



(formerly known as MCIS Zurich Insurance Berhad)

## **Investment Linked Fund Performance report November 2014**

### **General Advice Warning**

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

## AsiaPac Fund Monthly Report (Nov 2014)

### 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.

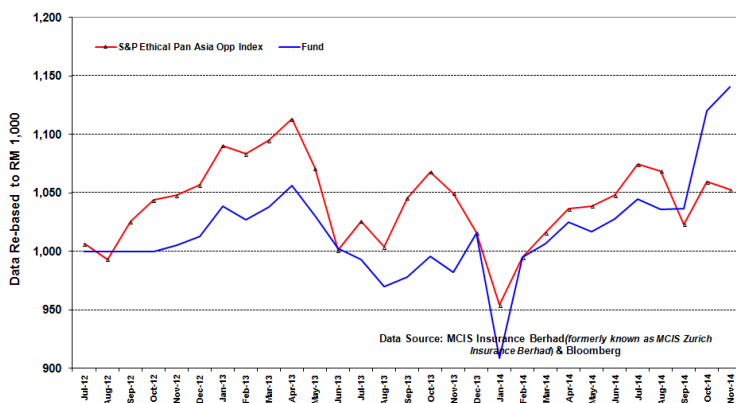
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 November 2014, the fund had outperformed the benchmark by 244bps MoM (month on month). The outperformance was mainly due to the weakening of ringgit against the USD.

AsiaPac Fund Performance Since Inception



### Top Five Holdings

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

### Fund Information

NAV (30.11.14)	RM0.5703
Fund Size	RM 22.4 million
Inception Date	15-July-2012
Fund Management Fee	0.85% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mcis.my">http://www.mcis.my</a>
Fund Manager	MCIS Insurance Berhad (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%	81%
Cash	0%	20%	19%

### Performance Table

Period	Fund	Index*
1 month (%)	1.80%	-0.64%
3 months (%)	10.08%	-1.47%
6 months (%)	12.15%	1.36%
12 months (%)	16.15%	0.32%
2 years (% pa)	13.45%	0.46%
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	5.59%	2.17%

**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 (Nov 2014)

### 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

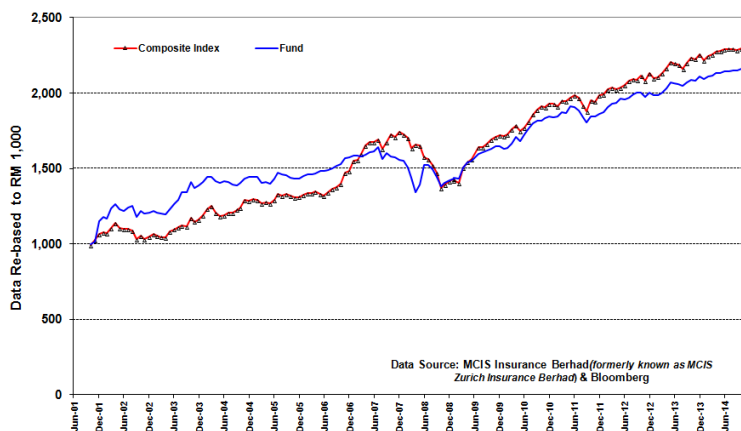
The Fund is considered medium risk given the mixed exposure of equity securities, fixed income and cash. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, industry and economy development, social and political factors, 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 2014, the fund had underperformed the benchmark by 50bps MoM (month on month). The underperformance was mainly driven by higher exposure of underperforming securities in the portfolio.

Balanced Fund Performance Since Inception



### Top Ten Holdings

Malaysian Government Securities (Bond)  
 Tenaga Nasional Berhad (Equity)  
 Projek Lebuhraya Utara-Selatan Berhad (Bond)  
 Sabah Credit Corporation (Bond)  
 Telekom Malaysia Berhad (Bond)  
 Government Investment Issue (Bond)  
 Malayan Banking Berhad (Equity)  
 Telekom Malaysia Berhad (Equity)  
 Maxis Berhad (Equity)  
 Sime Darby Berhad (Equity)

### Fund Information

NAV (30.11.14)	RM1.0753
Fund Size	RM7.2 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 (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%	48%
Fixed Income	40%	60%	43%
Cash	0%	20%	9%

### Performance Table

Period	Fund	Index*
1 month (%)	-0.77%	0.27%
3 months (%)	-0.20%	1.09%
6 months (%)	0.47%	2.54%
12 months (%)	2.94%	4.20%
2 years (% pa)	4.20%	2.90%
3 years (% pa)	5.18%	3.43%
5 years (% pa)	5.46%	3.99%
Since Inception	5.97%	3.86%

**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 (Nov 2014)

### 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

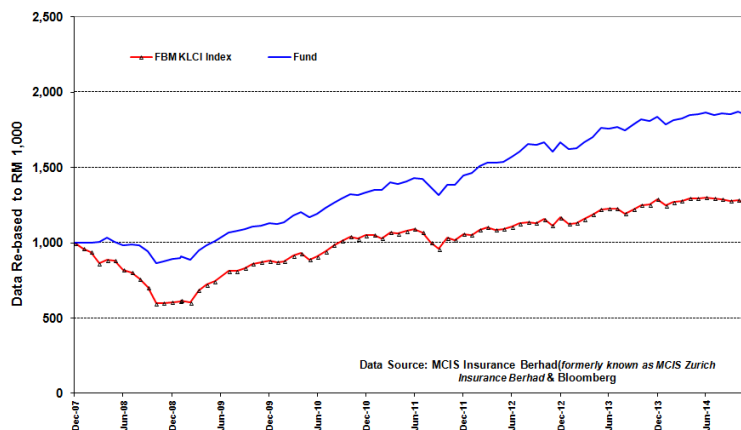
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 2014, the fund had outperformed the benchmark by 48bps 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  
DiGi.Com Berhad  
British American Tobacco (M) Berhad  
Malayan Banking Berhad  
Felda Global Ventures Holdings Berhad

### Fund Information

NAV (30.11.14)	RM0.8780
Fund Size	RM 48.7 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 (%)	-1.37%	-1.85%
3 months (%)	-0.57%	-2.42%
6 months (%)	-0.43%	-2.80%
12 months (%)	2.06%	0.45%
2 years (% pa)	7.29%	6.32%
3 years (% pa)	10.10%	7.35%
5 years (% pa)	10.61%	7.66%
Since Inception	9.29%	3.40%
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 (Nov 2014)

## 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

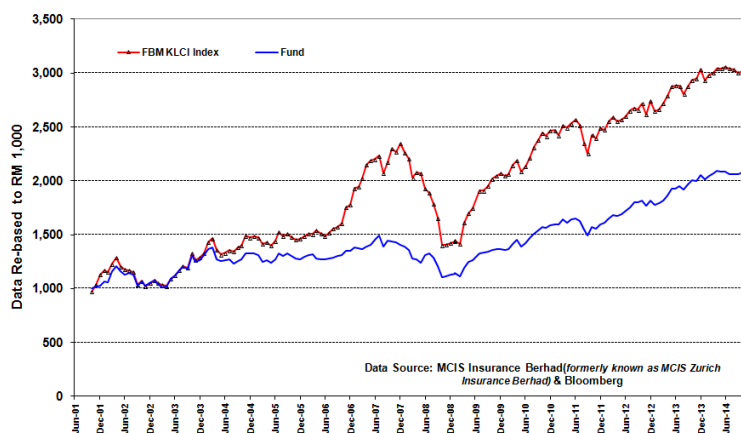
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 2014, the fund had outperformed the benchmark by 14bps 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  
Felda Global Ventures Holdings Berhad  
Petronas Dagangan Berhad

## Fund Information

NAV (30.11.14)	RM1.0217
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 <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%	95%
Cash	0%	20%	5%

## Performance Table

Period	Fund	Index*
1 month (%)	-1.71%	-1.85%
3 months (%)	-1.08%	-2.42%
6 months (%)	-1.93%	-2.80%
12 months (%)	2.14%	0.45%
2 years (% pa)	7.34%	6.32%
3 years (% pa)	9.51%	7.35%
5 years (% pa)	8.35%	7.66%
Since Inception	5.58%	8.59%
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 (Nov 2014)

## 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.

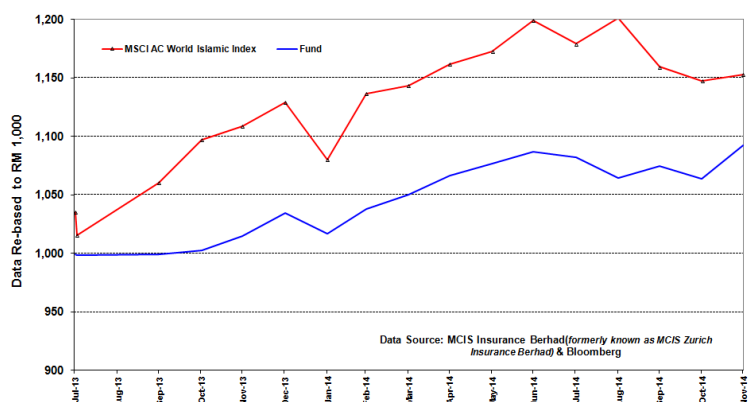
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 November 2014, the fund had outperformed the benchmark by 226bps MoM (month on month). The outperformance was partly due to better performance 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 (30.11.14)	RM0.5463
Fund Size	RM 15.2 million
Inception Date	8-July-2013
Fund Management Fee	0.85% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mcis.my">http://www.mcis.my</a>
Fund Manager	MCIS Insurance Berhad (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%	98%
Cash	0%	20%	2%

## Performance Table

Period	Fund	Index*
1 month (%)	2.69%	0.43%
3 months (%)	2.63%	- 4.04%
6 months (%)	1.43%	-1.70%
12 months (%)	7.65%	3.99%
2 years (% pa)	-	-
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	6.45%	10.56%

**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 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 (Nov 2014)

## 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.

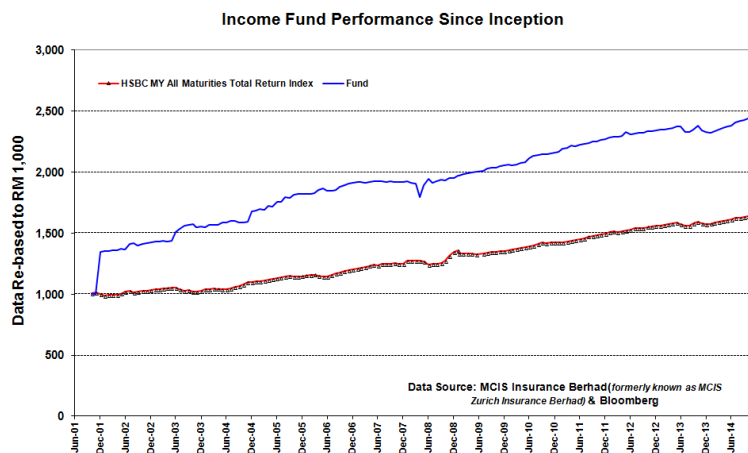
## Risks

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 2014, the fund had slightly underperformed the benchmark by 2bps MoM (month on month). The underperformance was mainly driven by weaker performance of the bond market during the period.



## Top Ten Holdings

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

## Fund Information

NAV (30.11.14)	RM1.2229
Fund Size	RM 21.3 million
Inception Date	15-Oct-01
Fund Management Fee	0.5% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mcis.my">http://www.mcis.my</a>
Fund Manager	MCIS Insurance Berhad <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%	97%
Cash	0%	25%	3%

## Performance Table

Period	Fund	Index*
1 month (%)	0.25%	0.27%
3 months (%)	0.91%	1.09%
6 months (%)	3.02%	2.54%
12 months (%)	4.51%	4.20%
2 years (% pa)	2.28%	2.90%
3 years (% pa)	2.58%	3.43%
5 years (% pa)	3.59%	3.99%
Since Inception	7.03%	3.86%

**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 (Nov 2014)

### 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

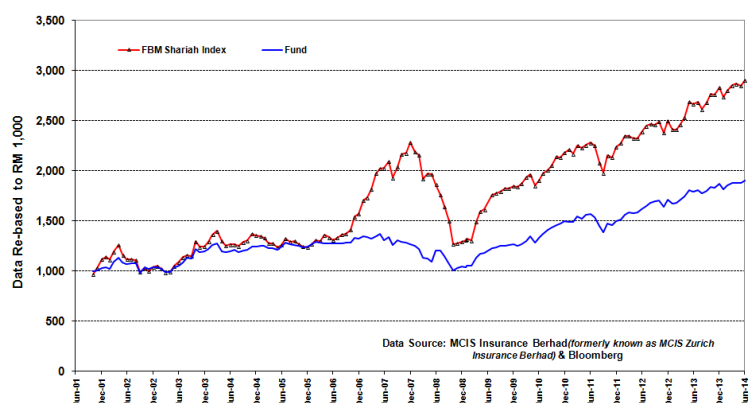
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 2014, the fund had outperformed the benchmark by 87bps 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  
IOI Corporation Berhad  
Telekom Malaysia Berhad  
MISC Berhad  
MyETF Dow Jones Islamic Market Titan 25  
Gamuda Berhad  
Felda Global Ventures Holdings Berhad  
Maxis Berhad

### Fund Information

NAV (30.11.14)	RM0.9431
Fund Size	RM10.9 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%	93%
Cash	0%	20%	7%

### Performance Table

Period	Fund	Index*
1 month (%)	-1.45%	-2.32%
3 months (%)	-0.42%	-1.39%
6 months (%)	0.47%	-0.76%
12 months (%)	3.01%	2.37%
2 years (% pa)	7.08%	9.07%
3 years (% pa)	9.00%	9.80%
5 years (% pa)	8.31%	9.13%
Since Inception	4.94%	8.22%
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

November was another relatively volatile month as the FBM KLCI gave back much of the sharp rebound enjoyed in October despite Wall Street's continued strength before pushing higher again towards the end of the month. The major results season in November was a disappointment and that helped to dampen market sentiment. Nonetheless, the KLCI managed to stay above the 1,800pt psychological support.

For the month, the KLCI slipped 1.9% or 35pts to close at 1,820pts. The broader market underperformed, with the FBM EMAS falling 2.6% mom to 12,539pts. Average daily value traded on Bursa in Nov decreased 6.6% mom to RM1.98bn

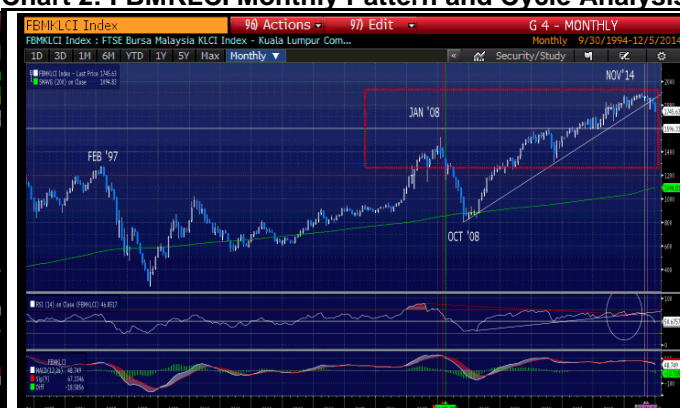
On the domestic economic front, the Government announced on 21 November that retail prices for RON95 petrol and diesel will be fixed on a managed float system from 1 December, effectively shifting towards a market determined policy mechanism on fuel prices. It has seen as a right move, as it could ease the Government's burden on subsidy given that falling crude oil prices will impact the Government's oil revenue negatively and put pressure on its budget deficit.

Chart 1: FBMKLCI Daily Chart



Source: Bloomberg

Chart 2: FBMKLCI Monthly Pattern and Cycle Analysis



Source: Bloomberg

## Market Outlook & Strategy

December has traditionally been the best month of the year with the average return since 1977 a high 3.9%. Investors typically take up positions ahead of the new year and to take advantage of the January effect (the Jan-Feb period is historically the best back-to-back months of the year). Dec has also historically been one of the quietest months of the year in terms of value traded as many take advantage of the festive season and school holidays to take long vacations. As such, our strategy remains to SELL on Strength when the index is approaching 2,000 level.

Technically, as the monthly MACD is still negative, we are leaning to a more bearish view for the months to come. In the near term, falling below the 1,805 level would be a good boost to the bearish view. For the month of December, we reckon that it would likely be another month of sideways movement if the index can hold above 1,805.

# Fixed Income Review and Outlook

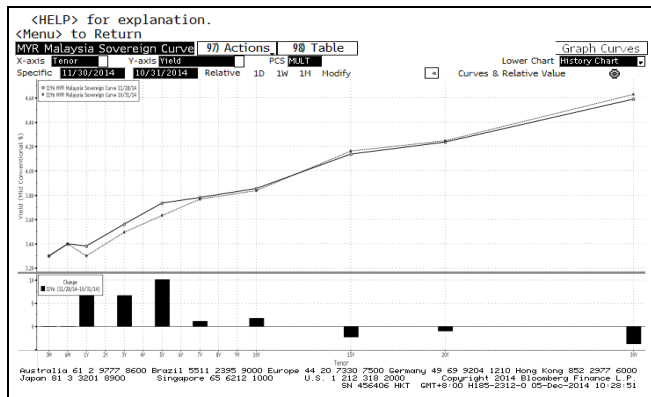
## Market Review

In the month of November, Malaysian government bonds closed mixed last month, with weakness especially seen near end-month amid the drastic weakening of the Ringgit versus the strong US dollar at that time. USD/MYR ended November at 3.3832 (from 3.2895 end-October) but has risen further to above 3.4000. The upward shift in USD comes alongside the spiraling global crude oil prices where Brent one-month contract fell from around US\$95 per bbl level at start of October to US\$71 per barrel early December (after finding low of around US\$67.55). As a result of USD/MYR forex volatility, foreign players trimmed part of their MGS holdings end-November.

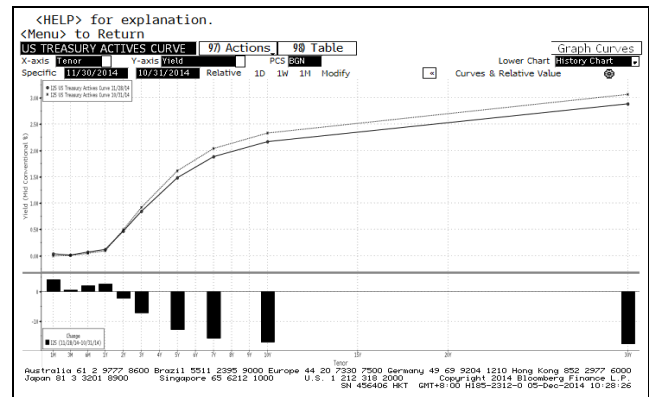
On the flipside, there was some fresh buying of MGS after the RON95 and diesel prices announcement where both fuel will go on a managed float similar to the RON97 pricing. The immediate impact on inflation should be minimal given market price is close to the current retail price. The bond market has taken a positive response on the subsidy removal, as this would further boost health of government's finances. As per the Malaysian Budget 2015, allocation for fuel subsidy costs on the government was originally placed at RM12.0 billion.

Also supporting the MGS levels, Bank Negara Malaysia kept the OPR at 3.25% in the final MPC meeting this year, whilst signaling a hold in rates even into 2015. Policy makers indicated that the current monetary policy stance is "accommodative", and appropriate given current financial and growth conditions. We think inflation shows no impetus for a rate hike next year, given that external price pressure should not be prominent whilst the lack of demand-push will mitigate price pressures from GST and fuel price hikes (less now that crude has tumbled).

Bank Negara held two auctions on the government's behalf last month. The 10-year MGS 7/24 auction was relatively weak. The reopening auction came at size of RM3.5 billion, and bid-to-cover ratio of 1.56 times. Average yield was 3.854%. We suspect the soft demand was probably due to cautious sentiment ahead of the 3Q2014 GDP release. In addition, the central bank conducted the 5-year MGS 10/19 reopening auction. The RM3.5 billion issue garnered mediocre interest, indicated by a bid-to-cover ratio of 1.763 times, while average yield was 3.721%. In contrast, the five govovies auctions before that saw an average bid-cover of 1.83 times.



Source: Bloomberg



Source: Bloomberg

## Market Outlook & Strategy

We would suggest in accumulating bonds should there be a sell-off in the bond market as we do not foresee further changes in the Overnight Policy Rate (OPR) given the decline in oil prices. At least, in the next 3 to 6 months, interest rates would likely be range bound until end of first quarter of 2015.