



Investment Linked Fund Performance Report June 2016

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AsiaPac Fund Monthly Report (June 2016)

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.

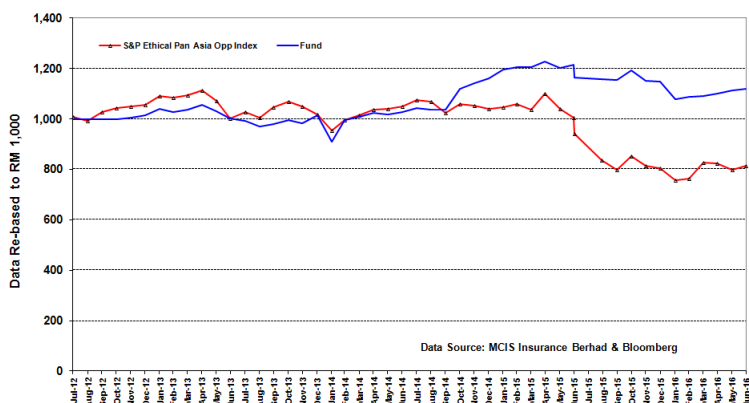
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 June 2016, the fund had underperformed the benchmark by 184bps MoM (month on month). However for since inception period, the fund had outperformed the benchmark.

AsiaPac Fund Performance Since Inception



Top Ten Holdings

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

Fund Information

NAV (30.6.16)	RM0.5591
Fund Size	RM23.9 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
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
ETF	80%	100%	76%
Cash	0%	20%	24%

Performance Table

Period	Fund	Index*
1 month (%)	0.34%	2.18%
3 months (%)	2.46%	-1.50%
6 months (%)	-2.53%	1.50%
12 months (%)	-7.95%	-18.87%
2 years (% pa)	8.82%	-22.22%
3 years (% pa)	3.71%	-6.62%
5 years (% pa)	-	-
Since Inception	2.83%	-4.98%

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 (June 2016)

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

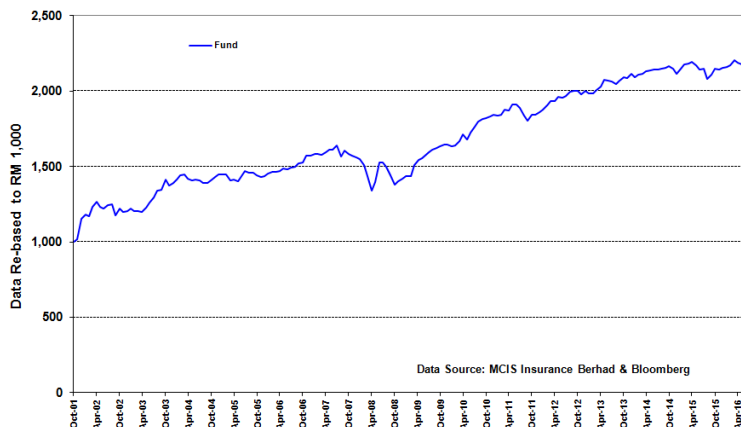
The Fund is considered medium risk given the mixed exposure of equity securities, fixed income and cash. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, industry and economy development, social and political factors, 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 June 2016, the fund rose by 102bps MoM (month on month). For benchmark performance, kindly refer to note marked with “**” below the performance table.

Balanced Fund Performance Since Inception



Top Ten Holdings

Malaysian Government Securities (Bond)
Projek Lebuhraya Utara-Selatan (Bond)
Sabah Credit Corporation (Bond)
Tenaga Nasional Berhad (Equity)
Malayan Banking Berhad (Equity)
Telekom Malaysia Berhad (Equity)
Maxis Berhad (Equity)
CIMB Bank Berhad (Equity)
Amanahraya Real Estate Investment Trust (Equity)
Sime Darby Berhad (Equity)

Fund Information

NAV (30.6.16)	RM1.0983
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
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Malaysian Equity	40%	60%	44%
Fixed Income	40%	60%	35%
Cash	0%	20%	21%

Performance Table

Period	Fund	Index*
1 month (%)	1.02%	NA
3 months (%)	-0.51%	NA
6 months (%)	1.93%	NA
12 months (%)	2.55%	NA
2 years (% pa)	1.21%	NA
3 years (% pa)	2.04%	NA
5 years (% pa)	2.84%	NA
Since Inception	5.48%	NA

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.

* Previously, the benchmark index is a composite of 50% FBM KLCI Index and 50% HSBC Malaysia All Bond Index. To note that HSBC Malaysia All Bond index is presently no longer available and the benchmark will be replaced with a new index to be announced later. As such, the benchmark return is not available at this point of reporting.

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 (June 2016)

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

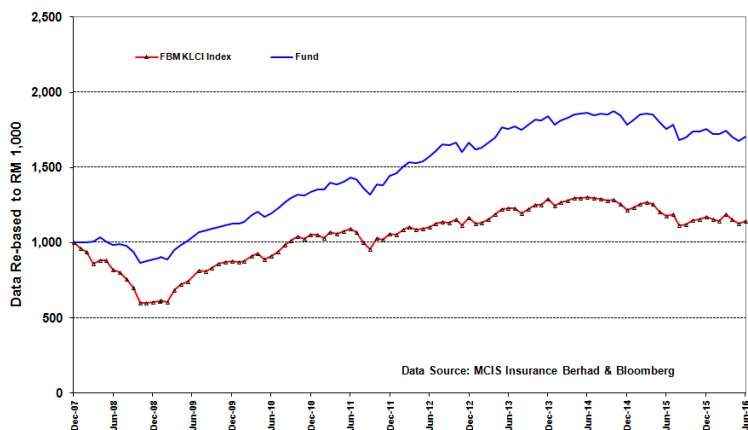
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 June 2016, the fund had underperformed the benchmark by 19bps 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

Public Bank Berhad
Telekom Malaysia Berhad
Sime Darby Berhad
Petronas Gas Berhad
Maxis Berhad
Malayan Banking Berhad
Petronas Chemicals Group Berhad
Axiata Group Berhad
DiGi.Com Berhad
IOI Corporation Berhad

Fund Information

NAV (30.6.16)	RM0.8094
Fund Size	RM40.8 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
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Malaysian Equity	80%	100%	83%
Cash	0%	20%	17%

Performance Table

Period	Fund	Index*
1 month (%)	1.54%	1.73%
3 months (%)	-2.51%	-3.70%
6 months (%)	-3.14%	-2.27%
12 months (%)	-2.98%	-3.08%
2 years (% pa)	-4.40%	-6.27%
3 years (% pa)	-1.05%	-2.30%
5 years (% pa)	3.53%	0.93%
Since Inception	6.47%	1.60%
Yield #	2.72%	3.09%

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 (June 2016)

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

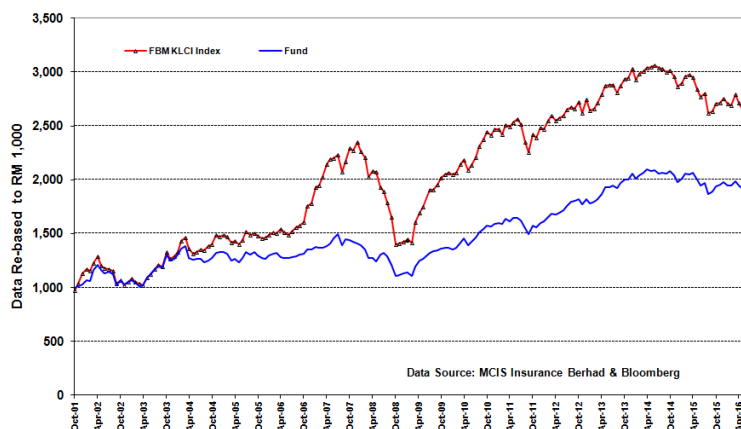
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 June 2016, the fund had underperformed the benchmark by 56bps MoM (month on month). The underperformance was mainly driven by higher exposure of underperforming stocks in the portfolio compared to benchmark.

Equity Fund Performance Since Inception



Top Ten Holdings

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

Fund Information

NAV (30.6.16)	RM0.9700
Fund Size	RM8.8 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
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 (%)	1.17%	1.73%
3 months (%)	-2.46%	-3.70%
6 months (%)	-1.82%	-2.27%
12 months (%)	-0.35%	-3.08%
2 years (% pa)	-3.65%	-6.27%
3 years (% pa)	0.16%	-2.30%
5 years (% pa)	3.30%	0.93%
Since Inception	4.60%	6.93%
Yield #	2.83%	3.09%

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 (June 2016)

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.

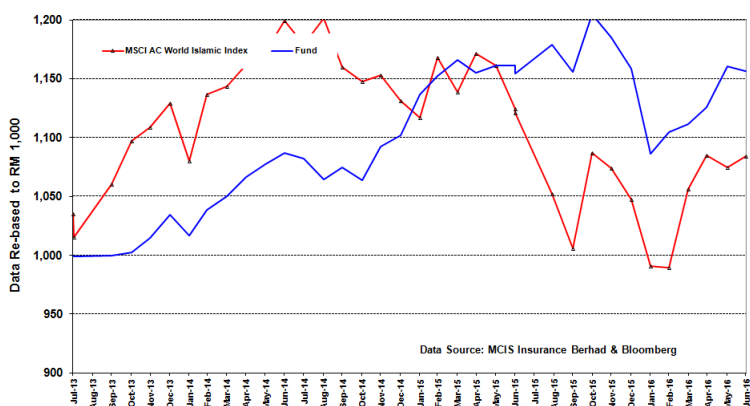
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 June 2016, the fund had underperformed the benchmark by 128bps MoM (month on month). The underperformance was mainly due to underperforming underlying security compared to the benchmark index. However for since inception period, the fund had outperformed the benchmark.

Global Yakin Fund Performance Since Inception



Top Ten Holdings

Aberdeen Islamic World Equity Fund (AIWEF)

Fund Information

NAV (30.6.16)	RM0.5781
Fund Size	RM24.0 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
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
AIWEF	80%	100%	88%
Cash	0%	20%	12%

Performance Table

Period	Fund	Index*
1 month (%)	-0.36%	0.92%
3 months (%)	4.01%	2.69%
6 months (%)	-0.19%	3.53%
12 months (%)	-0.43%	-3.57%
2 years (% pa)	3.14%	-4.91%
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	4.96%	2.74%

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

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

* Index is 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 (June 2016)

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.

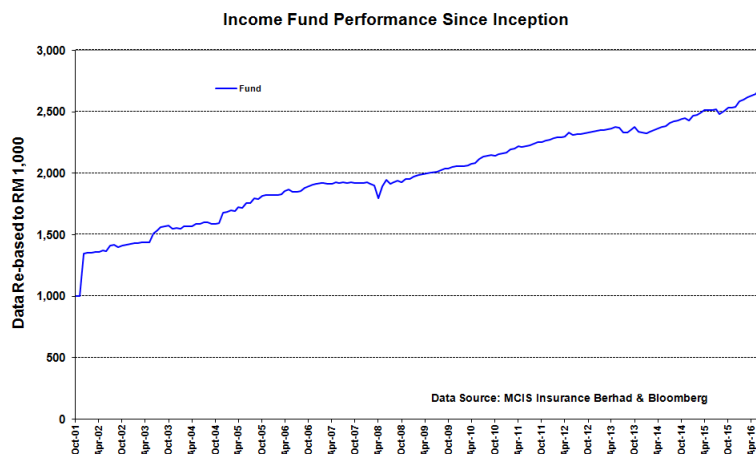
Risks

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 June 2016, the fund rose by 112bps MoM (month on month). For benchmark performance, kindly refer to note marked with "*" below the performance table.



Top Ten Holdings

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

Fund Information

NAV (30.6.16)	RM1.3357
Fund Size	RM25.1 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
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 (%)	1.12%	NA
3 months (%)	2.00%	NA
6 months (%)	5.27%	NA
12 months (%)	6.16%	NA
2 years (% pa)	5.89%	NA
3 years (% pa)	4.04%	NA
5 years (% pa)	3.74%	NA
Since Inception	6.89%	NA

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. To note that HSBC Malaysia All Bond index is presently no longer available and the benchmark will be replaced with a new index to be announced later. As such, the benchmark return is not available at this point of reporting.

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 (June 2016)

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

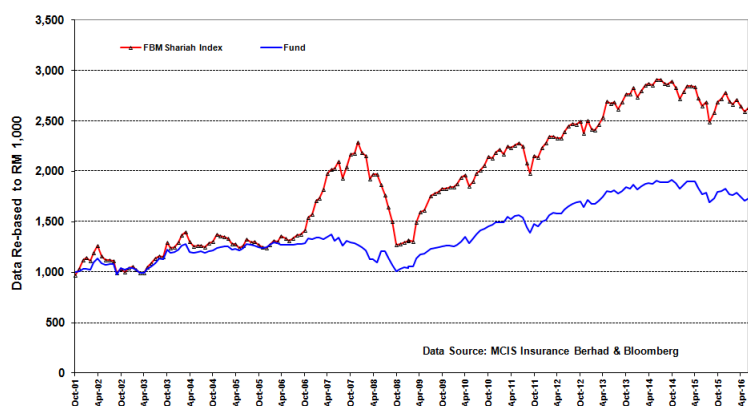
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 June 2016, the fund had underperformed the benchmark by 22bps 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
 Petronas Chemicals Group Berhad
 Telekom Malaysia Berhad
 Petronas Dagangan Berhad
 Axiata Group Berhad
 MISC Berhad
 SapuraKencana Petroleum Berhad
 IHH Healthcare Berhad
 MyETF Dow Jones Islamic Market Titan 25

Fund Information

NAV (30.6.16)	RM0.8657
Fund Size	RM11.1 million
Inception Date	15-Oct-01
Fund Management Fee	1.35% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Malaysian Equity	80%	100%	83%
Cash	0%	20%	17%

Performance Table

Period	Fund	Index*
1 month (%)	1.29%	1.51%
3 months (%)	-3.35%	-3.16%
6 months (%)	-5.21%	-5.45%
12 months (%)	-2.22%	-0.87%
2 years (% pa)	-4.67%	-4.92%
3 years (% pa)	-1.17%	-0.52%
5 years (% pa)	1.98%	2.85%
Since Inception	3.79%	6.77%
Yield #	2.28%	2.69%

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

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

* Index is 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

June provided a major negative surprise as global investors were caught by the decision of United Kingdom to leave the Europe Union. Back in Malaysia, the local bourse looks defensive with the benchmark KLCI up 28 points or 1.7% higher m-o-m to close at 1,654. However, the broader market underperformed the KLCI, with the FBM EMAS up only 1.2% m-o-m to 11,530 points. Currency wise, the Ringgit strengthened against the USD in June, at RM4.03/USD compared to RM4.13/USD in end-May. Average daily value traded on Bursa in Jun declined 16% m-o-m to RM1.8bil, which was 11% below the YTD average value.

On the domestic economic front, the headline inflation rate eased marginally to 2.0% y-o-y in May (+2.1% in April and +2.6% in March), attributed to a broad-based decrease in the price inflation of major items due to base effects as well as weaker demand. In tandem with the headline rate, the core inflation rate eased to 2.1% y-o-y in May, the lowest in 13 months, from +2.3 in April.

Meanwhile globally, Britain voted to leave the European Union almost a quarter century after its creation with the Maastricht Treaty, left global markets in disarray on 24 June. The unexpected result will trigger economic ramifications on a global scale, some of which have begun to unfold. Foremost, global markets were drenched in a bloodbath following the Brexit results, while the pound (GBP) extended its selloff to near a 31-year low. Meanwhile, the political landscape in the country descended into chaos as Prime Minister David Cameron announced his resignation and the leader of the opposition faced increased pressure to do the same.

Chart 1: FBMKLCI Daily Chart



Source: Bloomberg

Chart 2: FBMKLCI Monthly Pattern and Cycle Analysis



Source: Bloomberg

Market Outlook & Strategy

In June, the benchmark staged a rebound and broke above the 1,642 level. At this juncture, technically the index may test the 1,664 resistance level due to the possibility of 'Pre-Raya Rally'. However, we believe that any rally approaching near the 1,664 resistance level would likely to be capped as our preferred view is still down. A test of the 1,628-1,611 support may be on the cards next if the 1,642 level gives way. A strong rally beyond the 1,664 resistance level would see the index bounce into 1,680-1,700 next.

Brexit had provided some volatility to the equity markets as investors are becoming more cautious on its impact to the emerging economies. For Malaysia, the impact of UK to Malaysian economy is very minimal. Malaysia total trade with UK constitutes only about 1.2% (of Malaysia total trade) or RM2.78 bil in the first 4 months of 2016. As for FDI, while the percentage contribution from UK is at 9.3% of total FDI during 1Q16, the mid- to long-term nature of FDI itself presents less downward risk to Malaysia. For Bursa Malaysia, the direction is expected to be influenced by the global market performance. Negative crude oil price and potential selling from foreign fund managers which will pull the ringgit lower against the greenback will make the equity market volatile.

Fixed Income Review and Outlook

Market Review

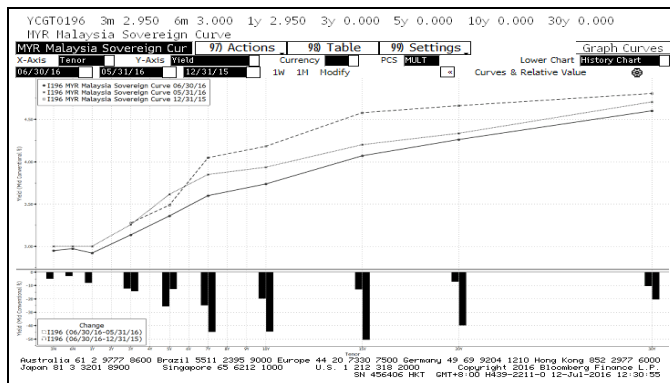
Ringgit government bonds posted gains in anticipation of a slower tightening pace by the US Federal Reserve (Fed), driven by subdued May non-farm payrolls (NFP), coupled with a less hawkish Fed statement post Federal Open Market Committee (FOMC) meeting held on 15 June 2016. However, the surprise Brexit result also caused a knee-jerk selloff in Ringgit denominated sovereign bonds alongside global markets, amid risk-off sentiment. Post the Brexit shock and when fears abated, Malaysian government bonds strengthened in conjunction with mild recovery in Ringgit (currently at USD/MYR 3.9875). Apart from a surge in foreign inflows into the Ringgit bond market as a result of negative yields in some of the advanced economies like Europe after Brexit, MGS prices were bid up when Bank Negara cut the OPR by 25bps unexpectedly on 13 July 2016. The main reason for the unexpected cut was intended to pre-empt a slowdown in the Malaysian economy in addition to seeing the domestic inflation being under control as well as firmer Ringgit against the USD.

Elsewhere, domestic macro data were supportive. May industrial production came at an increase of 2.7% year-on-year (YoY), beating consensus estimate of 2.5% but still weaker than April's 3.0%. Meanwhile, the May CPI reading came in line with market expectation at +2.0% YoY, slightly lower than +2.1% recorded a month prior, dragged by lower costs in transport and communication. Malaysia's exports showed a disappointing decline of 0.9% YoY in May, against consensus 2.0% YoY increase. Meanwhile, imports recorded a growth of 3.1% YoY the same period, against forecast -2.9% YoY. The difference translates to a smaller trade surplus of RM3.26 billion in May, compared to RM9.06 billion a month prior.

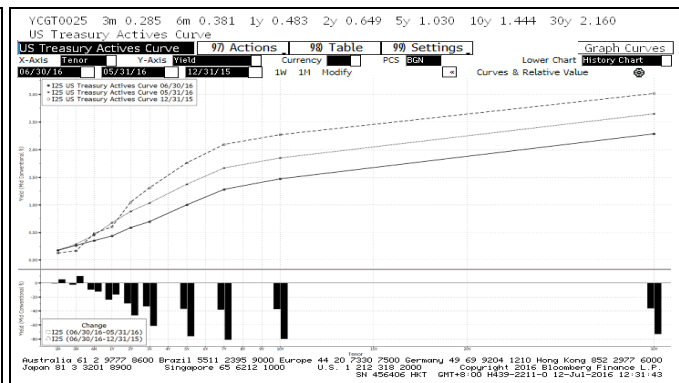
The auctions unveiled in June 2016 are as follows:

Government Auctions in June 2016				
Issue	Issue Date	Amount (RM million)	Bid-cover (times)	Avg Yield (%)
10-year Re-opening of MGII (Mat on 09/26)	8-Jun-16	3,500	2.308	4.049
30-year Re-opening of MGS (Mat on 03/46)	27-Jun-16	2,500	2.369	4.613

Table 1: Government Auctions May 2016. Source: Bank Negara Malaysia



Source: Bloomberg



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Foreign players remained net buyers in Ringgit govies, marking the eighth consecutive month of net foreign inflows since October last year. Total foreign holdings stood at 33.4% in May (same as previous month), but total amount increased by RM2.3 billion due to the new issuances over the month.

Market Outlook & Strategy

The overall strategy is still to buy on dips of MGS and PDS at the same time taking some profit for the bonds that have rallied surpassing their fundamental value. The unexpected rate cut confirms that there is a concern of a slowdown happening in Malaysia. The new Governor, Datuk Muhammad Ibrahim, whom chaired the Monetary Policy Committee (MPC) meeting, justified the rate cut as a pre-emptive measure in case the Malaysian economy slows down as result of internal and external conditions.