



## **Investment Linked Fund Performance Report August 2015**

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The information in this presentation should not be considered a personal recommendation on any of the securities or stocks mentioned.

## AsiaPac Fund Monthly Report (August 2015)

### 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.

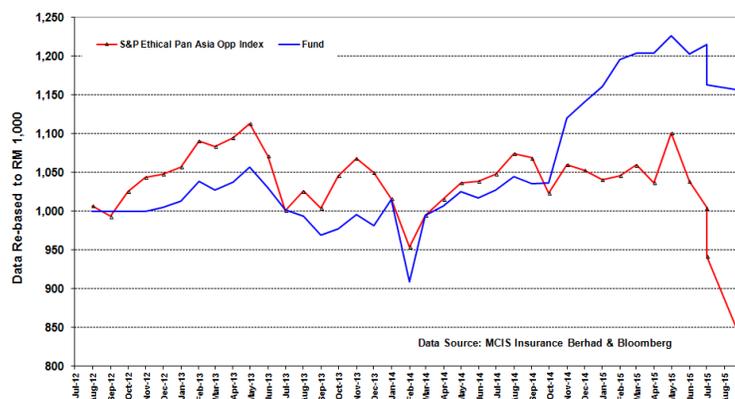
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 August 2015, the fund had outperformed the benchmark by 1068bps MoM (month on month). The outperformance was mainly due to strengthening USD compared to Ringgit.

AsiaPac Fund Performance Since Inception



### Top Ten Holdings

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

### Fund Information

NAV (28.08.15)	RM0.5782
Fund Size	RM 25.4 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%	80%
Cash	0%	20%	20%

### Performance Table

Period	Fund	Index*
1 month (%)	- 0.62%	-11.31%
3 months (%)	- 3.89%	-19.59%
6 months (%)	- 3.94%	-21.16%
12 months (%)	11.60%	-21.84%
2 years (% pa)	19.24%	-16.80%
3 years (% pa)	4.96%	- 5.61%
5 years (% pa)	-	-
Since Inception	4.70%	-5.52%

**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 (August 2015)

### 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

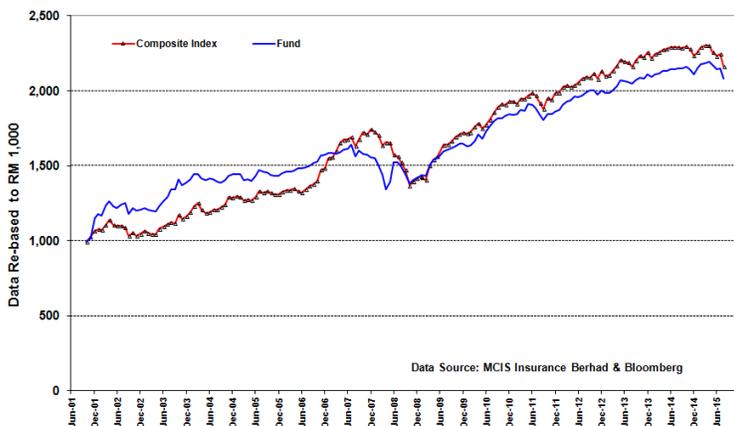
The Fund is considered medium risk given the mixed exposure of equity securities, fixed income and cash. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, industry and economy development, social and political factors, 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 August 2015, the fund had outperformed the benchmark by 83bps 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)  
Sabah Credit Corporation (Bond)  
Projek Lebuhraya Utara-Selatan (Bond)  
Malayan Banking Berhad (Equity)  
Tenaga Nasional Berhad (Equity)  
Maxis Berhad (Equity)  
Telekom Malaysia Berhad (Equity)  
AmanahRaya REIT (Equity)  
Sime Darby Berhad (Equity)  
CIMB Group Holdings Berhad (Equity)

### Fund Information

NAV (28.08.15)	RM1.0416
Fund Size	RM7.0 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%	42%
Fixed Income	40%	60%	50%
Cash	0%	20%	8%

### Performance Table

Period	Fund	Index*
1 month (%)	- 3.10%	- 3.93%
3 months (%)	- 4.14%	- 4.34%
6 months (%)	- 4.31%	- 5.72%
12 months (%)	- 3.12%	- 5.83%
2 years (% pa)	0.88%	- 0.02%
3 years (% pa)	1.47%	1.05%
5 years (% pa)	2.97%	3.04%
Since Inception	5.42%	5.69%

**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 (August 2015)

### 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

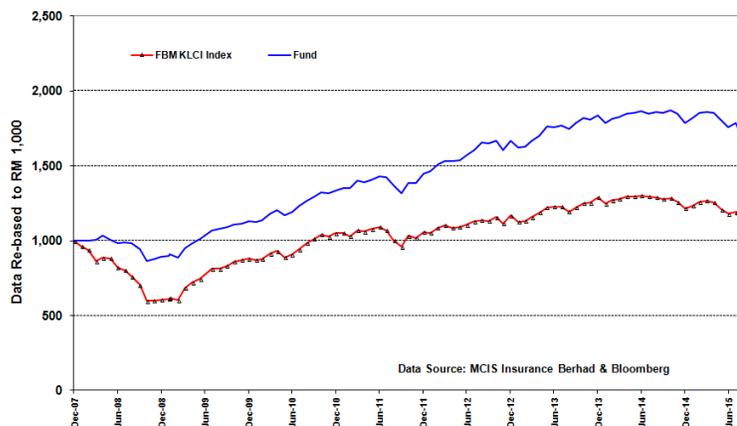
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 August 2015, the fund had outperformed the benchmark by 67bps 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  
Sime Darby Berhad  
Petronas Gas Berhad  
Maxis Berhad  
Malayan Banking Berhad  
Axiata Group Berhad  
Petronas Chemicals Group Berhad  
DiGi.Com Berhad  
British American Tobacco (M) Berhad

### Fund Information

NAV (28.08.15)	RM0.8001
Fund Size	RM 40 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%	87%
Cash	0%	20%	13%

### Performance Table

Period	Fund	Index*
1 month (%)	- 5.74%	- 6.41%
3 months (%)	- 6.61%	- 7.71%
6 months (%)	- 9.09%	-11.45%
12 months (%)	- 9.39%	-13.58%
2 years (% pa)	- 1.89%	- 3.38%
3 years (% pa)	0.57%	- 0.68%
5 years (% pa)	5.87%	2.54%
Since Inception	7.04%	1.44%
Yield #	2.93%	3.53%

**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 (August 2015)

## 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

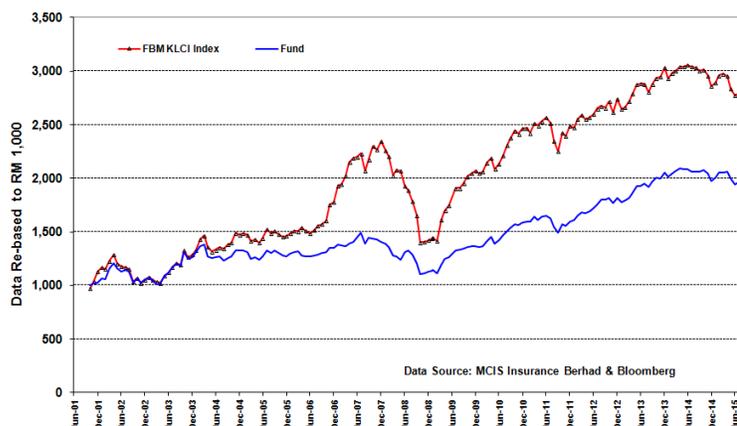
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 August 2015, the fund had outperformed the benchmark by 116bps 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  
Public Bank Berhad  
Malayan Banking Berhad  
IOI Corporation Berhad  
Telekom Malaysia Berhad  
Sime Darby Berhad  
Axiata Group Berhad  
Petronas Dagangan Berhad  
Petronas Chemicals Group Berhad  
Maxis Berhad

## Fund Information

NAV (28.08.15)	RM0.9326
Fund Size	RM 8.4 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%	85%
Cash	0%	20%	15%

## Performance Table

Period	Fund	Index*
1 month (%)	- 5.25%	- 6.41%
3 months (%)	- 6.68%	- 7.71%
6 months (%)	- 9.30%	-11.45%
12 months (%)	- 9.71%	-13.58%
2 years (% pa)	- 1.53%	- 3.38%
3 years (% pa)	1.22%	- 0.68%
5 years (% pa)	4.30%	2.54%
Since Inception	4.58%	7.17%
Yield #	2.79%	3.53%

**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 (August 2015)

## 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.

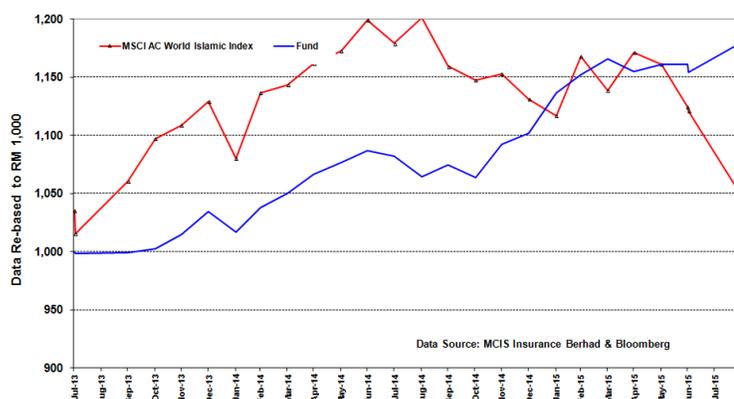
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 August 2015, the fund had outperformed the benchmark by 827bps 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 (28.08.15)	RM0.5895
Fund Size	RM 21.2 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%	77%
Cash	0%	20%	23%

## Performance Table

Period	Fund	Index*
1 month (%)	2.13%	- 6.14%
3 months (%)	1.52%	- 9.42%
6 months (%)	2.29%	- 9.92%
12 months (%)	10.75%	-12.43%
2 years (% pa)	8.65%	1.78%
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	7.90%	2.37%

**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 (August 2015)

### 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

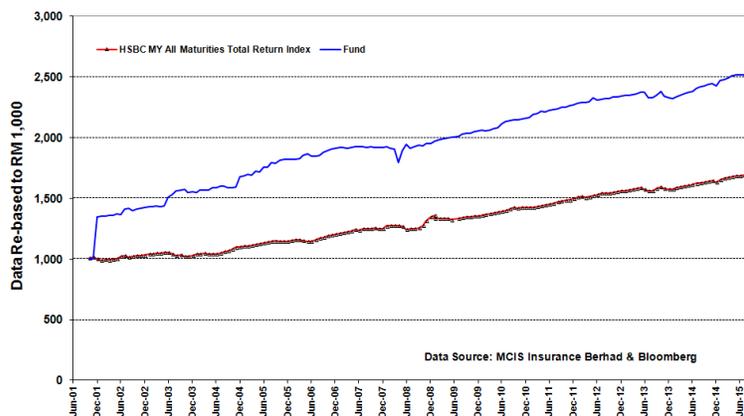
The Fund is considered lower risk given the exposure to cash and fixed income securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, 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 August 2015, the fund had outperformed the benchmark by 2bps MoM (month on month). The outperformance was mainly driven by outperformance of the bond market during the period.

Income Fund Performance Since Inception



### Top Ten Holdings

Malaysian Government Securities  
 Projek Lebuhraya Utara-Selatan Berhad  
 Government Investment Issue  
 PBFIN Berhad  
 Sabah Credit Corporation  
 CIMB Bank Berhad

### Fund Information

NAV (28.08.15)	RM1.2421
Fund Size	RM 22.2 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%	93%
Cash	0%	25%	7%

### Performance Table

Period	Fund	Index*
1 month (%)	-1.44%	-1.46%
3 months (%)	-1.30%	-0.94%
6 months (%)	0.31%	0.26%
12 months (%)	2.49%	2.44%
2 years (% pa)	3.23%	3.33%
3 years (% pa)	2.29%	2.66%
5 years (% pa)	3.00%	3.35%
Since Inception	6.76%	3.74%

**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 (August 2015)

### 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

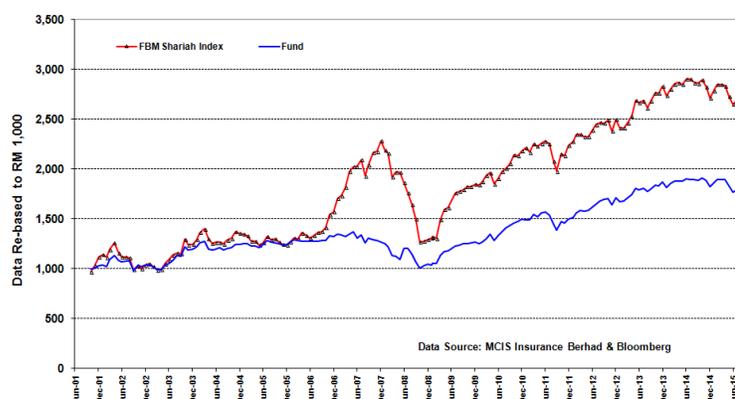
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 August 2015, the fund had outperformed the benchmark by 218bps 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

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

### Fund Information

NAV (28.08.15)	RM0.8471
Fund Size	RM10.3 million
Inception Date	15-Oct-01
Fund Management Fee	1.35% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
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%	84%
Cash	0%	20%	16%

### Performance Table

Period	Fund	Index*
1 month (%)	- 5.34%	- 7.52%
3 months (%)	- 7.78%	- 9.01%
6 months (%)	- 10.68%	- 12.78%
12 months (%)	- 10.56%	- 13.44%
2 years (% pa)	- 2.36%	- 2.54%
3 years (% pa)	0.27%	0.19%
5 years (% pa)	3.69%	4.35%
Since Inception	3.86%	6.76%
Yield #	2.26%	3.56%

**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

August was a terrible month for Malaysia as the FBM KLCI took a big hit first when the ringgit plunged to new 17-year lows, then again when regional markets and Wall Street fell sharply on the back of various China concerns. For the month, the KLCI plunged 110pts or 6.4% to close at 1,613pts. At its worse, the KLCI was down 191pts or 11% to a closing low of 1,532pts. The broader market underperformed the KLCI, with the FBM Emas falling 7.7% mom to 10,976pts. Average daily value traded on Bursa in August rose 14% mom to RM2.07bn.

On the domestic economic front, Malaysian retail sales fell 11.9% in the second quarter, from a year earlier, as the combined impact of the GST and weaker ringgit hit sentiment, reported by Retail Group Malaysia (RGM). RGM downgraded its 2015 full-year retail sales growth forecast to 3.1%, from 4.0% previously, following the Q2 data. The latest quarterly result was the worst since the Asian financial and economic crisis in 1998. The negative impact of GST on Malaysia's retail industry is worse than anticipated. The weak ringgit is affecting costs of goods, and higher retail prices will be more apparent by the fourth quarter of this year.

Globally, credit rating firm Moody's cut its 2016 global economic growth forecasts on the last day of August. China and United States both trimmed and Russia and Brazil seen staying in recession. It was a surprise move from the firm. It put average growth in the top 20 world economies at 2.8% on average, versus the 3% it had forecast previously. China, Japan and Korea's growth saw downgrades partly due to expectations of more muted exports. It kept its euro zone forecast unchanged, at 1 and 2% in 2015 and 2016.

Chart 1: FBMKLCI Daily Chart



Source: Bloomberg

Chart 2: FBMKLCI Monthly Pattern and Cycle Analysis



Source: Bloomberg

## Market Outlook & Strategy

September has historically been a negative month for the stock market and could again be weak given that the Federal Reserve may raise interest rates during the month. However, in view of August's dismal stockmarket performance globally, a rebound should be on the cards at some time. While it is anybody's guess how low the ringgit and oil prices can fall to, their reversal or mere bottoming would also be a boost to the stockmarket. Nonetheless, one of the key risks remains the volatility and sharp fall in regional and global stockmarkets as Malaysia cannot swim against the tide.

Technically, the 6-year rally has likely ended last year and is now undergoing a multi-month correction. The recent rebound to 1,868 suggests that the KLCI may have formed the right shoulder of its larger Head and Shoulders pattern that has a neckline at 1,660-1,671. A breach of 1,660 would confirm a downside target of 1,424-1,440 for the rest of 2015 and possibly into 2016 as well. For immediate term, we advocate a cautious strategy on the market.

# Fixed Income Review and Outlook

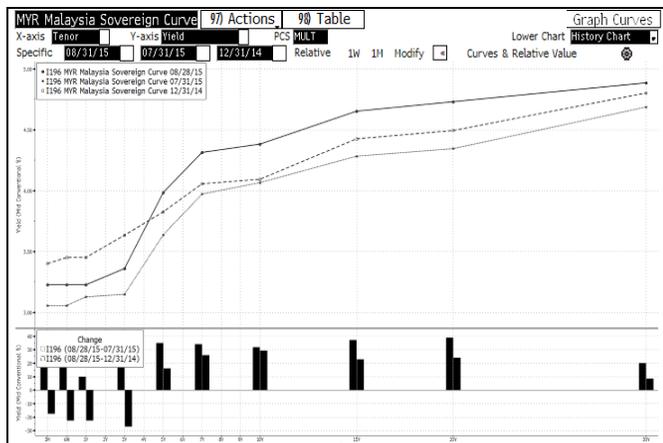
## Market Review

The month of August saw Malaysian Ringgit plunging to as low as RM4.30/USD, the lowest since 1998. The drop was largely in line with regional currencies but more apparent for the Ringgit due to concerns that the authorities are running out of ammunitions to defend its currency amid shrinking reserves, slumping oil prices, an unexpected Yuan devaluation and political scandal. Amidst the gloom and worries of a return of some form of capital control and a Ringgit peg, BNM reaffirmed Malaysia's commitment not to re-introduce a Ringgit peg nor capital control.

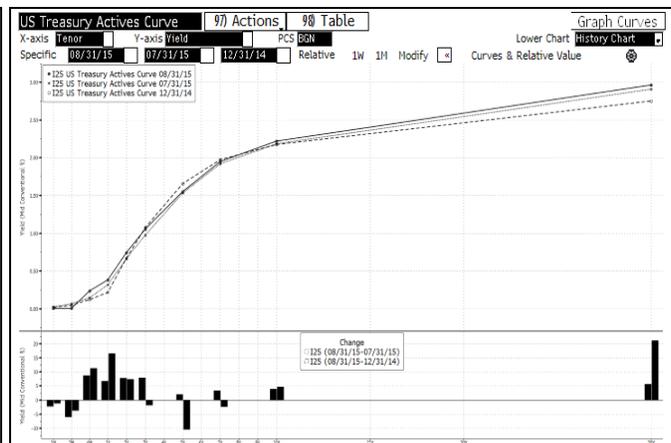
For MGS, there was a clear spike in volatility as the MGS yield curve bear steepened across the curve. Throughout the month, we saw persistent selling on the back of an emerging market selloff across all asset classes and especially the Ringgit. As end of August, trading volume in the MGS/GII market plunged to RM56.8bn compared to RM79.2bn in the previous month. Overall, the yields on the 3-year, 5-year, 7-year, 10-year, 15-year, 20-year and 30-year close at 3.49%, 3.91%, 4.31%, 4.35%, 4.66%, 4.72% and 5.00% respectively.

In the primary market, two tenders were offered, the new RM0.5bn 5y SPK 2/19 which drew a healthy btc of 4.x (due to the small issuance size) with an average yield of 4.119% and RM3.0bil 10y MGS 9/25 reopening which drew a better than expected btc of 2.033x. Successful yields average 4.453%, slightly higher than the pre-auction WI around 4.44/42%.

Interest rates rose slightly in August, with the yield for the 10 year U.S. Treasury ending at 2.22% compared with 2.18% at the end of July. The yield stood at 2.17% at the beginning of this year.



Source: Bloomberg



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## Market Outlook & Strategy

With volatility in all asset classes elevated due to the twin combination of a nearing Fed rate hike in the US and slower economic growth in China, we expect Malaysia's ringgit to stay weak, as foreign outflows are likely to continue.

Given the prevailing environment that's extremely cautious and volatile, we would continue to monitor closely the movements of MGS on the back of the continued weakness in the Malaysian Ringgit. While concerns of a downgrade by international rating agencies have now abated slightly with the recent all three rating stable outlook reaffirmations, there is still a considerable amount of political noise that does not bode well in terms of investment sentiment. Despite bearish market expectations, we would suggest accumulating bonds upon a significant sell-off in the local bond market as we do not foresee policy rates moving any higher from here.