



## **Investment Linked Fund Fact Sheets November 2013**

### **General Advice Warning**

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### **Past performance is not a reliable indicator of future performance**

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## MCIS Zurich Investment Linked – AsiaPac Fund Monthly Report (Nov 2013)

### 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 CIMB S&P 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.

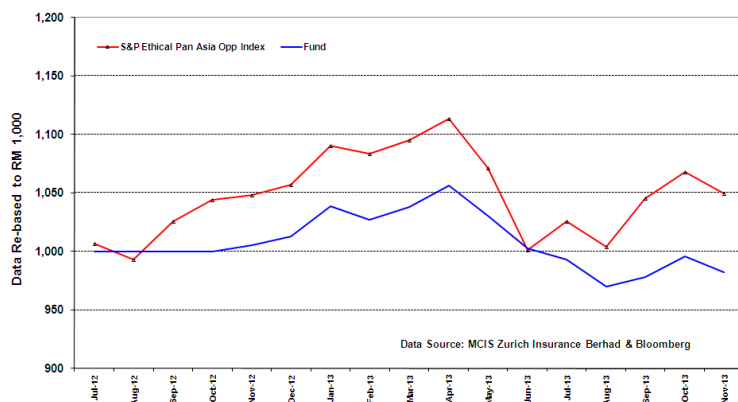
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 November 2013, the fund had outperformed the benchmark by 32bps MoM (month on month). This was due to better performance of CIMB S&P Asia Pacific Ethical Dividend Exchange Traded Fund compared to benchmark for the period under review.

AsiaPac Fund Performance Since Inception



### Top Five Holdings

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

### Fund Information

NAV (30.11.13)	RM0.4910
Fund Size	RM 24.2 million
Inception Date	15-July-2012
Fund Management Fee	0.85% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mciszurich.com.my">http://www.mciszurich.com.my</a>
Fund Manager	MCIS Zurich Insurance Berhad
Exceptional Circumstances	Refer to your Policy Document

### Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
ETF	80%	100%	94%
Cash	0%	20%	6%

### Performance Table

Period	Fund	Index*
1 month (%)	-1.41%	-1.73%
3 months (%)	1.26%	4.54%
6 months (%)	-4.70%	-2.02%
12 months (%)	-2.33%	0.14%
2 years (% pa)	-	-
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	-1.27%	3.49%

**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 Zurich 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.

# MCIS Zurich Investment Linked - Balanced Fund Monthly Report (Nov 2013)

## 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

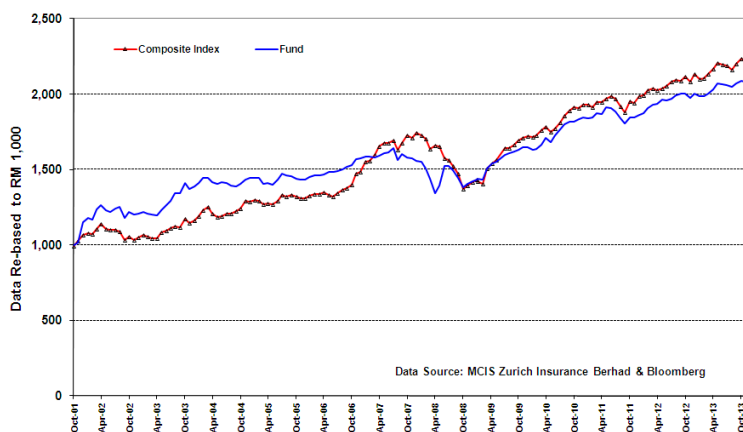
The Fund is considered medium risk given the mixed exposure of equity securities, fixed income and cash. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, industry and economy development, social and political factors, 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 November 2013, the fund had outperformed the benchmark by 3bps MoM (month on month). The outperformance was due to higher exposure of outperforming securities in the portfolio.

Balanced Fund Performance Since Inception



## Top Five Holdings

Malaysian Government Securities-MJ (Bond)  
Malaysian Government Securities-MS (Bond)  
Bank Pembangunan Malaysia Berhad (Bond)  
Projek Lebuhraya Utara Selatan Berhad (Bond)  
Tenaga Berhad (Equity)

## Fund Information

NAV (30.11.13)	RM1.0424
Fund Size	RM6.81million
Inception Date	15-Oct-01
Fund Management Fee	1.25% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mciszurich.com.my">http://www.mciszurich.com.my</a>
Fund Manager	MCIS Zurich 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%	40%
Cash	0%	20%	18%

## Performance Table

Period	Fund	Index*
1 month (%)	-0.28%	-0.31%
3 months (%)	1.84%	3.01%
6 months (%)	0.61%	0.93%
12 months (%)	5.47%	7.02%
2 years (% pa)	6.32%	7.01%
3 years (% pa)	4.41%	5.30%
5 years (% pa)	8.25%	9.82%
Since Inception	6.22%	6.80%

**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 Zurich 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.

# MCIS Zurich Investment Linked - Dividend Fund Monthly Report (Nov 2013)

## 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

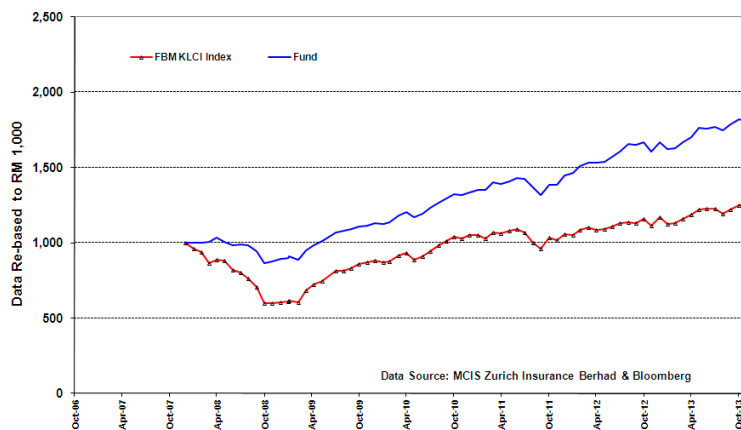
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 November 2013, the fund had underperformed the benchmark by 90bps MoM (month on month). The underperformance was mainly driven by higher exposure of underperforming stocks in the portfolio compared to benchmark.

Dividend Fund Performance Since Inception



## Top Five Holdings

Petronas Gas Berhad  
Public Bank Berhad  
Sime Darby Berhad  
Telekom Malaysia Berhad  
Maxis Berhad

## Fund Information

NAV (30.11.13)	RM0.8603
Fund Size	RM 49.0 million
Inception Date	21-Jan-08
Fund Management Fee	1.5% p.a.
Pricing	Daily
	Major Newspaper, or
Price Quote	<a href="http://www.mciszurich.com.my">http://www.mciszurich.com.my</a>
Fund Manager	MCIS Zurich Insurance Berhad
Exceptional Circumstances	Refer to your Policy Document

## Asset Allocation Ranges

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

## Performance Table

Period	Fund	Index*
1 month (%)	-0.58%	0.32%
3 months (%)	3.50%	4.93%
6 months (%)	2.49%	2.46%
12 months (%)	12.80%	12.53%
2 years (% pa)	14.35%	10.97%
3 years (% pa)	11.22%	6.87%
5 years (% pa)	15.55%	15.92%
Since Inception	10.56%	3.91%
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 Zurich 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 Zurich.

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.

# MCIS Zurich Investment Linked - Equity Fund Monthly Report (Nov 2013)

## 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

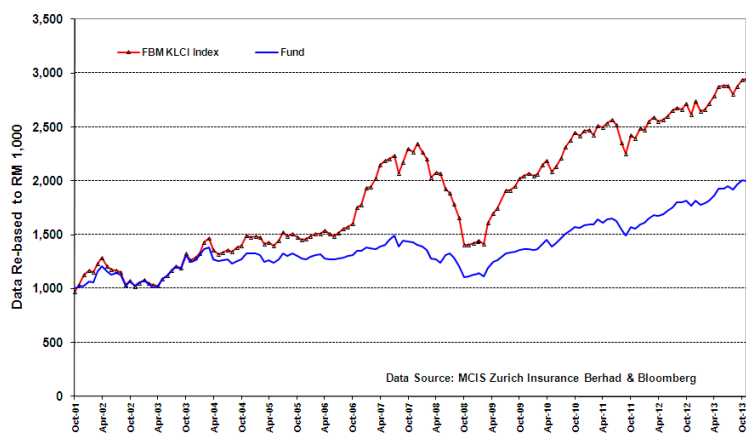
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 November 2013, the fund had underperformed the benchmark by 59bps MoM (month on month). The underperformance was mainly driven by higher exposure of underperforming stocks in the portfolio compared to benchmark.

Equity Fund Performance Since Inception



## Top Five Holdings

Tenaga Nasional Bhd  
Petronas Dagangan Berhad  
Public Bank Berhad  
Maybank Berhad  
IOI Corporation Berhad

## Fund Information

NAV (30.11.13)	RM1.0003
Fund Size	RM 8.6 million
Inception Date	15-Oct-01
Fund Management Fee	1.40% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mciszurich.com.my">http://www.mciszurich.com.my</a>
Fund Manager	MCIS Zurich 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 (%)	-0.27%	0.32%
3 months (%)	4.00%	4.93%
6 months (%)	3.78%	2.46%
12 months (%)	12.80%	12.53%
2 years (% pa)	13.40%	10.97%
3 years (% pa)	8.47%	6.87%
5 years (% pa)	12.41%	15.92%
Since Inception	5.87%	9.29%
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 Zurich 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 Zurich.

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.

# MCIS Zurich Investment Linked – Global Yakin Fund Monthly Report (Nov 2013)

## 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 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.

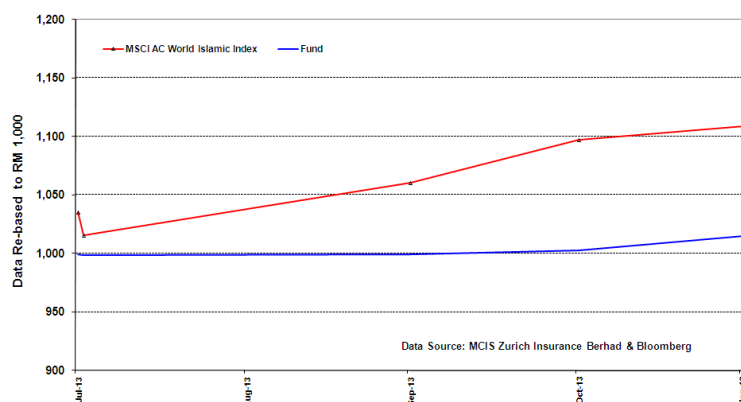
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

## Fund Performance

For the month ended November 2013, the fund had outperformed the benchmark by 19bps MoM (month on month). The outperformance was due to better performance of Aberdeen Islamic World Equity Fund compared to benchmark.

## Top Five Holdings

AsiaPac Fund Performance Since Inception



## Top Five Holdings

Aberdeen Islamic World Equity Fund

## Fund Information

NAV (30.11.13)	RM0.5075
Fund Size	RM 1.6 million
Inception Date	8-July-2013
Fund Management Fee	0.85% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mciszurich.com.my">http://www.mciszurich.com.my</a>
Fund Manager	MCIS Zurich Insurance Berhad
Exceptional Circumstances	Refer to your Policy Document

## Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
AIWEF	80%	100%	71%
Cash	0%	20%	29%

## Performance Table

Period	Fund	Index*
1 month (%)	1.24%	1.05%
3 months (%)	1.63%	9.17%
6 months (%)	-	-
12 months (%)	-	-
2 years (% pa)	-	-
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	3.64%	28.07%

**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 Zurich 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.



# MCIS Zurich Investment Linked - Income Fund Monthly Report (Nov 2013)

## 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

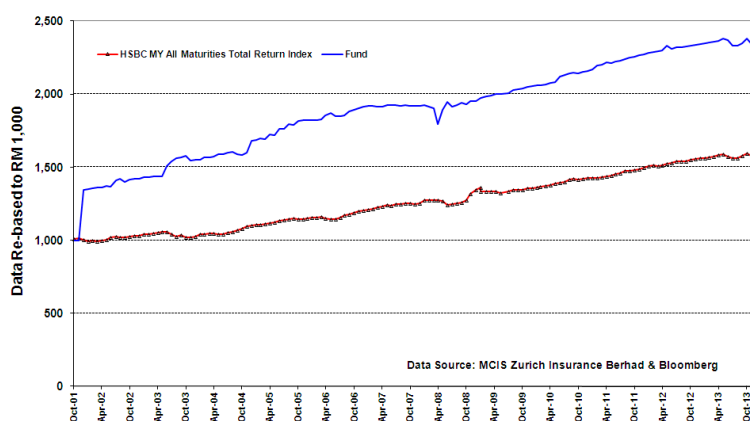
The Fund is considered lower risk given the exposure to cash and fixed income securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, 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 November 2013, the fund had underperformed the benchmark by 71bps MoM (month on month). The underperformance was due to bearish bond market which partly attributed to MGS sold off on fears of QE program taper to arrive sooner than expected.

Income Fund Performance Since Inception



## Top Five Holdings

Malaysian Government Securities-MS130005  
Projek Lebuhraya Utara Selatan Berhad  
Bank Pembangunan Malaysia Berhad  
Malaysian Government Securities-MN130003  
Malaysian Government Securities-MS03002H

## Fund Information

NAV (30.11.13)	RM1.1701
Fund Size	RM 21.3million
Inception Date	15-Oct-01
Fund Management Fee	0.5% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mciszurich.com.my">http://www.mciszurich.com.my</a>
Fund Manager	MCIS Zurich 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 (%)	-1.65%	-0.94%
3 months (%)	0.39%	1.12%
6 months (%)	-1.60%	-0.60%
12 months (%)	0.09%	1.62%
2 years (% pa)	1.62%	3.05%
3 years (% pa)	2.79%	3.53%
5 years (% pa)	3.72%	3.70%
Since Inception	7.24%	3.83%

**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 Zurich 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.

# MCIS Zurich Investment Linked - Jati Fund Monthly Report (Nov 2013)

## 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

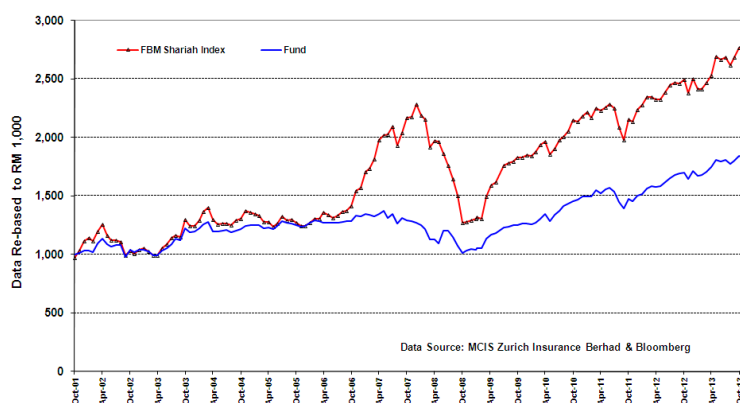
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 November 2013, the fund had underperformed the benchmark by 49bps MoM (month on month). The underperformance was mainly driven by higher exposure of underperforming stocks in the portfolio compared to benchmark.

Jati Fund Performance Since Inception



## Top Five Holdings

Tenaga Nasional Bhd  
Axiata Berhad  
Sime Darby Berhad  
MyETF Dow Jones Islamic Market Malaysia Titans 25  
Telekom Malaysia Berhad

## Fund Information

NAV (30.11.13)	RM0.9155
Fund Size	RM10.2 million
Inception Date	15-Oct-01
Fund Management Fee	1.35% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mciszurich.com.my">http://www.mciszurich.com.my</a>
Fund Manager	MCIS Zurich Insurance Berhad
Exceptional Circumstances	Refer to your Policy Document

## Asset Allocation Ranges

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

## Performance Table

Period	Fund	Index*
1 month (%)	-0.55%	-0.06%
3 months (%)	3.04%	5.71%
6 months (%)	1.37%	2.66%
12 months (%)	11.31%	16.22%
2 years (% pa)	12.12%	13.71%
3 years (% pa)	7.53%	9.02%
5 years (% pa)	12.12%	16.63%
Since Inception	5.10%	8.72%
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 Zurich 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 Zurich.

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

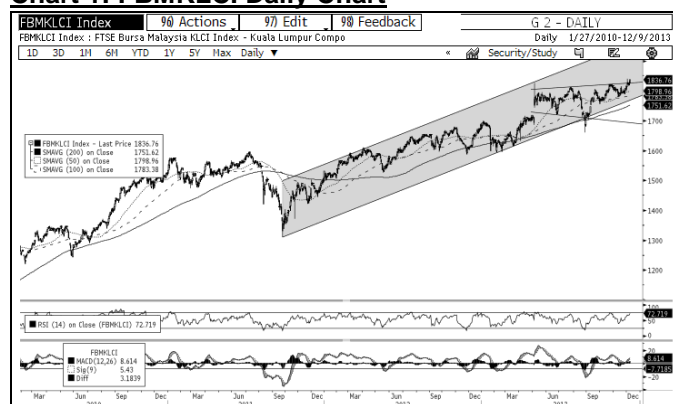
## Market Review

November was a month of consolidation as the KLCI hovered within a relatively narrow band. This was partly due to lack of price catalyst in view of uninspiring corporate earnings released and continued outflow of foreign funds. Overall, corporate results saw more companies that disappointed, since this has been the trend for the past three years. However, the disappointment was cushioned by better margin performance from companies that beat expectations.

For the month, FBM KLCI gained only 6pts or 0.3% to close at 1,812pts. The broader market performed in-line with the benchmark index as the FBM Emas also gained 0.3% mom to 12,572pts. The average daily volume in November increased to 1,810.23mil compared to 1,697.9mil in October. For the 6 months period, average daily volume was 1718.28mil as compared to 1,796.5mil shares in October.

On the local economic front, Moody's has justified a positive A3 rating for Malaysia. The rating is based on the improved prospects for fiscal consolidation and reforms, as well as the country's resilient growth, benign inflation rate and current account surplus. This was a relief to investors and the positive sentiment has lifted the benchmark index in the early month of trading.

**Chart 1: FBMKLCI Daily Chart**



Source: Bloomberg

**Chart 2: FBMKLCI Monthly Pattern and Cycle Analysis**



Source: Bloomberg

## Market Outlook & Strategy

December has been registering positive returns in December with a 20+ year average of nearly 4%. This is due to window dressing activities as well as positioning by some funds ahead of the January effect. Hence, we believe the activity could take place again and this year will also end on a positive note.

Technically, the 5-year rally off the 2008 low is still ongoing but we think that the rally is more likely at the tail-end rather than the beginning of the next bull run. The upward momentum has been dwindling with every peak since 2011. As the FBMKLCI approaches the key resistance trend line at 1,848-1,855, the upside may be capped in the near term.

We are cautiously optimistic about the outlook for the Malaysian equity market in 2014. It should be driven by continued ETP newsflow for the oil & gas, construction and property sectors and Malaysian government's prudent moves from raising petrol prices, abolishing sugar subsidies and introducing GST by Apr 2015 will continue into 2014. The shift towards medium and small cap stocks recently is expected to be temporary and investing into such stocks may have a greater risk for downside due to their higher beta. As such, our stocks selection will remain status quo and continue to focus on blue-chips given their strong fundamentals and strong interest from major institutions.

# Fixed Income Review and Outlook

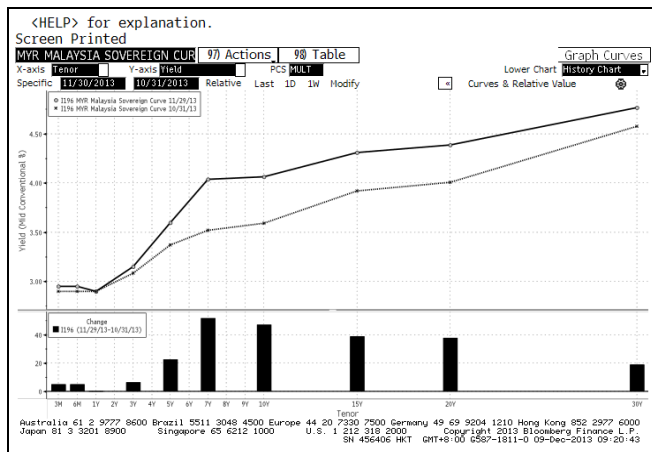
## Market Review

For the month of November, the Ringgit bond market was bearish. Yields across the MGS curve rose higher especially on the belly of the curve i.e. the 7-year and 10-year MGS yield band. Yields spiked about 22bps to a high of 52bps along sections of the yield curve when compared to levels end October 2013. MGS sold off on fears of QE program taper to arrive sooner than expected, which had also dampened sentiments in emerging markets across Asia including Malaysia. The impetus was the release of the latest FOMC meeting minutes which contained Fed members noting a gradual growth in the US economy. The Fed members revealed that seeing the improvements in both employment and inflation would “warrant trimming the pace of the purchases in coming months”. Therefore, offshore investors sold MGS as they were trying to trim off positions while local players being more cautious; amidst the release of domestic economic data.

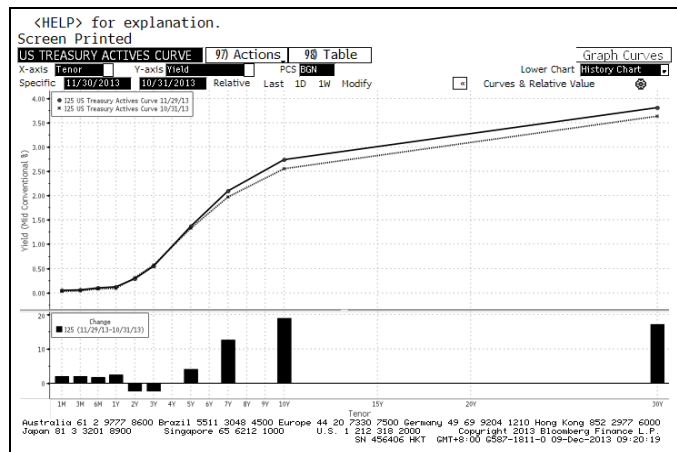
There were three government bond auctions in November. It started with the reopening of 15-year MGS 06/28 which amounted to RM2bn, with an average yield of 4.265% and bid to cover (btc) ratio of 1.55x. From the Islamic government auction space, we saw the issuance of the RM4bn new 10-year GII 05/24 where the average yield was 4.444% and attracted a btc of 1.68x. The last auction for November was the reopening of MGS 07/20 of RM3bn where average yield and btc were 4.029% and 1.772x respectively.

Bank Negara Malaysia (BNM) has held the Overnight Policy Rate (OPR) unchanged at 3.00% on 7 November 2013. The statement suggested continued dovishness and with the intention to keep its policy rate at 3%. Despite the recent increases in electricity tariffs amongst the other reduction in government subsidy initiatives and hence expects inflation to perk higher, it would remain likely within the range that the Central Banker is comfortable with, hiving off the need to raise rates abruptly.

In the US Treasury market, albeit higher yields when compared to month on month movements, the quantum of the increase in UST yields were still much lower than of MGS yield changes. Yields only soared within the range of 4bps to 19bps across the entire UST yield curve whereas MGS leaped a high of 52bps. The sell off was also of the same reasons that caused the selloff in MGS, which is the tapering of the QE program.



Source: Bloomberg



Source: Bloomberg

## Market Outlook & Strategy

While yield movements remained volatile in the Ringgit bond market, we believe there is considerably more value in bonds now and would accumulate when there is a sell off as we do not see any changes in the Overnight Policy Rate (OPR) in the medium term. This was reiterated in the recent Monetary Policy Committee (MPC) meeting by BNM on 7 November 2013, despite recent signs of spurt in inflation that were largely cost push driven.