

Headline	'FOCUS MORE ON PORTFOLIO RISK'		
MediaTitle	New Straits Times		
Date	06 Mar 2019	Language	English
Circulation	36,278	Readership	108,834
Section	Business Times	Page No	18,19
ArticleSize	576 cm ²	Journalist	AMIR HISYAM
PR Value	RM 59,566		



KHAZANAH NASIONAL BHD

'FOCUS MORE ON PORTFOLIO RISK'

Sovereign wealth fund urged to learn from events that hurt its performance last year

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KHAZANAH Nasional Bhd needs to put greater emphasis on portfolio risk, say economists, as the sovereign wealth fund unveils a new investment strategy that classifies its portfolio into commercial and strategic holdings.

They said Khazanah needed to

learn from the events that had affected its performance last year, which turned out to be the worst since 2005.

The economists said due to underperforming equity markets last year, the value of Khazanah's stakes in investee companies had decreased significantly.

Khazanah registered its first pre-tax loss since 2005 of RM6.3 billion last year, against a RM2.9 billion profit in 2017.

Managing director Datuk Shahril Ridza Ridzuan said Khazanah's performance was affected by key global and domestic developments in the economic and social spheres.

He said the loss was due to fewer divestment transactions, smaller dividend income and higher impairments.

Khazanah set aside RM7.3 billion in impairments for last year against RM2.3 billion for 2017, while dividends received were halved to RM1.4 billion.

It has now split its investments in more than 100 firms spanning more than 20 countries into the

two categories.

Putra Business School business development manager Associate Professor Dr Ahmed Razman Abdul Latiff said Khazanah's two-pronged strategy emphasised its main objective of growing long-term wealth while, at the same time, supporting the government's immediate needs.

"The refreshed mandate was welcomed by all, considering several significant events that had affected Khazanah last year, such as changes in its top management and poor investment performance," he told NST Business.

"It is crucial that for 2019, port-

folio and risk diversification are given greater emphasis and improvement to minimise negative economic impacts coming from various external and internal factors."

Socioeconomic Research Centre executive director Lee Heng Guie said the new mandate could be a breath of fresh air for Khazanah and its investee companies.

"The refreshed mandate will realign and refocus Khazanah's investment strategy to deliver a sustainable stream of investment income while balancing its commercial and socio-economic objectives," he said.

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KHAZANAH NASIONAL BERHAD ANNUAL REVIEW 2019: 2018 IN REVIEW

1 Global markets underperformed in 2018 due to geopolitical tensions and a pessimistic growth outlook for emerging markets

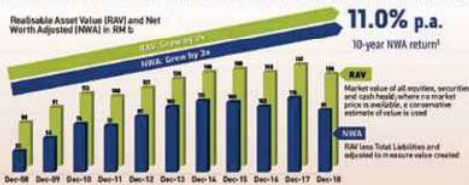


1. Net Worth Adjusted: Realizable asset Value less Total Liabilities and adjusted to measure value created

2 Khanazah's portfolio was further impacted by domestic developments in 2018



3 Long-term performance remains positive, achieving a 11.0% p.a 10-year return



1. 10-year return is based on compound annual growth rate

4 Profitability declined due to fewer divestment transactions, less dividend income and higher impairments during period of transition and unfavourable market conditions

