



## **Investment Linked Fund Performance Report February 2016**

### **General Advice Warning**

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# AsiaPac Fund Monthly Report (February 2016)

## Investment Objective

To achieve steady income stream with potential growth in the Asia Pacific Region over medium to long term. The aim of the Fund is to outperform the S&P Ethical Pan Asia Select Dividend Opportunities Index over periods of five or more years.

## Investment Strategy

To invest in Asia Pacific Ethical Dividend Exchange Traded Fund (ETF), managed by CIMB Principal Asset Management where the ETF is listed on the Singapore Stock Exchange.

The ETF focuses on top 40 ethical and high yielding stocks in the Asia Pacific Region excluding India, Taiwan, Japan, New Zealand and Philippines. The fund provides country diversification across the industry that is traded in US Dollar.

## Risks

The Fund is considered low risk given the exposure to only one underlying securities with no attempt to select stocks individually or to take defensive positions in declining markets. Risk is managed at the management level, where the asset allocation of the fund to be reviewed on regular basis, and adjusted to commensurate with the Investment Team view on the relative attractiveness of each asset class.

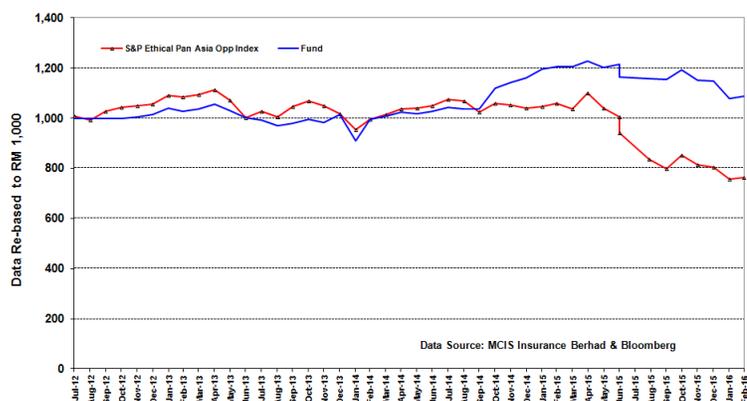
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

The target market is for investors who are seeking regional exposure from investment and at the same time, seeking for medium to long term capital appreciation with moderate market risk.

## Fund Performance

For the month ended February 2016, the fund had underperformed the benchmark by 19bps MoM (month on month). The underperformance was mainly due to underperforming of underlying security compared to benchmark index. However, the fund had outperformed the benchmark since inception.

AsiaPac Fund Performance Since Inception



## Top Ten Holdings

CIMB S&P Asia Pacific Ethical Dividend Exchange Traded Fund (ETF)

## Fund Information

NAV (29.2.16)	RM0.5437
Fund Size	RM25.4 million
Inception Date	15-July-2012
Fund Management Fee	0.85% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mcis.my">http://www.mcis.my</a>
Fund Manager	MCIS Insurance Berhad
Exceptional Circumstances	Refer to your Policy Document

## Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
ETF	80%	100%	69%
Cash	0%	20%	31%

## Performance Table

Period	Fund	Index*
1 month (%)	1.00%	1.19%
3 months (%)	-5.57%	-5.99%
6 months (%)	-5.97%	-8.49%
12 months (%)	-9.67%	-27.85%
2 years (% pa)	9.26%	-23.18%
3 years (% pa)	1.91%	-10.98%
5 years (% pa)	-	-
Since Inception	2.31%	-7.06%

**Notice: Past performance is not indicative of future performance, and the performance of the Fund is not guaranteed.**

The Fund returns are calculated by MCIS and based on the value of the NAV, and for periods greater than 12-months are annualised numbers. Actual returns of the Fund are on a net basis (gross of tax and net of fees) and based on the performance of the Fund, and not the returns earned on the actual premiums/ contributions paid for the product.

\* Index is S&P Ethical Pan Asia Select Dividend Opportunities sourced from Bloomberg.

Other Charges: Switching Fee, you are entitled to four free switches per policy year. Additional switches within the same year will be charged at 1% of the value of units switched, subject to a maximum of RM 50; and all taxes, duties and other charges incurred in the purchase, sale, valuation and maintenance of the investments of the Fund.

The NAV per unit of the Fund is the total market value of assets in the Fund divided by the total number of units of the Fund. Transaction costs, taxes and applicable fees are provided for in the net asset value.

## Balanced Fund Monthly Report (February 2016)

### Investment Objective

The objective of the Balanced Fund is to provide security and income, while maintaining and potentially increasing the value of capital over the medium to long-term, through exposure across a range of asset classes. The Fund aims to outperform the performance benchmark over periods of three or more years.

### Investment Strategy

To invest in Malaysian equities and fixed income securities, including government bonds and corporate debt securities. The asset allocation is reviewed on a regular basis, and is adjusted commensurate with our view on the relative attractiveness of each asset class.

### Risks

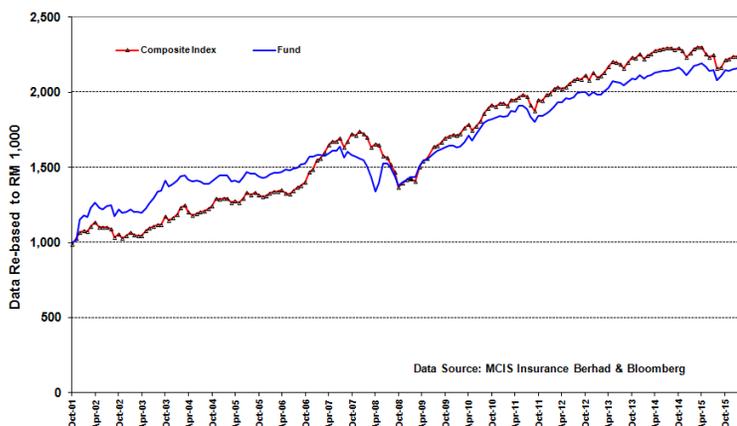
The Fund is considered medium risk given the mixed exposure of equity securities, fixed income and cash. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, industry and economy development, social and political factors, and the liquidity of the underlying assets. Additionally, levels of interest rates, and credit downgrades of defaults can affect the value of fixed income securities

The target market is clients wanting the surety of insurance protection, with an element of potential upside investment exposure.

### Fund Performance

For the month ended February 2016, the fund had outperformed the benchmark by 74bps MoM (month on month). The outperformance was mainly driven by higher exposure of outperforming securities in the portfolio.

Balanced Fund Performance Since Inception



### Top Ten Holdings

Malaysian Government Securities (Bond)  
 Prasarana Malaysia Berhad (Bond)  
 Jimah East Power Sdn Bhd (Bond)  
 Projek Lebuhraya Utara-Selatan (Bond)  
 Sabah Credit Corporation (Bond)  
 Tenaga Nasional Berhad (Equity)  
 Malayan Banking Berhad (Equity)  
 Telekom Malaysia Berhad (Equity)  
 Maxis Berhad (Equity)  
 CIMB Bank Berhad (Equity)

### Fund Information

NAV (29.2.16)	RM1.0847
Fund Size	RM7.3 million
Inception Date	15-Oct-01
Fund Management Fee	1.25% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mcis.my">http://www.mcis.my</a>
Fund Manager	MCIS Insurance Berhad
Exceptional Circumstances	Refer to your Policy Document

### Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Malaysian Equity	40%	60%	45%
Fixed Income	40%	60%	47%
Cash	0%	20%	8%

### Performance Table

Period	Fund	Index*
1 month (%)	0.47%	-0.27%
3 months (%)	1.12%	0.50%
6 months (%)	4.14%	3.30%
12 months (%)	-0.35%	-2.60%
2 years (% pa)	1.44%	-0.32%
3 years (% pa)	2.98%	1.92%
5 years (% pa)	3.31%	3.13%
Since Inception	5.52%	5.72%

**Notice: Past performance is not indicative of future performance, and the performance of the Fund is not guaranteed.**

The Fund returns are calculated by MCIS and based on the value of the NAV, and for periods greater than 12-months are annualised numbers. Actual returns of the Fund are on a net basis (gross of tax and net of fees) and based on the performance of the Fund, and not the returns earned on the actual premiums/ contributions paid for the product.

\* Index is composite of 50% FBM KLCI Index, and 50% HSBC Malaysia All Bond FBM KLCI Index. Index data sourced from Bloomberg.

Other Charges: Switching Fee, you are entitled to four free switches per policy year. Additional switches within the same year will be charged at 1% of the value of units switched, subject to a maximum of RM 50; and all taxes, duties and other charges incurred in the purchase, sale, valuation and maintenance of the investments of the Fund.

The NAV per unit of the Fund is the total market value of assets in the Fund divided by the total number of units of the Fund. Transaction costs, taxes and applicable fees are provided for in the net asset value.

## Dividend Fund Monthly Report (February 2016)

### Investment Objective

To achieve steady income stream with potential for capital growth over medium to long term by focusing mostly on high dividend yielding stocks and money market instruments. The aim of the Fund is to outperform the FBM KLCI Index over periods of five or more years.

### Investment Strategy

To invest in a broad selection of companies listed on the Malaysian Stock Exchange. Using a relative value methodology, the fund focuses on undervalued stocks relative to fundamental value, with the aim of achieving an income stream, together with some degree of long-term capital gains.

### Risks

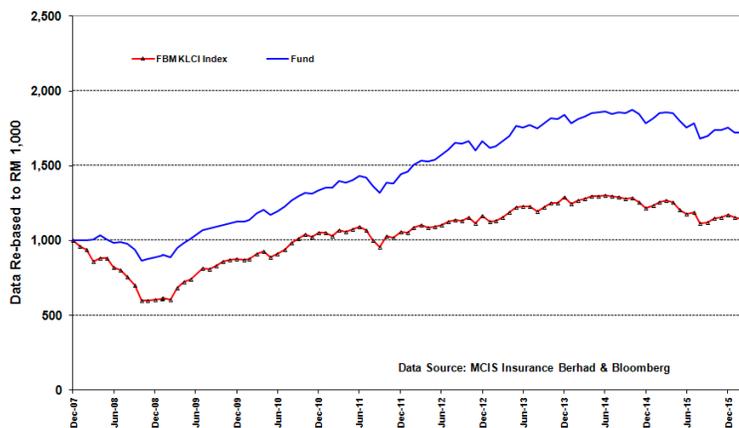
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and political factors, and the liquidity of the underlying assets.

The target market is clients wanting the surety of insurance protection, with an element of potential upside investment exposure.

### Fund Performance

For the month ended February 2016, the fund had outperformed the benchmark by 78bps MoM (month on month). The outperformance was mainly driven by higher exposure of outperforming stocks in the portfolio compared to benchmark.

Dividend Fund Performance Since Inception



### Top Ten Holdings

Public Bank Berhad  
Telekom Malaysia Berhad  
Petronas Gas Berhad  
Sime Darby Berhad  
Maxis Berhad  
Malayan Banking Berhad  
Petronas Chemicals Group Berhad  
Axiata Group Berhad  
DiGi.Com Berhad  
IOI Corporation Berhad

### Fund Information

NAV (29.2.16)	RM0.8195
Fund Size	RM40.4 million
Inception Date	21-Jan-08
Fund Management Fee	1.5% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mcis.my">http://www.mcis.my</a>
Fund Manager	MCIS Insurance Berhad
Exceptional Circumstances	Refer to your Policy Document

### Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Malaysian Equity	80%	100%	89%
Cash	0%	20%	11%

### Performance Table

Period	Fund	Index*
1 month (%)	0.00%	-0.78%
3 months (%)	-0.75%	-1.04%
6 months (%)	2.42%	2.60%
12 months (%)	-6.89%	-9.14%
2 years (% pa)	-2.50%	-5.06%
3 years (% pa)	1.90%	0.35%
5 years (% pa)	4.99%	2.10%
Since Inception	6.91%	1.67%
Yield #	2.99%	3.10%

**Notice: Past performance is not indicative of future performance, and the performance of the Fund is not guaranteed.**

The Fund returns are calculated by MCIS and based on the value of the NAV, and for periods greater than 12-months are annualised numbers. Actual returns of the Fund are on a net basis (gross of tax and net of fees) and based on the performance of the Fund, and not the returns earned on the actual premiums/ contributions paid for the product.

\* Index is FBM KLCI sourced from Bloomberg.

# Yield data is sourced from Bloomberg, and MCIS.

Other Charges: Switching Fee, you are entitled to four free switches per policy year. Additional switches within the same year will be charged at 1% of the value of units switched, subject to a maximum of RM 50; and all taxes, duties and other charges incurred in the purchase, sale, valuation and maintenance of the investments of the Fund.

The NAV per unit of the Fund is the total market value of assets in the Fund divided by the total number of units of the Fund. Transaction costs, taxes and applicable fees are provided for in the net asset value.

# Equity Fund

## Monthly Report (February 2016)

### Investment Objective

The objective of the Equity Fund is to achieve capital growth over the medium to long term by focusing on high quality equities listed on the FBM KLCI Index. The aim of the Equity Fund is to outperform the Index over periods of five or more years.

### Investment Strategy

To invest in a broad selection of companies listed on the Malaysian Stock Exchange. Using a relative value methodology, the fund focuses on the stocks whose shares appear undervalued relative to fundamental value, with the aim of achieving long term growth in capital value.

### Risks

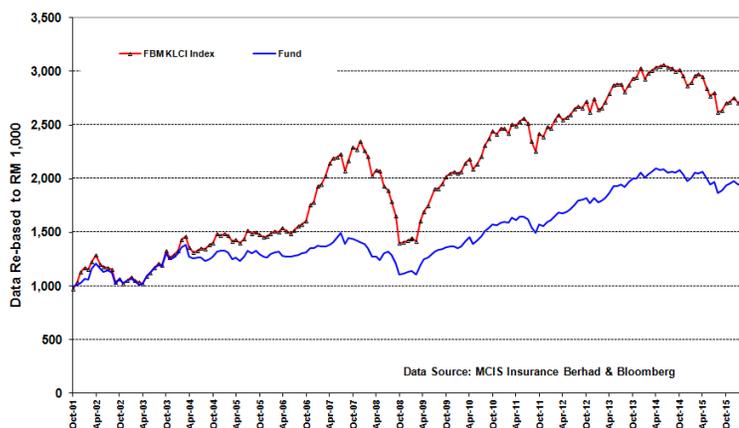
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and political factors, and the liquidity of the underlying assets.

The target market is clients wanting the surety of insurance protection, with an element of potential upside investment exposure.

### Fund Performance

For the month ended February 2016, the fund had outperformed the benchmark by 74bps MoM (month on month). The outperformance was mainly driven by higher exposure of outperforming stocks in the portfolio compared to benchmark.

Equity Fund Performance Since Inception



### Top Ten Holdings

Tenaga Nasional Berhad  
IOI Corporation Berhad  
Public Bank Berhad  
Malayan Banking Berhad  
Telekom Malaysia Berhad  
Petronas Dagangan Berhad  
Sime Darby Berhad  
Petronas Chemicals Group Berhad  
Axiata Group Berhad  
Maxis Berhad

### Fund Information

NAV (29.2.16)	RM0.9747
Fund Size	RM8.7 million
Inception Date	15-Oct-01
Fund Management Fee	1.40% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mcis.my">http://www.mcis.my</a>
Fund Manager	MCIS Insurance Berhad
Exceptional Circumstances	Refer to your Policy Document

### Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Malaysian Equity	80%	100%	90%
Cash	0%	20%	10%

### Performance Table

Period	Fund	Index*
1 month (%)	-0.04%	-0.78%
3 months (%)	-0.45%	-1.04%
6 months (%)	4.51%	2.60%
12 months (%)	-5.20%	-9.14%
2 years (% pa)	-2.38%	-5.06%
3 years (% pa)	2.82%	0.35%
5 years (% pa)	4.11%	2.10%
Since Inception	4.74%	7.10%
Yield #	2.85%	3.10%

**Notice: Past performance is not indicative of future performance, and the performance of the Fund is not guaranteed.**

The Fund returns are calculated by MCIS and based on the value of the NAV, and for periods greater than 12-months are annualised numbers. Actual returns of the Fund are on a net basis (gross of tax and net of fees) and based on the performance of the Fund, and not the returns earned on the actual premiums/ contributions paid for the product.

\* Index is FBM KLCI sourced from Bloomberg.

# Yield data is sourced from Bloomberg, and MCIS.

Other Charges: Switching Fee, you are entitled to four free switches per policy year. Additional switches within the same year will be charged at 1% of the value of units switched, subject to a maximum of RM 50; and all taxes, duties and other charges incurred in the purchase, sale, valuation and maintenance of the investments of the Fund.

The NAV per unit of the Fund is the total market value of assets in the Fund divided by the total number of units of the Fund. Transaction costs, taxes and applicable fees are provided for in the net asset value.

# Global Yakin Fund

## Monthly Report (February 2016)

### Investment Objective

The fund aims for capital appreciation in the long term by investing in an international portfolio of Shariah-compliant equities and equity-related securities of companies with good growth potential.

### Investment Strategy

The Fund is to feed into Aberdeen Islamic World Equity Fund (AIWEF) which managed by Aberdeen Islamic Asset Management Sdn Bhd. The Fund invests in shariah approved securities across the globe.

The Fund seeks to achieve its objective by investing in an international portfolio of Shariah-compliant equities and equity-related securities of companies with good growth potential. The countries that the Fund will invest in will include, but not limited to Canada, United States of America, United Kingdom, France, Germany, Italy, Netherlands, Sweden, Switzerland, Japan, Australia, China, Hong Kong, Korea, Singapore, Taiwan, Brazil and Mexico.

### Risks

The Fund is considered low risk given the exposure to only one underlying securities with no attempt to select stocks individually or to take defensive positions in declining markets. Risk is managed at the management level, where the asset allocation of the fund to be reviewed on regular basis, and adjusted to commensurate with the Investment Team view on the relative attractiveness of each asset class.

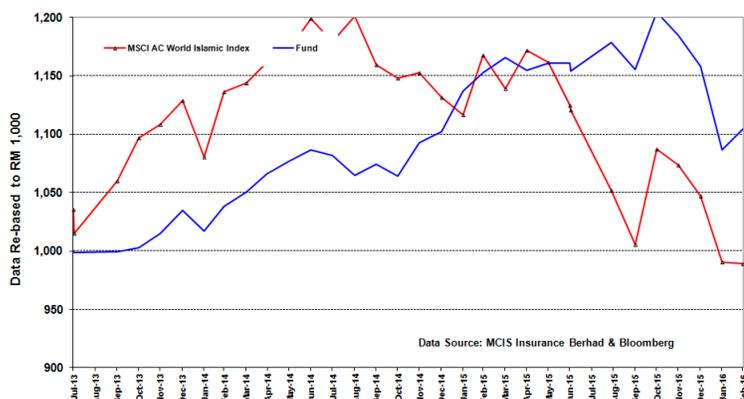
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

The Fund is suitable for investors who seek capital appreciation over a long term investment horizon and who are willing to accept high level of risk.

### Fund Performance

For the month ended February 2016, the fund had outperformed the benchmark by 179bps MoM (month on month). The outperformance was partly due to higher return of Aberdeen Islamic World Equity Fund compared to benchmark.

Global Yakin Fund Performance Since Inception



### Top Ten Holdings

Aberdeen Islamic World Equity Fund (AIWEF)

### Fund Information

NAV (29.2.16)	RM0.5523
Fund Size	RM22.0 million
Inception Date	8-July-2013
Fund Management Fee	0.85% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mcis.my">http://www.mcis.my</a>
Fund Manager	MCIS Insurance Berhad
Exceptional Circumstances	Refer to your Policy Document

### Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
AIWEF	80%	100%	82%
Cash	0%	20%	18%

### Performance Table

Period	Fund	Index*
1 month (%)	1.66%	-0.13%
3 months (%)	-6.78%	-7.85%
6 months (%)	-6.31%	-5.94%
12 months (%)	-4.16%	-15.28%
2 years (% pa)	3.14%	-6.70%
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	3.80%	-0.40%

**Notice: Past performance is not indicative of future performance, and the performance of the Fund is not guaranteed.**

The Fund returns are calculated by MCIS and based on the value of the NAV, and for periods greater than 12-months are annualised numbers. Actual returns of the Fund are on a net basis (gross of tax and net of fees) and based on the performance of the Fund, and not the returns earned on the actual premiums/ contributions paid for the product.

\* Index is MSCI AC World Islamic sourced from Bloomberg.

Other Charges: Switching Fee, you are entitled to four free switches per policy year. Additional switches within the same year will be charged at 1% of the value of units switched, subject to a maximum of RM 50; and all taxes, duties and other charges incurred in the purchase, sale, valuation and maintenance of the investments of the Fund.

The NAV per unit of the Fund is the total market value of assets in the Fund divided by the total number of units of the Fund. Transaction costs, taxes and applicable fees are provided for in the net asset value.

# Income Fund

## Monthly Report (February 2016)

### Investment Objective

The objective of the Income Fund is to provide investors with security of income by investing in a mix of fixed income and fixed deposit securities. The aim of the Fund is to outperform the HSBC Malaysia Local Currency All Bond Total Return Index.

### Investment Strategy

To invest into underlying asset classes as per the Asset Allocation Ranges. The asset allocation is reviewed on a regular basis, and is adjusted commensurate with our view on the relative attractiveness of each asset class. The Fund invests in cash and fixed income securities including government bonds and corporate debt securities.

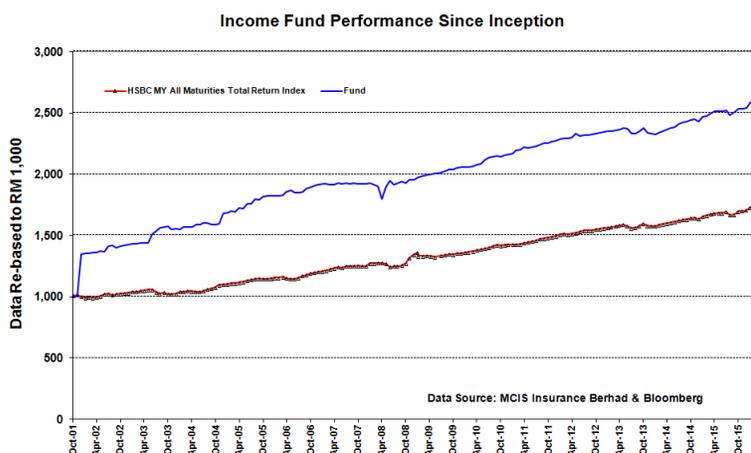
### Risks

The Fund is considered lower risk given the exposure to cash and fixed income securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and political factors, and the liquidity of the underlying assets. Additionally, levels of interest rates, and credit downgrades or defaults can affect the value of fixed income securities.

The target market is clients wanting the surety of insurance protection, with an element of potential upside investment exposure.

### Fund Performance

For the month ended February 2016, the fund had outperformed the benchmark by 23bps MoM (month on month). The outperformance was mainly driven by outperformance of the bond market during the period.



### Top Ten Holdings

Malaysian Government Securities  
 Projek Lebuhraya Utara-Selatan Berhad  
 Prasarana Malaysia Berhad  
 Jimah East Power Sdn Bhd  
 Government Investment Issue  
 PBFIN Berhad  
 Sabah Credit Corporation  
 CIMB Bank Berhad

### Fund Information

NAV (29.2.16)	RM1.2980
Fund Size	RM24.3 million
Inception Date	15-Oct-01
Fund Management Fee	0.5% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mcis.my">http://www.mcis.my</a>
Fund Manager	MCIS Insurance Berhad
Exceptional Circumstances	Refer to your Policy Document

### Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Fixed Income	75%	100%	95%
Cash	0%	25%	5%

### Performance Table

Period	Fund	Index*
1 month (%)	0.48%	0.25%
3 months (%)	2.54%	2.03%
6 months (%)	4.50%	3.97%
12 months (%)	4.83%	4.24%
2 years (% pa)	5.34%	4.55%
3 years (% pa)	3.34%	3.39%
5 years (% pa)	3.41%	3.97%
Since Inception	6.84%	3.89%

**Notice: Past performance is not indicative of future performance, and the performance of the Fund is not guaranteed.**

The Fund returns are calculated by MCIS and based on the value of the NAV, and for periods greater than 12-months are annualised numbers. Actual returns of the Fund are on a net basis (gross of tax and net of fees) and based on the performance of the Fund, and not the returns earned on the actual premiums/ contributions paid for the product.

\* Index is HSBC Malaysia All Bond FBM KLCI Index, sourced from Bloomberg.

Other Charges: Switching Fee, you are entitled to four free switches per policy year. Additional switches within the same year will be charged at 1% of the value of units switched, subject to a maximum of RM 50; and all taxes, duties and other charges incurred in the purchase, sale, valuation and maintenance of the investments of the Fund.

The NAV per unit of the Fund is the total market value of assets in the Fund divided by the total number of units of the Fund. Transaction costs, taxes and applicable fees are provided for in the net asset value.

# Jati Fund

## Monthly Report (February 2016)

### Investment Objective

The Jati Fund is invested in accordance with Shariah principles in Shariah sanctioned equities, money market instruments, and fixed income investments. The aim is to provide security and income, while maintaining and potentially increasing the value of capital over the medium to long-term. The Jati Fund is not a takaful product.

### Investment Strategy

To invest in a broad selection of Shariah approved securities listed on the Malaysian Stock Exchange. Using a relative value methodology it looks to buy stocks whose shares appear undervalued relative to fundamental value, with the aim of achieving an income stream, together with some degree of long-term capital gains.

### Risks

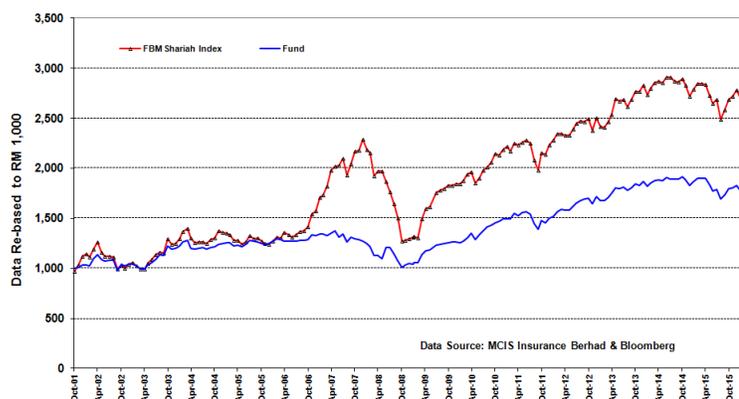
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and political factors, and the liquidity of the underlying assets.

The target market is clients wanting the surety of insurance protection, with an element of potential upside investment exposure.

### Fund Performance

For the month ended February 2016, the fund had outperformed the benchmark by 68bps MoM (month on month). The outperformance was mainly driven by higher exposure of outperforming stocks in the portfolio compared to benchmark.

Jati Fund Performance Since Inception



### Top Ten Holdings

Tenaga Nasional Berhad  
 Sime Darby Berhad  
 Petronas Chemicals Group Berhad  
 Petronas Dagangan Berhad  
 Axiata Group Berhad  
 Telekom Malaysia Berhad  
 MISC Berhad  
 SapuraKencana Petroleum Berhad  
 MyETF Dow Jones Islamic Market Titan 25  
 IHH Healthcare Berhad

### Fund Information

NAV (29.2.16)	RM0.8810
Fund Size	RM11.0 million
Inception Date	15-Oct-01
Fund Management Fee	1.35% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mcis.my">http://www.mcis.my</a>
Fund Manager	MCIS Insurance Berhad
Exceptional Circumstances	Refer to your Policy Document

### Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Malaysian Equity	80%	100%	87%
Cash	0%	20%	13%

### Performance Table

Period	Fund	Index*
1 month (%)	-0.70%	-1.38%
3 months (%)	-2.52%	-2.06%
6 months (%)	4.00%	7.04%
12 months (%)	-7.11%	-6.64%
2 years (% pa)	-2.57%	-2.54%
3 years (% pa)	1.61%	3.32%
5 years (% pa)	3.37%	4.14%
Since Inception	4.01%	7.02%
Yield #	2.42%	2.78%

**Notice: Past performance is not indicative of future performance, and the performance of the Fund is not guaranteed.**

The Fund returns are calculated by MCIS and based on the value of the NAV, and for periods greater than 12-months are annualised numbers. Actual returns of the Fund are on a net basis (gross of tax and net of fees) and based on the performance of the Fund, and not the returns earned on the actual premiums/ contributions paid for the product.

\* Index is FBMS Index sourced from Bloomberg.

# Yield data is sourced from Bloomberg, and MCIS.

Other Charges: Switching Fee, you are entitled to four free switches per policy year. Additional switches within the same year will be charged at 1% of the value of units switched, subject to a maximum of RM 50; and all taxes, duties and other charges incurred in the purchase, sale, valuation and maintenance of the investments of the Fund.

The NAV per unit of the Fund is the total market value of assets in the Fund divided by the total number of units of the Fund. Transaction costs, taxes and applicable fees are provided for in the net asset value.

# Equity Market Review and Outlook

## Market Review

February was a month of consolidation for the local bourse and the KLCI's trading range was only 40pts during the month. Crude oil prices and the Ringgit were sideways during the period. In addition, regional equity indexes were also in consolidating phase last month. In February, the KLCI lost 13pts or 0.8% mom. The broader market outperformed the KLCI, with the FBM Emas losing 0.6% mom to 11,568pts. Small caps also outperformed the benchmark and also Emas, with the FBM Small Cap index closing positive, up 0.5% mom to 15,119pts but the FBM ACE was the biggest loser, down 3.64% mom to 5,702pts. Average daily value traded on Bursa fell 14% mom to RM1.84bn during the period.

On the domestic economic front, The headline inflation rate accelerated to 3.5% y-o-y in January, the fastest pace in more than four years, from +2.7% in December and +2.6% in November. This was mainly attributed to base effects due to the sharp retracement of fuel prices in January last year in tandem with the fall in global crude oil prices. In tandem with the rise in headline inflation, the core inflation rate, which excludes food & non-alcoholic beverages, rose to 3.4% y-o-y in January, the fastest pace in almost two years, from +1.8% in December and compared with +1.9% in November. Meanwhile, Malaysia's real GDP growth moderated further to 4.5% y-o-y in 4Q 2015, from +4.7% in 3Q and +4.9% in 2Q, resulting in the annual GDP slowing to 5.0% in 2015, from +6.0% in 2014. The 4Q reading came marginally above our expectation of 4.4% and the consensus estimate of 4.1% with domestic demand continuing as the anchor of growth, sustaining its pace during the quarter, as stronger growth of consumer spending mitigated a slowdown in public spending and private investment. Overall, the lingering effect of GST, elevated household debt level and the impact from lower oil prices on oil & gas investment and government spending as well as the impact from currency weakness suggest economic growth will likely trend downwards going forward.

Chart 1: FBMKLCI Daily Chart



Source: Bloomberg

Chart 2: FBMKLCI Monthly Pattern and Cycle Analysis



Source: Bloomberg

## Market Outlook & Strategy

Technical indicators are still on their positive mode. However, their momentum has tapered down as the index failed to sustain its recovery to stay above 1,700 level recently. On a downside, immediate support is seen at 1,600 level.

Results for the quarter ended December 2015 were mixed with more companies reported lower than expected earnings. This has resulted for a slower expectation of earnings growth for 2016. Given the slower GDP growth for the year 2016, we remain cautious on the market as the recent recovery was not supported by the strong earnings and economic growth. We will continue to monitor the development of crude oil prices. Any weakness may see a reversal in the equity market and may deteriorate the sentiment which is in already fragile situation.

# Fixed Income Review and Outlook

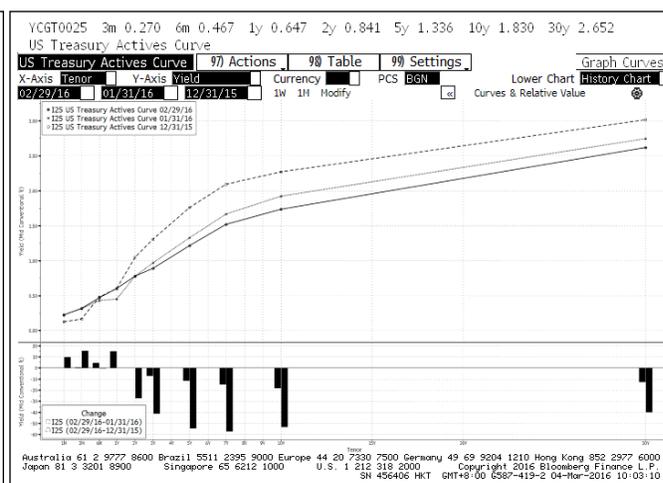
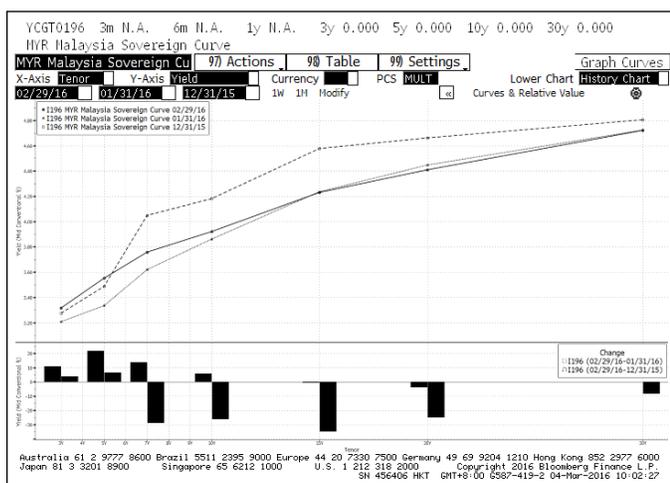
## Market Review

Ringgit denominated government bonds weakened, after staging a strong rally in January. This time the selling was more apparent towards the front end and bellies of the curve. Despite the selloff, Ringgit govies remained well supported on the back of firmer crude oil prices and MYR on a month-on-month basis. Malaysia's full year 2015 GDP moderated to +5.0%, from 6.0% registered a year before, in line with the 4.5-5.5% government estimates. However, the 4Q2015 GDP growth of +4.5% beat consensus of 4.1%, led by consumer spending. Yet, we think weak spending prospects will remain in play for some time this year until there are firmer signs of domestic demand.

The auctions unveiled in February 2016 are as follows:

Government Auctions in Feb 2016				
Issue	Issue Date	Amount (RM million)	Bid-cover (times)	Avg Yield (%)
<b>5-year New GII (Mat on 08/21)</b>	26/02/2016	3,500	2.85	3.743
<b>7-year New MGS (Mat on 08/23)</b>	17/02/2016	4,000	1.63	3.80

Table 1: Government Auctions February 2016. Source: Bank Negara Malaysia



Foreign players continued to be net buyers of Ringgit govies, totalling RM2.11 billion for the month of January. To recap, foreign players were net buyers since last Oct, at sum of of RM13.8 billion up to end-January. Despite the net buying interest, foreign shareholdings dipped marginally from 31.4% to 31.2% in Jan, mainly due to the net issuance (RM9 billion) outpacing the foreign net buying amount, while there was a small outflow (RM0.15 billion) from the GII segment.

At the start of the year, expectation was that the Fed would raise rates. It now appears that the Fed Funds Rate (FFR) may not increase for some more time, as the state of growth is not robust – 2.4% in 2015, 2.0% growth in 3Q2015 and 1.0% in 4Q2015. As for inflation – latest 1.7% core and 1.3% headline– are below the Fed's target of 2% PCE inflation. Meanwhile, volatility has increased and one of the Fed's criteria for raising rates was financial market stability. More than that, financial conditions have tightened with Janet Yellen saying “financial conditions in the United States have recently become less supportive of growth, with declines in broad measures of equity prices, higher borrowing rates for riskier borrowers, and a further appreciation of the dollar.”

## Market Outlook & Strategy

Going forward, despite the previous MPC statement being dovish, we do not expect an OPR cut in the near term unless domestic growth slows dramatically. We may see further cuts in SRR should liquidity within the financial system remains tight. We would recommend to buy on dips of MGS and PDS since there won't be any policy rate changes for the time being and expect bonds domestically to remain well bid given the negative interest rates environment experienced by some of the developed markets i.e. Japan and Europe.