



(formerly known as MCIS Zurich Insurance Berhad)

Investment Linked Fund Performance Report May 2015

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AsiaPac Fund Monthly Report (May 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.

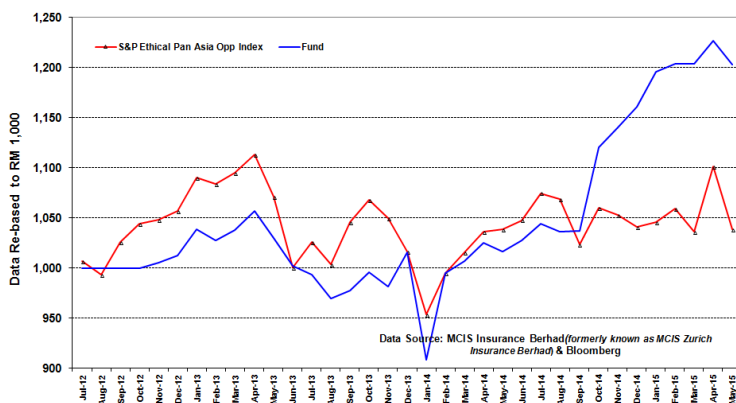
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 May 2015, the fund had outperformed the benchmark by 374bps 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 (31.05.15)	RM0.6016
Fund Size	RM 26.2 million
Inception Date	15-July-2012
Fund Management Fee	0.85% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad (formerly known as MCIS Zurich Insurance Berhad)
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

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

Performance Table

Period	Fund	Index*
1 month (%)	- 1.92%	- 5.66%
3 months (%)	- 0.05%	- 1.95%
6 months (%)	5.49%	- 1.35%
12 months (%)	18.31%	0.00%
2 years (% pa)	16.77%	- 3.03%
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	6.55%	1.32%

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 (May 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

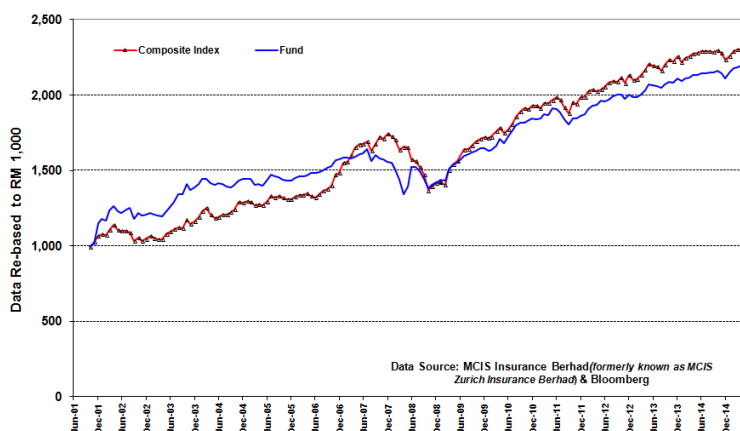
The Fund is considered medium risk given the mixed exposure of equity securities, fixed income and cash. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, industry and economy development, social and political factors, 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 May 2015, the fund had outperformed the benchmark by 86bps 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)
 Projek Lebuhraya Utara-Selatan (Bond)
 Prasarana Malaysia Berhad (Bond)
 Sabah Credit Corporation (Bond)
 Tenaga Nasional Berhad (Equity)
 Malayan Banking Berhad (Equity)
 Telekom Malaysia Berhad (Equity)
 Maxis Berhad (Equity)
 AmanahRaya REIT (Equity)
 Sime Darby Berhad (Equity)

Fund Information

NAV (31.05.15)	RM1.0866
Fund Size	RM7.4 million
Inception Date	15-Oct-01
Fund Management Fee	1.25% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad (formerly known as MCIS Zurich 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%	39%
Cash	0%	20%	16%

Performance Table

Period	Fund	Index*
1 month (%)	- 1.02%	- 1.88%
3 months (%)	- 0.17%	- 1.43%
6 months (%)	1.27%	- 0.88%
12 months (%)	1.74%	- 1.04%
2 years (% pa)	2.41%	1.19%
3 years (% pa)	3.46%	3.47%
5 years (% pa)	5.28%	5.25%
Since Inception	5.84%	6.14%

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 (May 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

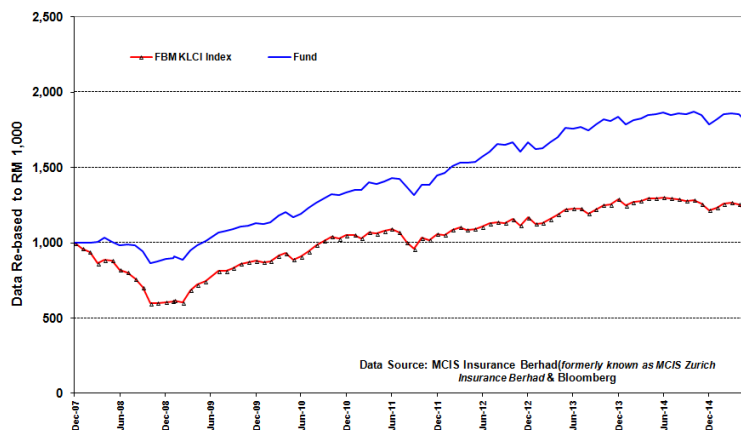
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 May 2015, the fund had outperformed the benchmark by 109bps 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

Telekom Malaysia Berhad
Sime Darby Berhad
Petronas Gas Berhad
Public Bank Berhad
Maxis Berhad
Axiata Group Berhad
Malayan Banking Berhad
DiGi.Com Berhad
Petronas Chemicals Group Berhad
British American Tobacco (M) Berhad

Fund Information

NAV (31.05.15)	RM0.8567
Fund Size	RM 45.8 million
Inception Date	21-Jan-08
Fund Management Fee	1.5% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad <i>(formerly known as MCIS Zurich Insurance Berhad)</i>
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Malaysian Equity	80%	100%	97%
Cash	0%	20%	3%

Performance Table

Period	Fund	Index*
1 month (%)	- 2.80%	- 3.89%
3 months (%)	- 2.66%	- 4.05%
6 months (%)	- 2.43%	- 4.03%
12 months (%)	- 2.85%	- 6.72%
2 years (% pa)	1.03%	- 0.62%
3 years (% pa)	5.38%	3.40%
5 years (% pa)	9.04%	6.34%
Since Inception	8.28%	2.60%
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 (May 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

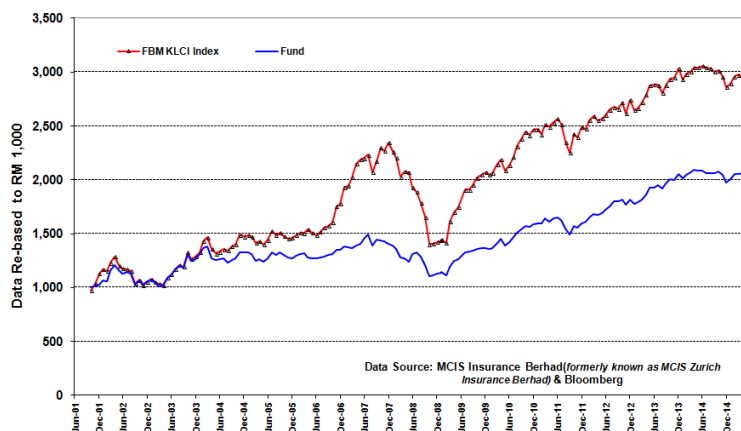
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 May 2015, the fund had outperformed the benchmark by 83bps 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
IOI Corporation Berhad
Malayan Banking Berhad
Telekom Malaysia Berhad
Sime Darby Berhad
Axiata Group Berhad
Petronas Chemicals Group Berhad
Maxis Berhad
Petronas Dagangan Berhad

Fund Information

NAV (31.05.15)	RM0.9994
Fund Size	RM 9.1 million
Inception Date	15-Oct-01
Fund Management Fee	1.40% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad (formerly known as MCIS Zurich Insurance Berhad)
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Malaysian Equity	80%	100%	93%
Cash	0%	20%	7%

Performance Table

Period	Fund	Index*
1 month (%)	- 3.06%	- 3.89%
3 months (%)	- 2.80%	- 4.05%
6 months (%)	- 2.18%	- 4.03%
12 months (%)	- 4.07%	- 6.72%
2 years (% pa)	1.82%	- 0.62%
3 years (% pa)	5.67%	3.40%
5 years (% pa)	7.52%	6.34%
Since Inception	5.20%	7.94%
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 (May 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.

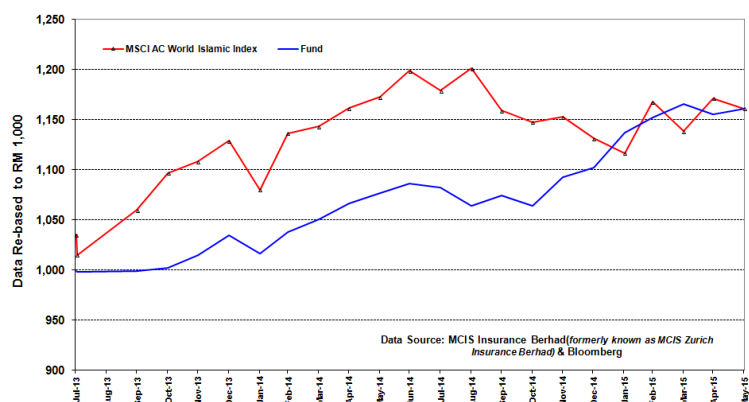
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 May 2015, the fund had outperformed the benchmark by 140bps 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 (31.05.15)	RM0.5806
Fund Size	RM 18.9 million
Inception Date	8-July-2013
Fund Management Fee	0.85% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad (formerly known as MCIS Zurich Insurance Berhad)
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
AIWEF	80%	100%	85%
Cash	0%	20%	15%

Performance Table

Period	Fund	Index*
1 month (%)	0.52%	- 0.88%
3 months (%)	0.75%	- 0.55%
6 months (%)	6.28%	0.75%
12 months (%)	7.80%	- 0.96%
2 years (% pa)	-	-
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	8.11%	8.12%

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 (May 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.

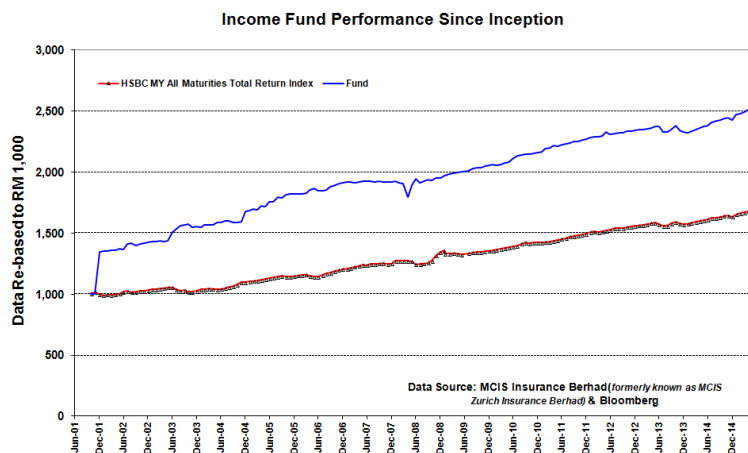
Risks

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 May 2015, the fund had outperformed the benchmark by 5bps MoM (month on month). The outperformance was mainly driven by better performance of the bond market during the period.



Top Ten Holdings

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

Fund Information

NAV (31.05.15)	RM1.2584
Fund Size	RM 21.6 million
Inception Date	15-Oct-01
Fund Management Fee	0.5% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad <i>(formerly known as MCIS Zurich Insurance Berhad)</i>
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Fixed Income	75%	100%	96%
Cash	0%	25%	4%

Performance Table

Period	Fund	Index*
1 month (%)	0.17%	0.12%
3 months (%)	1.63%	1.20%
6 months (%)	2.90%	2.30%
12 months (%)	6.02%	4.89%
2 years (% pa)	2.87%	2.93%
3 years (% pa)	2.61%	3.42%
5 years (% pa)	3.84%	3.97%
Since Inception	6.99%	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 (May 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

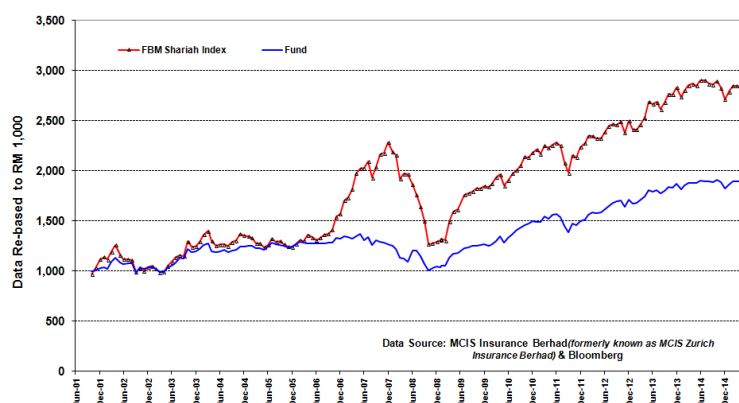
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 May 2015, the fund had outperformed the benchmark by 60bps 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
Axiata Group Berhad
Telekom Malaysia Berhad
Petronas Chemicals Group Berhad
MISC Berhad
Petronas Dagangan Berhad
SapuraKencana Petroleum Berhad
MyETF Dow Jones Islamic Market Titan 25
Gamuda Berhad

Fund Information

NAV (31.05.15)	RM0.9186
Fund Size	RM11.0 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 <i>(formerly known as MCIS Zurich Insurance Berhad)</i>
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 (%)	- 3.20%	- 3.80%
3 months (%)	- 3.14%	- 4.15%
6 months (%)	- 2.60%	- 3.53%
12 months (%)	- 2.14%	- 4.26%
2 years (% pa)	0.85%	0.69%
3 years (% pa)	5.03%	5.48%
5 years (% pa)	7.35%	8.05%
Since Inception	4.55%	7.63%
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

As expected, the FBMKLI Index was experiencing correction phase in May as the benchmark fell below the 1,800pt psychological support on the back of weak corporate results and heightened political concerns. The tabling of the 11th Malaysia Plan (11MP) on May 21 failed to stem selling pressure, let alone excite the market. For the month, the KLCI fell 3.9% m-o-m or 71pts to close at 1,748pts. The broader market outperformed the KLCI, with the FBM Emas declined at a slower pace at 3.5% m-o-m to 12,097pts. Average daily volume traded on Bursa in May was down 18.6% m-o-m to 1.81bn (2.22bn previously).

On the domestic economic front, Malaysia's real GDP growth was sustained at 5.6% y-o-y in 1Q 2015, from a revised +5.7% in 4Q 2014 and +5.6% in 3Q. The reading was lower than consensus expectation of a 6.0% growth in 1Q, due to weaker-than-expected growth in external demand. Domestic demand, however, remained the anchor of growth in 1Q, mainly on account of stronger growth in public and private consumption and investment.

Globally, the US real GDP shrank by 0.7% in 1Q 2015, compared with +2.2% registered in 4Q 2014, held back by harsh winter weather, a strong dollar and delays at ports. Meanwhile, Eurozone economic confidence remained unchanged at 103.8 in May, the same level as in April, unaffected by the ongoing Greek crisis and near its highest level in 4 years. The stabilisation in sentiment came mainly from a gain in confidence in the business sector but offset by a weakening consumer confidence during the month.

Chart 1: FBMKLCI Daily Chart



Source: Bloomberg

Chart 2: FBMKLCI Monthly Pattern and Cycle Analysis



Source: Bloomberg

Market Outlook & Strategy

Technically, the picture looks bearish as the key index has shown signs of weakening for the past five weeks consecutively. The index has dipped below the mean regression line support early last week, and currently hovers at the 1,747 support level. The MACD has started to turn negative and both Stochastic and RSI are also deteriorating, suggesting strong selling pressure. Failure to hold above the 1,740/50 should see further downside risk to the -2SD regression line support of 1,700. However, we do not rule out the possibility of some buying interests emerging as Stochastic has dipped into oversold territory.

Current correction phase may continue for the immediate term until a clearer picture emerges with new catalyst to support potential recovery on the market. Persistent outflow of fund from the foreign fund managers and expectation of potential interest rate hike in the US may continue to put pressure on the Ringgit and indirectly will pressure equity prices. For immediate term, we advocate to adopt a "Buy-on-Weakness" on selective blue-chips as well as defensive strategy.

Fixed Income Review and Outlook

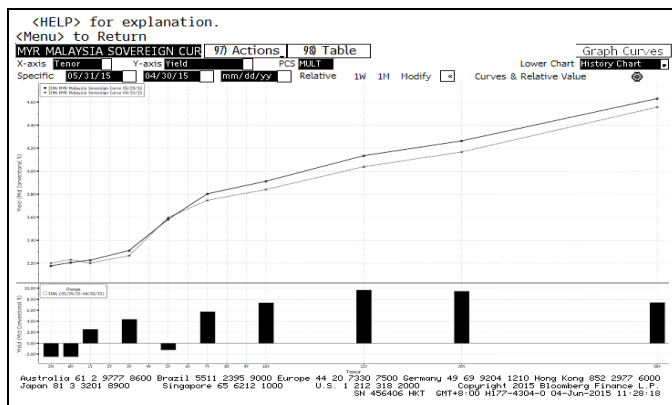
Market Review

In the month of May, the Monetary Policy Committee (MPC) has left the Overnight Policy Rate (OPR) unchanged at 3.25%. The MPC continued to sound neutral by saying that the current interest rate is accommodative and supportive to growth. Bank Negara said Malaysia's growth will remain on a steady path aided by domestic demand, whilst inflation would be contained even with GST, as commodity prices have come off lower. In Malaysia's latest GDP update, the economy sustained a 5.6% YoY growth in 1Q2015 (4Q: +5.7%), underpinned by robust growth in private consumption as well as pre-GST spending which has cushioned the decline in exports amid softer commodity prices. Also, as announced in the 11th Malaysian Plan (11MP), the domestic economy is expected to grow at an average rate of 5.0-6.0% p.a. through 2016-2020.

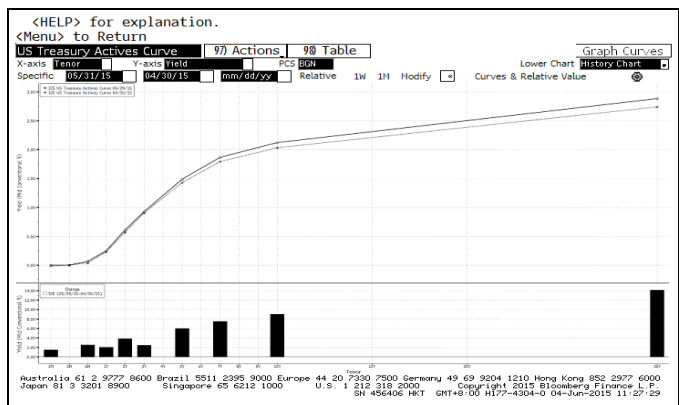
There were 3 government bonds in May. It started with the RM4bn 3-year GII 05/18 where the average yield was 3.508% and a healthy bid to cover (btc) ratio of 2.6x. There was also the issuance of RM2bn MGS 05/35 where the average yield was 4.254% and btc of 2.724x. The bid to cover for this 20-year new MGS issuance was considered well bid given its healthy btc ratio as it was predominantly favoured by pension and insurance participants alike to match their liabilities. By month end, there was a RM3bn GII 07/22 reopening which garnered a btc of 2.087x and average yield of 3.914%. On a positive note, foreign holding in outstanding Malaysian government debt (MGS and GII) continued to rise in April 2015, coinciding with the rally in April. Their holding in MGS rose from RM151.4 billion in March to RM157.6 billion in April whilst in GII doubled from RM5.9 billion to RM10.7 billion spurred by GII's inclusion into the Barclay's index and attractive spreads it offers compared to MGS.

The Ringgit however remained weak in May as it slid 2.9% to 3.6675 from 3.5633 in April. The brief rally in Ringgit only lasted in April during Invest Malaysia Conference 2015 before the Ringgit turned bear again. The continued weakness in Ringgit was largely led by unresolved issues surrounding 1MDB Bhd and the stability of Malaysia's sovereign rating outlook by Fitch, Moodys' and S&P. Additionally, the risk of US Fed hiking rates resulted in less appeal of emerging market assets of which Malaysia is one the emerging economies.

US Treasuries weakened in May 2015 with the yield curve steepening further. Month-on-month, the 2T rose 4bps to close at 0.61% and the 10T rose 9bps to 2.12%. The 10-year UST yields has now rose to 2.36%, amid rising Euro Zone government bond yields (raised hopes Greece will not default on its debt repayment to the IMF this month as its officials continue to talk to EU and IMF representatives).



Source: Bloomberg



Source: Bloomberg

Market Outlook & Strategy

Given the prevailing environment, we would continue to monitor closely the movements of MGS as it has been volatile due to the Ringgit's weakness against the US Dollar, Malaysia's fiscal deficit position and the stability of ratings outlook on Malaysia by the three international rating agencies. We would suggest on accumulating bonds should there be a significant sell-off in the local bond market as we do not foresee further changes in the Overnight Policy Rate (OPR) of 3.25% in the near term (for at least in the next 3 to 6months of 2015) on the back of subdued inflationary pressures due to easing oil prices.