



(formerly known as MCIS Zurich Insurance Berhad)

## **Investment Linked Fund Performance report February 2015**

### **General Advice Warning**

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## AsiaPac Fund Monthly Report (February 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.

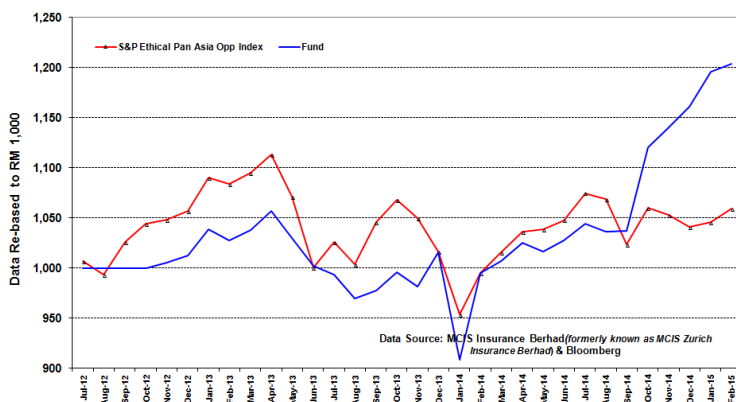
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 February 2015, the fund had underperformed the benchmark by 65bps MoM (month on month). The underperformance was mainly due to lower return of the ETF compared to benchmark return.

AsiaPac Fund Performance Since Inception



### Top Ten Holdings

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

### Fund Information

NAV (28.02.15)	RM0.6019
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.mcis.my">http://www.mcis.my</a>
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%	88%
Cash	0%	20%	12%

### Performance Table

Period	Fund	Index*
1 month (%)	0.65%	1.30%
3 months (%)	5.54%	0.62%
6 months (%)	16.17%	-0.86%
12 months (%)	20.96%	6.48%
2 years (% pa)	17.17%	-2.22%
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	7.20%	2.20%

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

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

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

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

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

## Balanced Fund Monthly Report (February 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

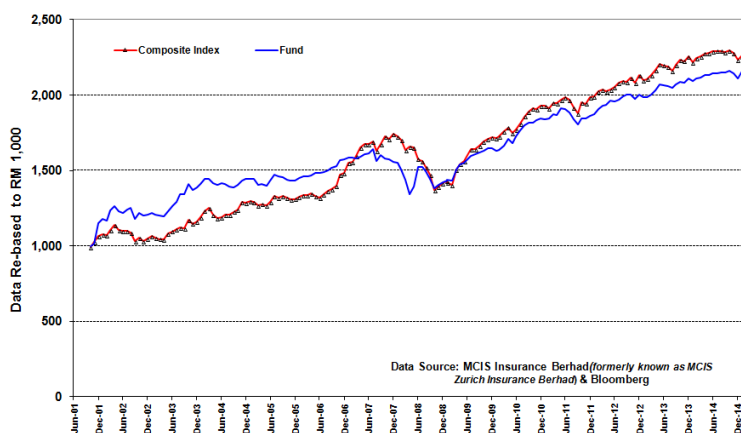
The Fund is considered medium risk given the mixed exposure of equity securities, fixed income and cash. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, industry and economy development, social and political factors, 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 February 2015, the fund had outperformed the benchmark by 10bps 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)  
Danga Capital Berhad (Bond)  
Sabah Credit Corporation (Bond)  
Tenaga Nasional Berhad (Equity)  
Malayan Banking Berhad (Equity)  
Telekom Malaysia Berhad (Equity)  
Maxis Berhad (Equity)  
Sime Darby Berhad (Equity)  
AmanahRaya REIT (Equity)

### Fund Information

NAV (28.02.15)	RM1.0885
Fund Size	RM7.3 million
Inception Date	15-Oct-01
Fund Management Fee	1.25% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mcis.my">http://www.mcis.my</a>
Fund Manager	MCIS Insurance Berhad <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	40%	60%	47%
Fixed Income	40%	60%	33%
Cash	0%	20%	20%

### Performance Table

Period	Fund	Index*
1 month (%)	1.22%	1.12%
3 months (%)	1.44%	0.30%
6 months (%)	1.25%	-0.38%
12 months (%)	3.25%	1.75%
2 years (% pa)	4.69%	4.12%
3 years (% pa)	4.50%	4.10%
5 years (% pa)	5.86%	5.79%
Since Inception	5.97%	6.35%

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

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

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

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

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

## Dividend Fund Monthly Report (February 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

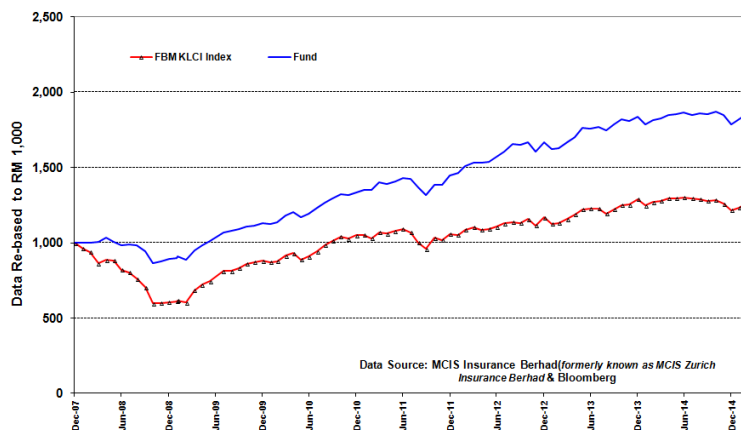
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 February 2015, the fund had underperformed the benchmark by 38bps 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 Ten Holdings

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

### Fund Information

NAV (28.02.15)	RM0.8801
Fund Size	RM 48.6 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 (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%	96%
Cash	0%	20%	4%

### Performance Table

Period	Fund	Index*
1 month (%)	1.86%	2.24%
3 months (%)	0.24%	0.02%
6 months (%)	-0.33%	-2.41%
12 months (%)	2.10%	-0.79%
2 years (% pa)	6.60%	5.46%
3 years (% pa)	7.11%	5.08%
5 years (% pa)	10.22%	7.46%
Since Inception	8.99%	3.28%
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 (February 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

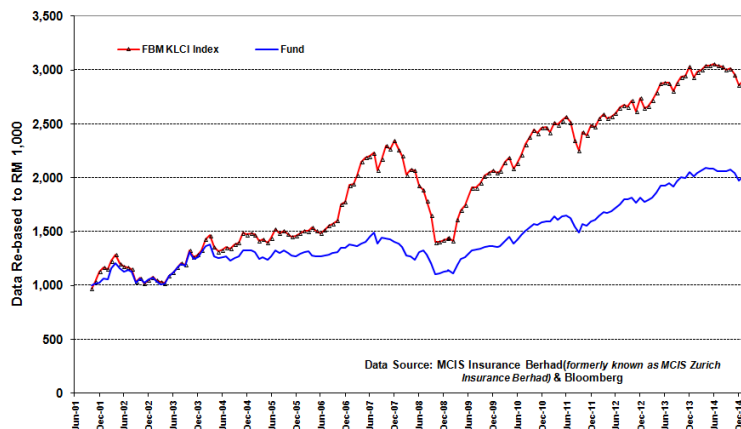
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 February 2015, the fund had outperformed the benchmark by 8bps MoM (month on month). The outperformance was mainly driven by higher exposure of outperforming stocks in the portfolio compared to benchmark.

Equity Fund Performance Since Inception



## Top Ten Holdings

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

## Fund Information

NAV (28.02.15)	RM1.0282
Fund Size	RM 9.3 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 (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%	94%
Cash	0%	20%	6%

## Performance Table

Period	Fund	Index*
1 month (%)	2.32%	2.24%
3 months (%)	0.64%	0.02%
6 months (%)	-0.46%	-2.41%
12 months (%)	0.53%	-0.79%
2 years (% pa)	7.08%	5.46%
3 years (% pa)	7.55%	5.08%
5 years (% pa)	8.51%	7.46%
Since Inception	5.52%	8.42%
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 (February 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.

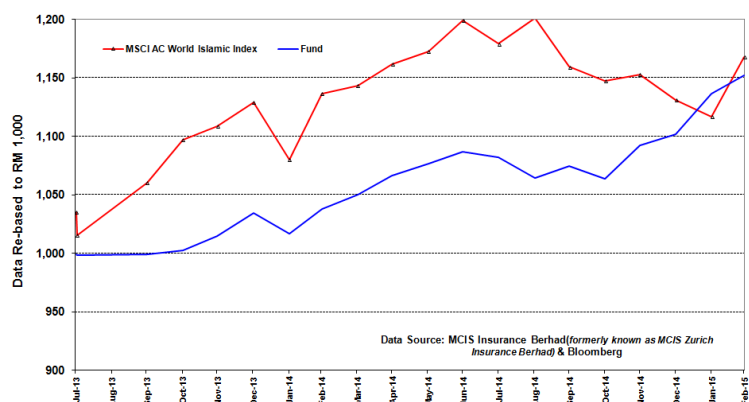
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 February 2015, the fund had underperformed the benchmark by 320bps MoM (month on month). The underperformance was mainly due lower return of unit trust compared to benchmark return.

Global Yakin Fund Performance Since Inception



### Top Ten Holdings

Aberdeen Islamic World Equity Fund (AIWEF)

### Fund Information

NAV (28.02.15)	RM0.5763
Fund Size	RM 1.3 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 (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%	92%
Cash	0%	20%	8%

### Performance Table

Period	Fund	Index*
1 month (%)	1.37%	4.57%
3 months (%)	5.49%	1.31%
6 months (%)	8.27%	-2.78%
12 months (%)	11.00%	2.75%
2 years (% pa)	-	-
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	8.89%	9.76%

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

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

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

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

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

# Income Fund

## Monthly Report (February 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.

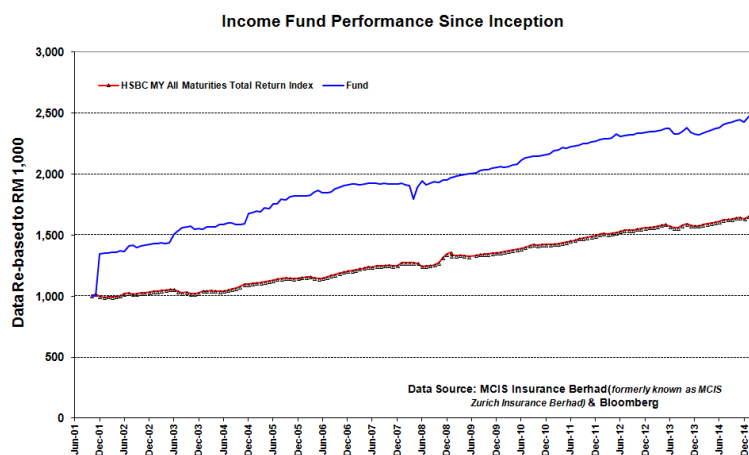
### Risks

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 February 2015, the fund had underperformed the benchmark by 28bps MoM (month on month). The underperformance was mainly driven by slower performance of the bond market during the period.



### Top Ten Holdings

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

### Fund Information

NAV (28.02.15)	RM1.2382
Fund Size	RM 21.5 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 (formerly known as MCIS Zurich Insurance Berhad)
Exceptional Circumstances	Refer to your Policy Document

### Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Fixed Income	75%	100%	82%
Cash	0%	25%	18%

### Performance Table

Period	Fund	Index*
1 month (%)	0.25%	0.53%
3 months (%)	1.25%	1.08%
6 months (%)	2.17%	2.18%
12 months (%)	5.86%	4.86%
2 years (% pa)	2.60%	2.97%
3 years (% pa)	2.63%	3.19%
5 years (% pa)	3.77%	4.04%
Since Inception	6.99%	3.87%

**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 Index, sourced from Bloomberg.

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

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

# Jati Fund

## Monthly Report (February 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

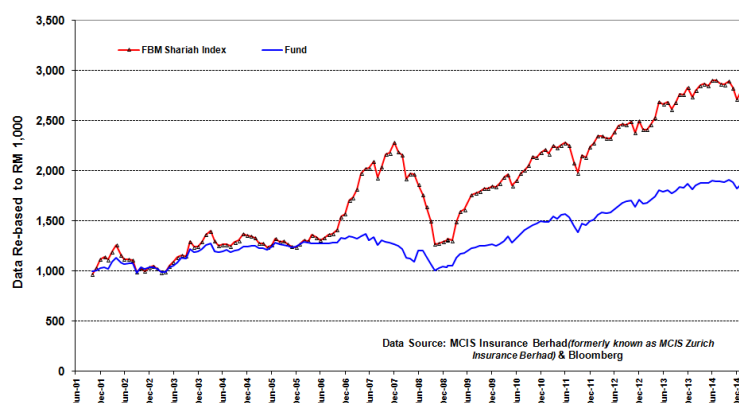
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 February 2015, the fund had underperformed the benchmark by 37bps 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 Ten Holdings

Tenaga Nasional Berhad  
Sime Darby Berhad  
Axiata Group Berhad  
Telekom Malaysia Berhad  
IOI Corporation Berhad  
MISC Berhad  
Petronas Dagangan Berhad  
MyETF Dow Jones Islamic Market Titan 25  
Gamuda Berhad  
Petronas Chemicals Group Berhad

### Fund Information

NAV (28.02.15)	RM0.9484
Fund Size	RM11.3 million
Inception Date	15-Oct-01
Fund Management Fee	1.35% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mcis.my">http://www.mcis.my</a>
Fund Manager	MCIS Insurance Berhad <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%	88%
Cash	0%	20%	12%

### Performance Table

Period	Fund	Index*
1 month (%)	1.72%	2.09%
3 months (%)	0.56%	0.65%
6 months (%)	0.14%	-0.75%
12 months (%)	2.20%	1.75%
2 years (% pa)	6.27%	8.69%
3 years (% pa)	6.67%	6.66%
5 years (% pa)	8.33%	8.71%
Since Inception	4.89%	8.12%
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

February was a relatively good month for global markets and Malaysia as oil prices stabilised and rebounded slightly. The Fed's indication that interests will not be hiked anytime soon had also helped to boost sentiments for many markets around the world. In addition, corporate earnings released during the month were within consensus estimation. For the month, the KLCI gained 2.2% or 40pts to close at 1,821pts. The broader market continued to outperformed, with the FBM EMAS gaining 2.3% mom to 12,557pts. Average daily value traded on Bursa in February was down slightly by 1% mom to RM2.19bn.

On the domestic economic front, headline inflation rate slowed to 1.0% y-o-y in January (+2.7% in December and +3.0% in November). This was due to lower retail fuel prices following the implementation of managed float system starting December 2014, as well as the higher base effect from 2014. The lower inflation in January was reflected in a slower increase in the core inflation rate, but was mitigated by a faster increase in the prices of food & non-alcoholic beverages.

Chart 1: FBMKLCI Daily Chart



Source: Bloomberg

Chart 2: FBMKLCI Monthly Pattern and Cycle Analysis



Source: Bloomberg

## Market Outlook & Strategy

Thus far, January and February performances have followed the historical monthly trends with positive returns. On the other hand, March is historically a negative month for the KLCI. It is less certain whether the market will follow the historical trend for March, as global markets appear buoyant and a rising tide lifts all boats. We are still concern about the market EPS growth for 2015 given the imminent implementation of GST starting 1 April, which will push up cost pressures while potentially weakening the pricing power of manufacturers and producers. There are also downside risks to earnings from the banking sector due to rising cost of funds while the plantations sector also faces risk from weak commodity prices.

Technically, this current rally which started in Oct 2008 is already more than six years old. The longest rally in Bursa Malaysia history is 10-years which recorded from 1998 to 2008. KLCI monthly chart shows that RSI is trending south from its symmetrical triangle and MACD is still negative. For the immediate term, 1,830 will be critical resistance level for the FBMKLCI index. Ability to break this resistance level may push the index to re-test its all time high. Support is seen at 1,770 level.

For the immediate term, equity market performance will largely influenced by the direction of crude oil price. Additionally, after poor corporate earnings over the past few quarters, investors will also put their attention on the current results released. This will provide clearer direction on the current earnings growth and market valuation. Until a clearer picture emerged, we remain cautious on the equity market for the immediate term. Continuous outflow of foreign fund and further weakness on the currency may limit any upside on the equity market.

# Fixed Income Review and Outlook

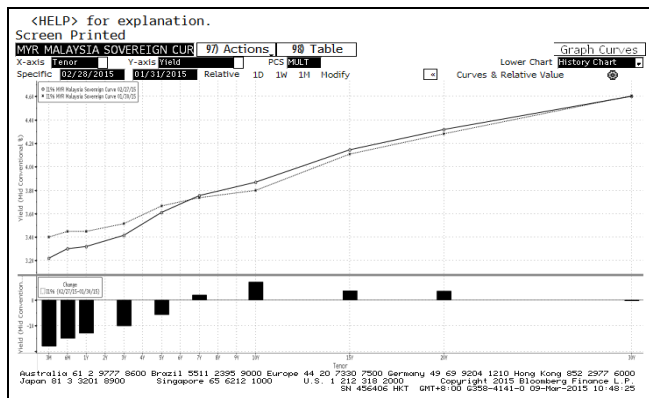
## Market Review

Market sentiments were somewhat mixed by the end of February as the longer end pared losses whilst the shorter end posted gains. Expectations ahead of the next MPC meeting slated for 4-5<sup>th</sup> March 2015 could have played a role in this mixed market outlook. Some market players partially priced in a rate cut by Bank Negara, which help explained why the shorter end of the yield curve posted gains.

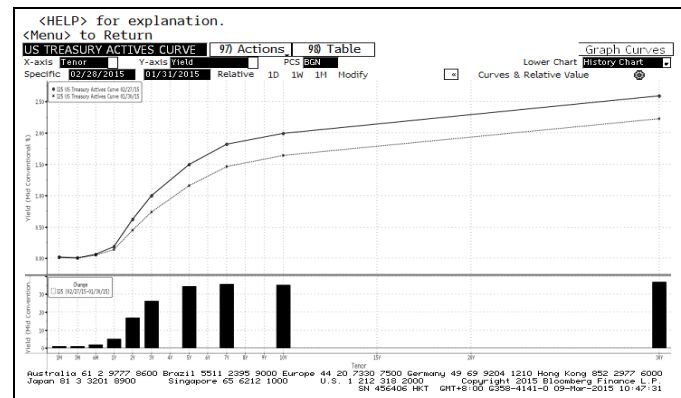
Meanwhile, the Ringgit remained weak around 3.6200 end-month but recovered from its monthly high of 3.6572. There was continued support on shorter dated bonds as the 3-month KLIBOR fell below 3.80% from 3.85% at start of February. The liquidity squeeze concerns were partly contributed to the KLIBOR spike recently, as banks feared having to accumulate more capital or liquidity buffers.

Bank Negara auctioned the new 5-year GII 08/20, which came at size of RM4.0 billion, in line with expectation. Demand was strong (from both onshore and offshore players) as bidcover reached 3.015x. Average yield stopped at 3.799%. We think speculation that Malaysian government sukuk will be added to the global fixed income index of Barclays added to the interest in GII since December. In a 2 February 2015 report, Reuters confirmed that Barclays will add Malaysian government sukuk to its benchmark Global Aggregate Index by end-March 2015. Aside, reopening auction of the 7-year SPK (Sukuk Perumahan Kerajaan) 07/22 worth RM2.0 billion ended with decent demand, indicated by a bid-to-cover ratio of 2.4 times, while average yield stopped at 4.103%. There was another RM2.0 billion of SPK 07/22 sold via private placement.

US Treasury yields reached above 2.10% end February from around 1.65% a month before. Essentially, market players are getting ready for the eventual commencement of Fed hikes. However, not all players are expecting a quick hike in early 2H2015, as some are of the opinion that Janet Yellen sounded pretty dovish during her testimony to Congress recently. Thus, US Treasuries movement into the short to medium term period is very hard to gauge. And we think a large factor on the UST trend from now on will be incoming data, such as whether jobs continue to show strong growth and whether consumption and investments show strong rebound.



Source: Bloomberg



Source: Bloomberg

## Market Outlook & Strategy

Given the prevailing investing climate, we would continue to monitor closely the movements of MGS as it has been volatile due to the Ringgit's performance especially against the US Dollars, Malaysia's fiscal deficit position and international rating agencies' outlook of Malaysia. 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) in the near term (or at least for the next 3 to 6months of 2015) from the current 3.25%, on the back of subdued inflationary pressures due to easing oil prices.