

KHAZANAH ANNUAL REVIEW 2022

2 March 2022

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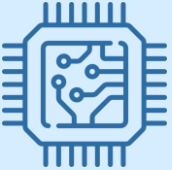




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01 2021 IN REVIEW

02 Moving Forward

2021 saw gradual reopening of the global economy and a return to positive real GDP growth across most markets

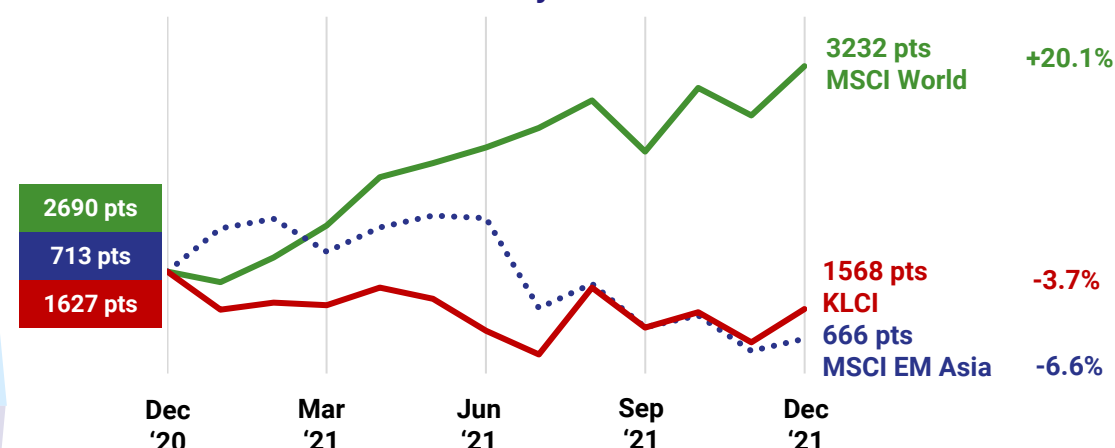
KEY EVENTS IN 2021

Global	 Reopening of economy across the world despite new variants (Delta, Omicron) waves	 Rising global inflation (Semiconductor shortage, pent-up demand, rising freight costs & commodity prices)	 China regulatory reset to balance growth and sustainability
	 National COVID-19 immunisation programme , >97% adults vaccinated	 Dato' Sri Ismail Sabri bin Yaakob as Malaysia's 9 th Prime Minister	 Budget 2022 largest expenditure in Malaysia's history at RM332b, with RM23b for Covid-19 relief

Source: Various news articles from 2021, information as of 4 February 2022

GLOBAL MARKET PERFORMANCE IN 2021

Returns of Major Indices in 2021



GLOBAL REAL GDP GROWTH (YoY) COMPARISON

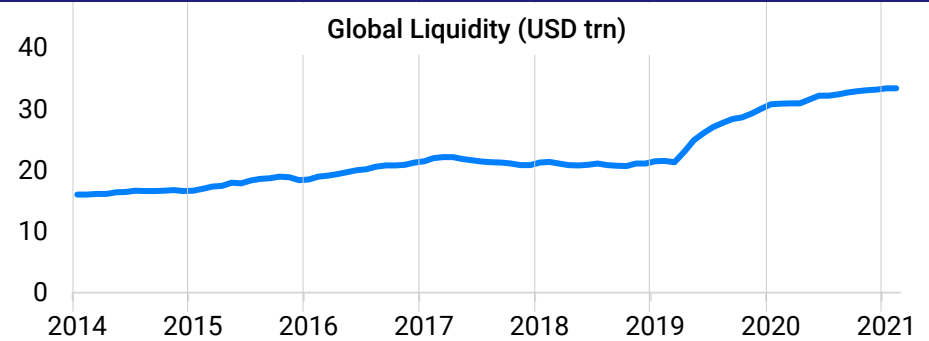
Geography	2020	2021	2022F
Malaysia	-5.6%	3.1%*	5.5 to 6.5%
Emerging Markets	-2.1%	6.5%	4.8%
Developed Markets	-4.5%	5.0%	3.9%
World	-3.1%	5.9%	4.4%

* Lower in comparison due to MCO restrictions in the first three quarters of 2021




Source: Bloomberg, IMF, MOF

There have been some positive trends both globally and in Malaysia that have contributed towards our portfolio performance

GLOBAL TRENDS



Source: Bloomberg

-  High valuations for both public and private markets
-  Record level of available funding in Private Equity ("PE")
-  High global PE deal flow: Technology, Media & Telecoms ("TMT")


MALAYSIAN SECTOR TRENDS

Banking




Loans in the system
+4.5% YoY

Consumer




Retail and Recreation Mobility
95% recovery pre-Covid-19

Healthcare



Healthcare development expenditure
+7.8% YoY

Real Estate

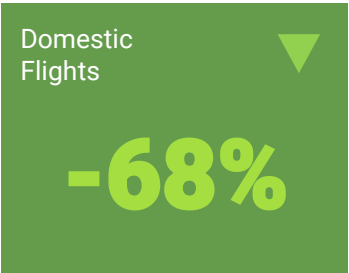


Housing approvals for construction
+2.2% YoY

2021 figures are compared against 2020
Source: BNM, MoF, Google Mobility

However, challenges in Tourism and Transportation sectors impacted our investments despite expected improvements towards the end of 2021

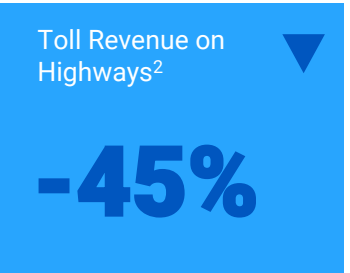
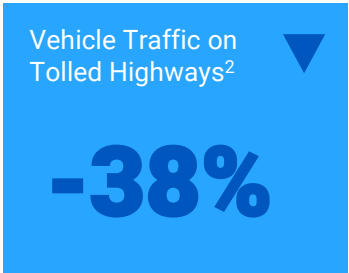
MALAYSIAN AVIATION INDUSTRY



MALAYSIAN TOURISM INDUSTRY



MALAYSIAN HIGHWAY INFRASTRUCTURE



2021 figures are compared against 2019
¹ Average weekly numbers as of YTD Nov 2021; ² PLUS highways only
Source: Economic Planning Unit, CEIC, Malaysia Airports Holdings Berhad, Sojern, PLUS Management

Despite a challenging year, Khazanah made some notable achievements across its portfolio, financials, and organisation capacity



PORTFOLIO AND FINANCIAL PERFORMANCE



Total Net Asset Value ("NAV")
growth from **RM79b to RM86b**
in 2021



Commercial Fund 2021
NAV Time-Weighted Rate of
Return ("TWRR") of **19.0%**
– **exceeding target of Consumer
Price Index + 3.0%**



**Undertook measures to preserve
asset value** – including
completion of Malaysia Aviation
Group's restructuring process



Recorded profit of RM670m with
a dividend payment of RM2b for
2021

ORGANISATIONAL ENHANCEMENTS



Developed holistic **Sustainability
strategy**, Guiding Principles, and
identified material **ESG issues** for
Khazanah



Further implementation of
digitalisation initiatives and
adoption of new technology
platforms

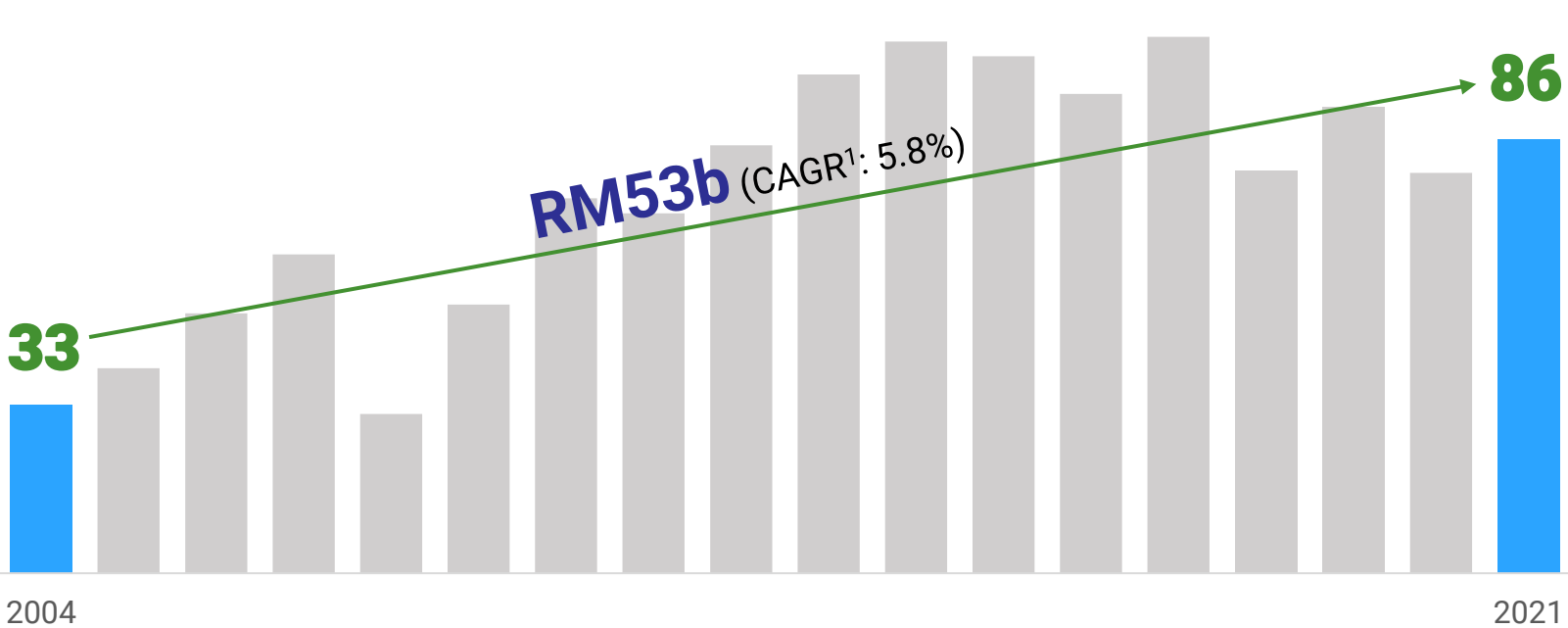


Embedded refreshed core values
across the organisation

We continued to grow and safeguard our assets on behalf of the nation



NAV GROWTH (RM b)



2004

2021

¹ Compounded Annual Growth Rate

RM17b
Cumulative Dividends
paid to Government of
Malaysia

RM70b
Cumulative
Shareholder Return

Khazanah exceeded return expectations on the Commercial Fund in 2021, achieving a return of 19.0% for the year



19.0%

2021 NAV TWRR

7.0%

3-year rolling NAV TWRR

RM 106_b

2021 RAV

- ✓ Increased diversification and progress towards target Strategic Asset Allocation (“SAA”) with continued deployment into Public Equities – Developed Markets, Real Assets and Private Equity
- ✓ Developed clear value creation plans for key assets to facilitate financial returns and improve business operations/strategy for Malaysian ecosystem
- ✓ Positive performance partly attributed to successful monetisation of our Private Equity investments in the US and Europe that were listed during the year at attractive valuations



While domestic assets have recovered in 2021, our global assets have outperformed in terms of returns over the past three years

Commercial Fund ("CF") RAV TWRR by Asset Class	2019	2020	2021	3-Year Rolling	Role of Asset Class
Public Markets: Malaysia	2.5%	-7.8%	19.5%	4.1%	Global markets exposure & liquidity
Public Markets: Global	27.5%	26.2%	1.6%	17.8%	
Private Markets: Malaysia	7.9%	-6.4%	13.9%	4.8%	Relatively higher long-term returns, through programmatic deployment
Private Markets: Global	6.1%	-1.3%	19.1%	7.6%	
Real Assets	10.5%	0.1%	11.2%	7.1%	Yield and counter cyclical to equities

**Our portfolio diversification allows us to generate more stable returns to deliver our objectives
– including supporting Developmental and Special Situation assets**

We continued with our deployment and monetisation programme in 2021 despite challenging market conditions



INVESTMENTS
RM8.7b

Commercial Fund



Strategic Fund



Public Private Real Assets

MONETISATION
RM4.8b

Khazanah Total



Public Private Real Assets

We supported many of our assets in the Strategic Fund to weather the impact of the Covid-19 pandemic and protect shareholder value



-11.4%

2021 NAV TWRR

-21.4%

3-year rolling NAV TWRR

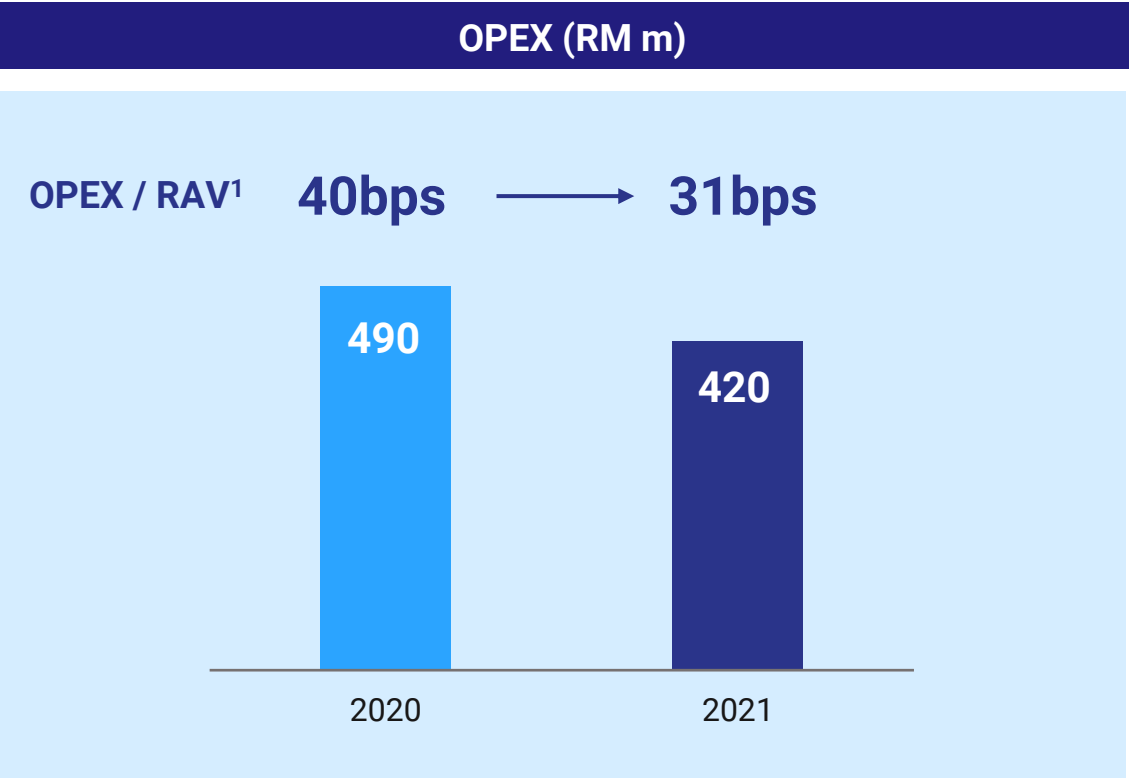
RM28_b

2021 RAV

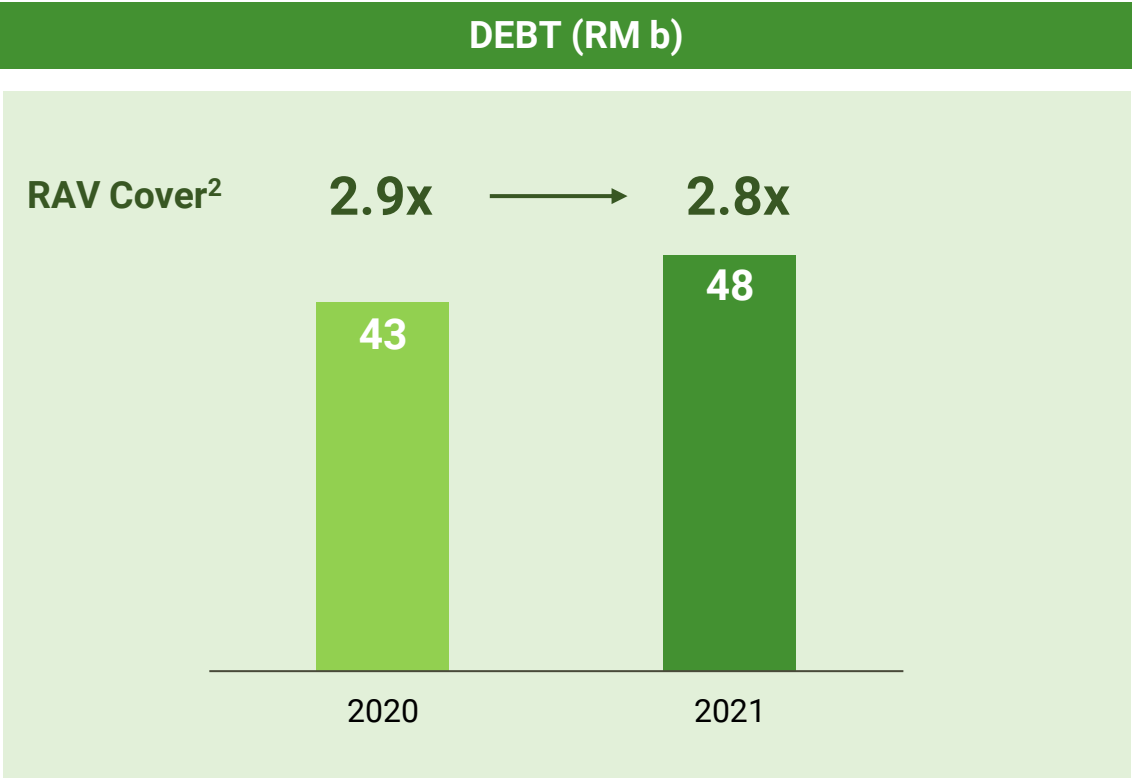
- ✓ Completed **Malaysia Aviation Group's ("MAGB") restructuring process**, with RM3.6b capital committed to be allocated over 5 years
- ✓ **Supported developmental assets during the Covid-19 pandemic** through capital injections and value creation plans



Khazanah continued to monitor and manage our OPEX and Debt levels in 2021



¹ Long term target of 30-35bps.
RAV = Realisable Asset Value



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

Recorded a profit from operations of RM670m with a dividend payment of RM2b for the year 2021

PROFIT FROM OPERATIONS

RM670_m

2020: RM2,897m

Reduced compared to 2020 mainly due to:

- **Continuous financial assistance** to Khazanah's **Airlines and Tourism** companies still **weathering headwinds** from Covid-19 pandemic
- **Lower fair value gains** and **lower dividends** from investee companies on the back of subdued 2020 earnings

CONTRIBUTION TO GOVERNMENT

RM m	2020	2021
Dividends	2,000	2,000
Tax Paid	80	227
Contribution to Government and Social Initiatives ¹	70	101

¹ Film in Malaysia Incentive, Covid-19 & Flood relief, MyStep and Tabung Cerdik

Progress was made on our Sustainability initiatives in 2021



- ✓ Continued to execute on our **Sustainability strategy**, and focusing on **ESG integration across our investment activities**



- ✓ **Reduced waste and carbon emissions** through targeted initiatives across the organisation



- ✓ **Executed Khazanah's Integrity & Anti-Corruption Plan** and further strengthened governance in Khazanah and its linked companies

We also remain steadfast in building our digital capabilities and developing our people



- ✓ **Launched an end-to-end employee management platform (“KITA”) for Khazanah staff and a cloud-enabled deal flow management solution**



- ✓ **Increased adoption of data and analytics solutions to enhance our investment decision making processes**



- ✓ **Refreshed core values** as part of the overall Cultural Transformation Programme

Khazanah continued to impact the Malaysian society through our own initiatives and those of affiliated organisations

YAYASAN
HASANAH



A foundation of Khazanah Nasional

KHAZANAH
RESEARCH
INSTITUTE



TAMAN TUGU
MALAYSIA



KHAZANAH
NASIONAL

KHAZANAH
MEGATRENDS
FORUM 2021



- **RM554m funds¹ managed for 312 projects** across themes such as education and social development
- **Provided assistance to 1.5m people** directly or indirectly²



- **30 publications released**, across topics such as social protection, digital transformation, global inequality, education, unemployment



- **~30% increase in visitorship**
- Quantification of the carbon footprint for Taman Tugu completed
- Good traction gained on key fundraising programmes



- Khazanah Megatrends Forum 2021 held virtually on 4-6 October 2021 under the theme "The Invention of Tomorrow"

¹ Includes contribution from YH and third parties

² Through Hasanah Grants, Cerdik, Humanitarian & Disaster Relief, etc.

We also supported several social and national programmes and efforts in 2021



- **Yayasan Hasanah** distributed **152k electronic devices** to students across **1,324 schools**
- **Khazanah** contributed **RM25m** to CERDIK, and **delivered 208 devices** to schools in Kedah and Kuala Lumpur through a staff donation drive

COVID-19 RELIEF



- Khazanah staff pledged **RM180k to Mercy** and **RM70k to Malaysian Relief Agency**
- **Yayasan Hasanah** deployed **RM455m¹** for Covid-19 relief (including contributions by other GLCs)

FLOOD RELIEF



- **Khazanah** donated **RM5m** to flood relief efforts, with **Yayasan Hasanah** allocating **RM2.5m**
- The GLC/GLIC Disaster Response Network **collected RM63m in pledges**:
 - 62,000 people assisted
 - 1,144 volunteers deployed
 - 20 GLC/GLIC partners



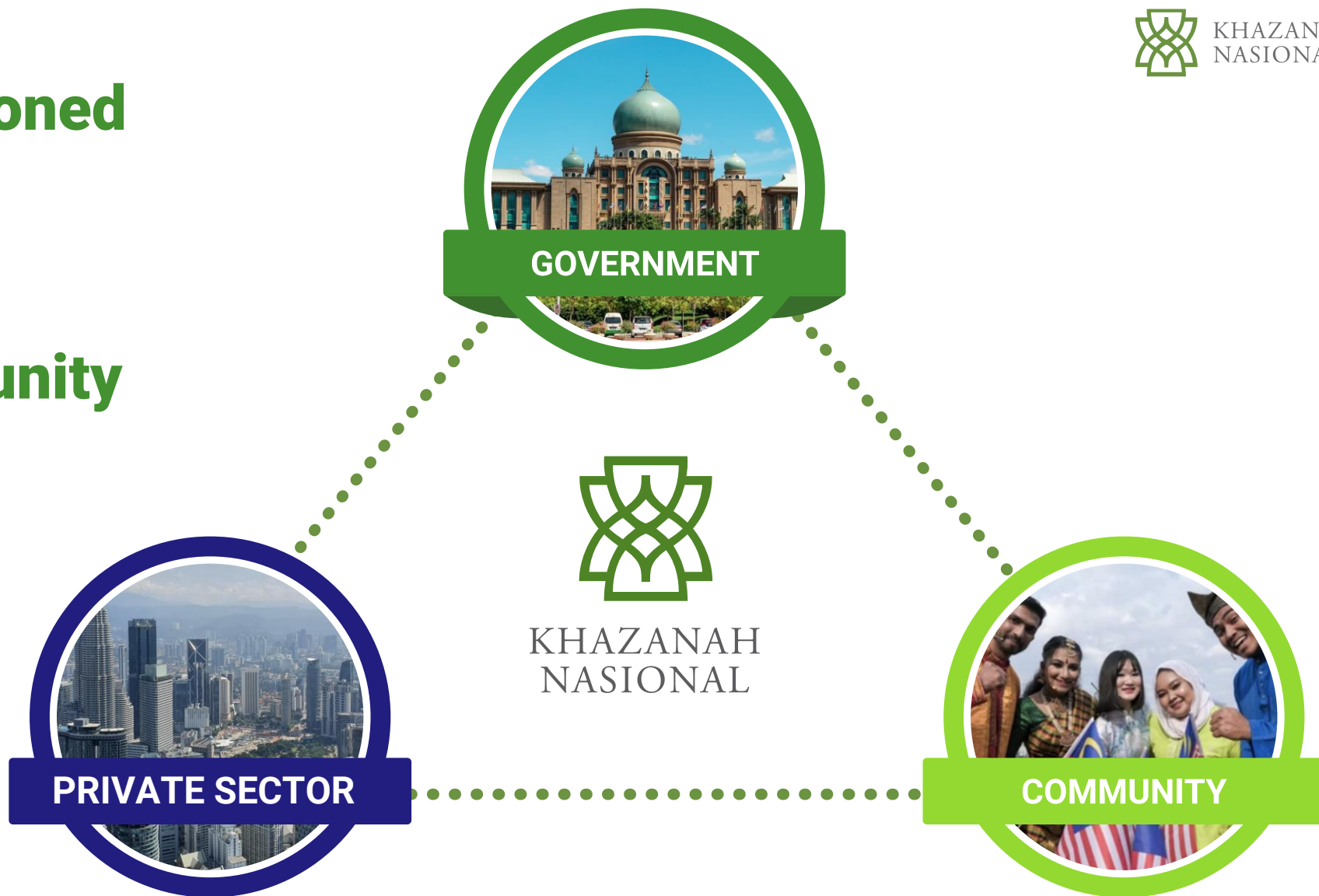
- **7,060 participants** provided with training and short-term placements at GLCs

¹ Includes direct purchases (i.e. education, medical equipment) and spending for support to those affected by the Covid-19 pandemic

01 2021 In Review

02 MOVING FORWARD

**Khazanah is
uniquely positioned
in between the
Government,
Private Sector,
and the Community**



We have set 4 Strategic Imperatives that clearly define what we must do to succeed in delivering our purpose

Investing to deliver sustainable value for Malaysians

Strategic Imperatives			
	 <p>Building on our Financial Strength</p>	 <p>Creating a Sustainable Future</p>	 <p>Developing a Winning Team</p>
Our Core Values	<p>We hold ourselves accountable</p> 	<p>We respect different viewpoints</p> 	<p>We support one another</p> 

Leveraging our unique position, we will undertake initiatives in four key areas as part of our mission in Advancing Malaysia



1

Dana Impak to invest in catalytic sectors that strengthen the country's resilience and opens new growth opportunities



2

Active Corporate Player in Malaysia's capital markets, spurring economic growth



3

Global Presence in international markets, facilitating flows of knowledge, networks and investment opportunities



4

Focused on **Building Capacity and Vibrant Communities** for the benefit of Malaysians



1) Dana Impak ("DI")

We committed RM6b for Dana Impak investments over the next 5 years, which seeks to deliver socioeconomic benefits for the nation

WHAT IS DANA IMPAK?



Dana Impak is a newly created **RM6b** allocation within Khazanah Nasional

WHAT ARE DANA IMPAK'S OBJECTIVES?



Increasing Malaysia's economic competitiveness...



.... and building national resilience

WHAT OUTCOMES DOES DANA IMPAK SEEK TO DELIVER?

To deliver socioeconomic benefits and impact to Malaysians across six themes



Digital Society & Technology Hub



Quality Health & Education for all



Decent Work & Social Mobility



Food & Energy Security



Building Climate Resilience



Competing in Global Markets

1) Dana Impak (“DI”)

Khazanah will adopt a tailored execution approach for DI initiatives. For example, KIIC aimed at crowding-in ideas and providing grants to SMEs for Ageing Services solutions



Inaugural Khazanah Impact Innovation Challenge (“KIIC”) themed ‘Enhancing Ageing Services for Malaysians’

- Project aimed to catalyse the development of affordable, accessible and sustainable senior care services for Malaysians
- Six companies were selected out of 130 applications; a seed grant of RM300k awarded to each, with opportunity to undergo a structured scaling up programme
- Partnered with MRANTI (formerly MaGIC) and Endeavor in executing KIIC

2) Active Corporate Player

We will be an active participant in Malaysia's capital markets, spurring economic growth



**Reinvigorating the
Malaysian market**

**Crowd-in new private
investments**



**Driving best-in-class
performance**

**Hold Boards and
management accountable for
business strategy and
performance**



**Future-proofing
Corporate Malaysia**

**Right partners, management
team, and owners for stage of
business and life-cycle**



**Maturing the Regulatory
Environment**

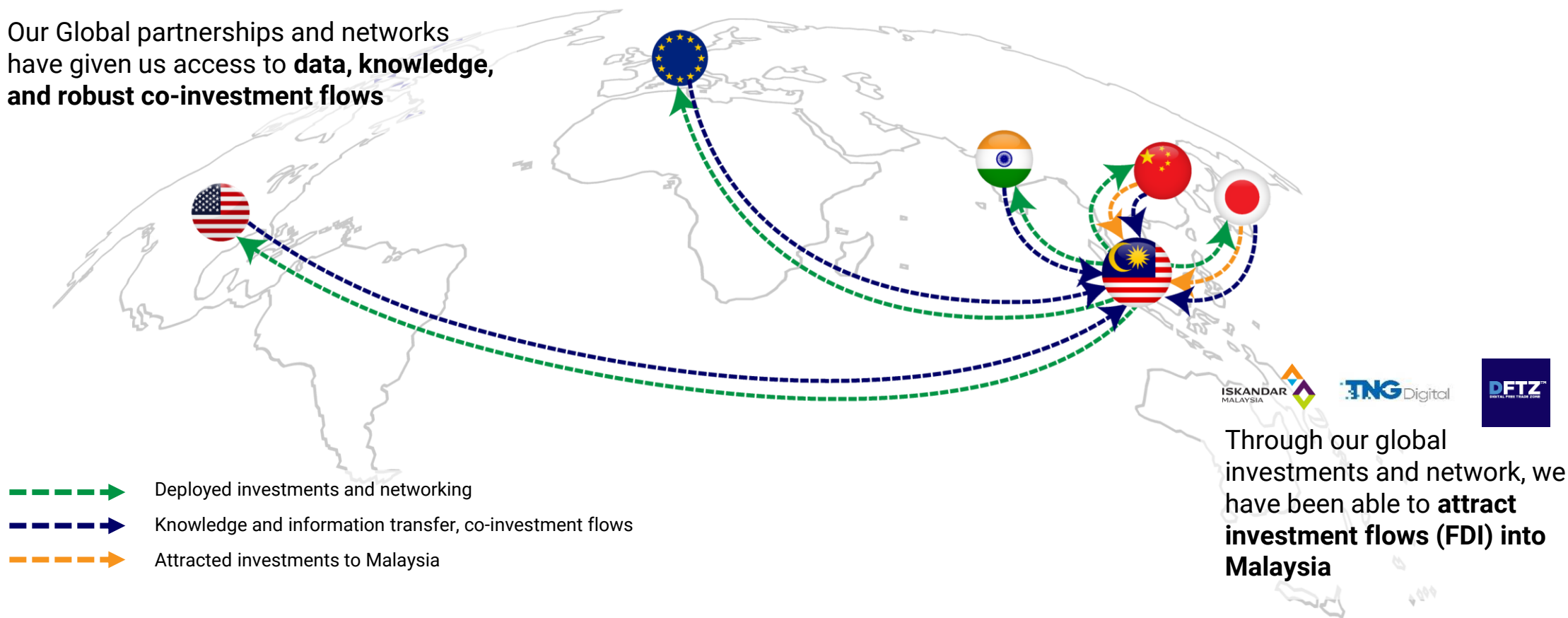
**Work with regulators to strive
towards consistent, fair and
sustainable policies**

3) Global Presence

Khazanah will continue to act as Malaysia's representative in the global markets, with partnerships and investments that act as flows between Malaysia and the rest of the world



Our Global partnerships and networks have given us access to **data, knowledge, and robust co-investment flows**



4) Building Capacity and Vibrant Communities

We will build on efforts over the last decade and review how to better deliver societal value for Malaysians

CONTRIBUTED > RM1B OVER LAST 10 YEARS

KHAZANAH WILL CONTINUE TO DELIVER SOCIETAL RETURNS
AND ENSURE RELEVANCE TO MALAYSIANS



Education



Community
Development



Environment



Arts, Heritage
& Culture



Knowledge



Crisis Support



How can we support
Malaysians better?



How can we preserve
and showcase
Malaysian heritage?



How can we build
Malaysia's capacity?




How can we protect
Malaysian biodiversity?



How can we elevate
Malaysian talent?

Financial Strength is core for Khazanah in Advancing Malaysia, and we do this through a well-diversified portfolio with distinct priorities



OVERALL KHAZANAH PORTFOLIO				
	Investments Portfolio	Dana Impak Portfolio	Developmental Assets	Special Situation Assets
	RM120.3b RAV All assets subjected to commercial returns expectations	RM6.0b allocated All Dana Impak investments with clearly defined targeted socioeconomic outcomes	RM4.5b RAV Long-term developmental investments with the potential to deliver high economic impact	 Assets which require turnaround in terms of profitability and sustainable operating cash flows
Priorities	Continue portfolio rebalancing efforts towards the target Strategic Asset Allocation ("SAA")	Plan and execute investments across the 6 identified themes to deliver measurable socioeconomic impact	Continue shepherding companies towards long-term financial sustainability	Active management to resolve assets faced with severely challenging situations

Our efforts will deliver distinct key outcomes towards Advancing Malaysia



Asset growth through
value creation efforts



Globally competitive
companies




Positive socioeconomic
impact for the rakyat via
Dana Impak



Greater societal value
imparted to all Malaysians

THANK YOU

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