep**
KWAP Eid Celebration
- 49 **22 Sep**
Investment Panel Meeting
- 50 **23 Sep**
Board Meeting

OCTOBER

- 51 **8 Oct**
Risk Management Committee Meeting
- 52 **24 Oct**
Board Meeting
- 53 **27 Oct**
Tender Board Meeting

NOVEMBER

- 54 **9 Nov**
Investment Panel Meeting
- 55 **9-11 Nov**
KWAP/PPI Asian Pension Fund Round Table
- 56 **12 Nov**
Ministry of Finance Sports Carnival
- 57 **16 Nov**
Investment Panel Meeting and Remuneration Committee Meeting
- 58 **22 Nov**
Board Meeting
- 59 **29 Nov**
Remuneration Committee Meeting

DECEMBER

- 60 **13 Dec**
Board and Investment Panel Meeting
- 61 **14 Dec**
Audit Committee Meeting
- 62 **15 Dec**
Risk Management Committee Meeting
- 63 **16 Dec**
Gift Exchange
- 64 **17 Dec**
Leadership Lecture Session Management Retreat
- 65 **21 Dec**
CSR : Visit to Rumah K.I.D.S

SECTION VIII

Section APPENDIX

165 Glossary of Terms

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.

BNM

Bank Negara Malaysia

Bank Negara Malaysia or BNM is the Malaysian central bank. Established on 26 January 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.

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.

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 stakeholders, and ensure business continuity in the aftermath of expected disaster.

CCS

Cross Currency Swap

An agreement between two parties to exchange interest payments and principal on loan denominated in two different currencies.

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.

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.

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.

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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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

MPC

Monetary Policy Committee

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.

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.

GLOSSARY OF TERMS

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.

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.

SOC SO**Social Security Organisation**

SOC SO's function includes registration of employer and employee, collecting contribution, processing benefit claims and makes payment to the injured worker and their dependents. SOC SO 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.

TEx Program**Talent Exchange Program**

The TEx 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



2010 ANNUAL REPORT



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