



(formerly known as MCIS Zurich Insurance Berhad)

Investment Linked Fund Performance report December 2014

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AsiaPac Fund Monthly Report (Dec 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.

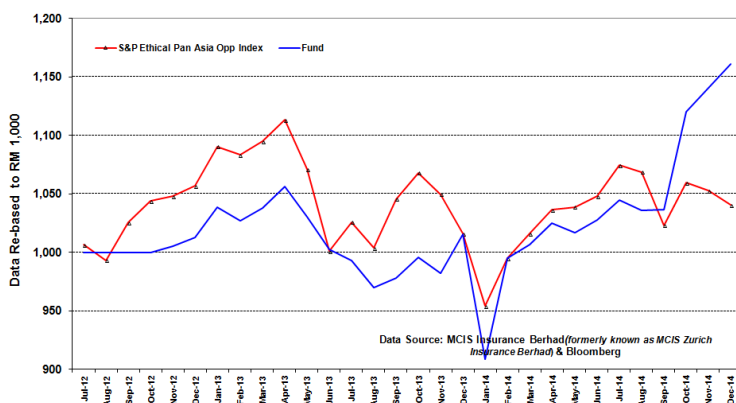
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 December 2014, the fund had outperformed the benchmark by 296bps MoM (month on month). The outperformance was mainly due to the weakening of ringgit against the USD.

AsiaPac Fund Performance Since Inception



Top Ten Holdings

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

Fund Information

NAV (31.12.14)	RM0.5805
Fund Size	RM 23.5 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 <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
ETF	80%	100%	79%
Cash	0%	20%	21%

Performance Table

Period	Fund	Index*
1 month (%)	1.79%	-1.17%
3 months (%)	11.96%	1.71%
6 months (%)	12.98%	-0.67%
12 months (%)	14.29%	2.41%
2 years (% pa)	14.61%	-1.52%
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	6.15%	1.62%

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 (Dec 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

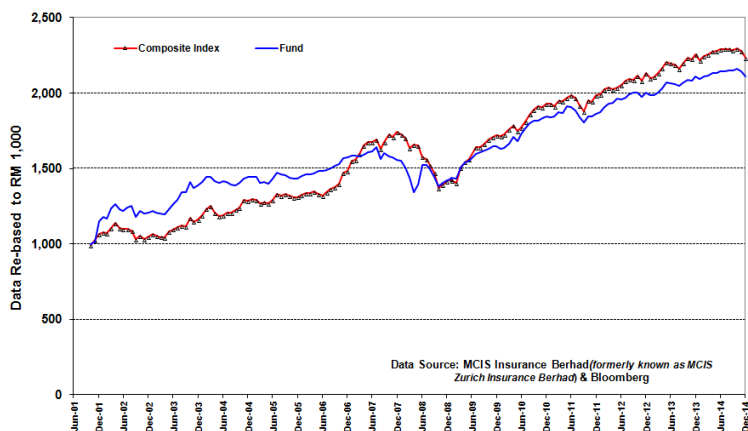
The Fund is considered medium risk given the mixed exposure of equity securities, fixed income and cash. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, industry and economy development, social and political factors, 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 December 2014, the fund had outperformed the benchmark by 33bps 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)
 Tenaga Nasional Berhad (Equity)
 Sabah Credit Corporation (Bond)
 Malayan Banking Berhad (Equity)
 Telekom Malaysia Berhad (Equity)
 Maxis Berhad (Equity)
 Sime Darby Berhad (Equity)
 AmanahRaya REIT
 CIMB Group Holdings Berhad
 Al-Aqar Healthcare REIT

Fund Information

NAV (31.12.14)	RM1.0559
Fund Size	RM7.0 million
Inception Date	15-Oct-01
Fund Management Fee	1.25% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad (formerly known as MCIS Zurich Insurance Berhad)
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Malaysian Equity	40%	60%	47%
Fixed Income	40%	60%	38%
Cash	0%	20%	15%

Performance Table

Period	Fund	Index*
1 month (%)	-1.59%	-1.92%
3 months (%)	-1.84%	-2.21%
6 months (%)	-1.51%	-2.51%
12 months (%)	-0.01%	-0.98%
2 years (% pa)	2.67%	2.33%
3 years (% pa)	4.28%	3.98%
5 years (% pa)	5.12%	5.37%
Since Inception	5.80%	6.25%

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 (Dec 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

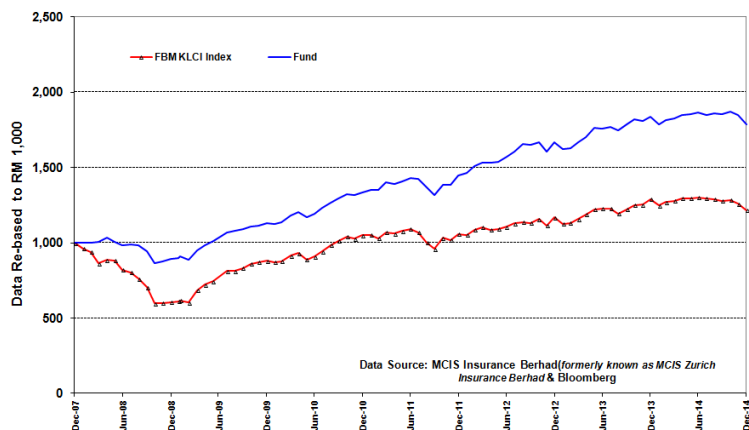
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 December 2014, the fund had underperformed the benchmark by 17bps 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
Malayan Banking Berhad
British American Tobacco (M) Berhad
Tenaga Nasional Berhad

Fund Information

NAV (31.12.14)	RM0.8477
Fund Size	RM 47.0 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 (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 (%)	-3.45%	-3.28%
3 months (%)	-3.70%	-4.61%
6 months (%)	-4.29%	-6.45%
12 months (%)	-3.01%	-5.66%
2 years (% pa)	3.46%	2.12%
3 years (% pa)	7.25%	4.79%
5 years (% pa)	9.60%	6.71%
Since Inception	8.63%	2.87%
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 (Dec 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

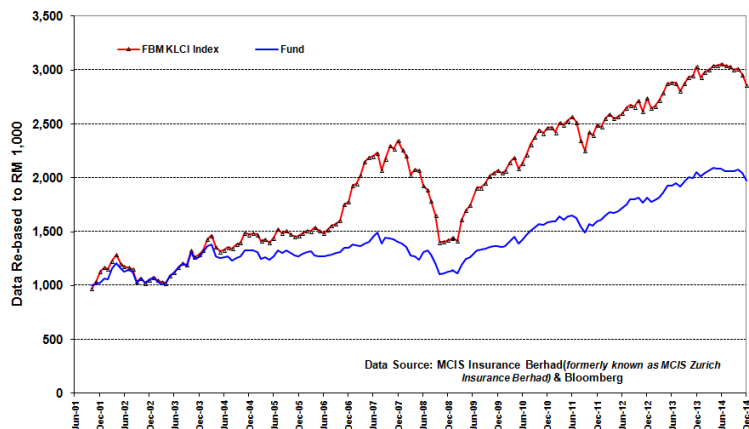
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 December 2014, the fund had performed negatively, in-line with the benchmark with -3.28% MoM (month on month). The negative performance was due to negative sentiment on equity market which mainly caused by lower commodity prices (e.g. crude oil and palm oil).

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
Petronas Dagangan Berhad
KLCC Stapled Group

Fund Information

NAV (31.12.14)	RM0.9882
Fund Size	RM 8.9 million
Inception Date	15-Oct-01
Fund Management Fee	1.40% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad (formerly known as MCIS Zurich Insurance Berhad)
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

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

Performance Table

Period	Fund	Index*
1 month (%)	-3.28%	-3.28%
3 months (%)	-4.04%	-4.61%
6 months (%)	-5.42%	-6.45%
12 months (%)	-3.97%	-5.66%
2 years (% pa)	4.23%	2.12%
3 years (% pa)	7.32%	4.79%
5 years (% pa)	7.60%	6.71%
Since Inception	5.28%	8.26%
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 (Dec 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.

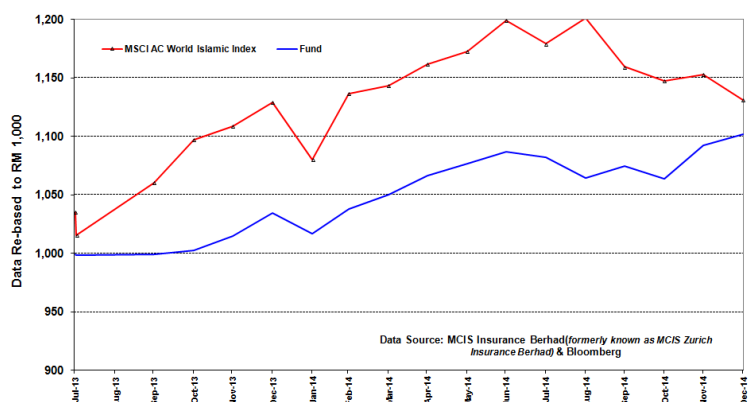
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 December 2014, the fund had outperformed the benchmark by 273bps 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 (31.12.14)	RM0.5511
Fund Size	RM 15.9 million
Inception Date	8-July-2013
Fund Management Fee	0.85% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad (formerly known as MCIS Zurich Insurance Berhad)
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
AIWEF	80%	100%	95%
Cash	0%	20%	5%

Performance Table

Period	Fund	Index*
1 month (%)	0.88%	-1.85%
3 months (%)	2.57%	- 2.42%
6 months (%)	1.42%	-5.66%
12 months (%)	6.53%	0.23%
2 years (% pa)	-	-
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	6.70%	8.59%

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 (Dec 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.

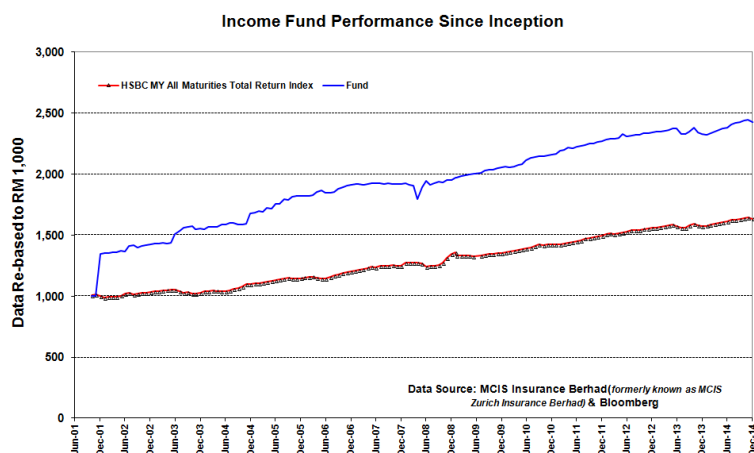
Risks

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 December 2014, the fund had underperformed the benchmark by 13bps 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
CIMB Bank Berhad

Fund Information

NAV (31.12.14)	RM1.2143
Fund Size	RM 21.2 million
Inception Date	15-Oct-01
Fund Management Fee	0.5% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad <i>(formerly known as MCIS Zurich Insurance Berhad)</i>
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Fixed Income	75%	100%	91%
Cash	0%	25%	9%

Performance Table

Period	Fund	Index*
1 month (%)	-0.70%	-0.57%
3 months (%)	-0.02%	0.22%
6 months (%)	1.94%	1.55%
12 months (%)	4.12%	3.85%
2 years (% pa)	1.83%	2.43%
3 years (% pa)	2.28%	3.06%
5 years (% pa)	3.38%	3.83%
Since Inception	6.93%	3.79%

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 (Dec 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

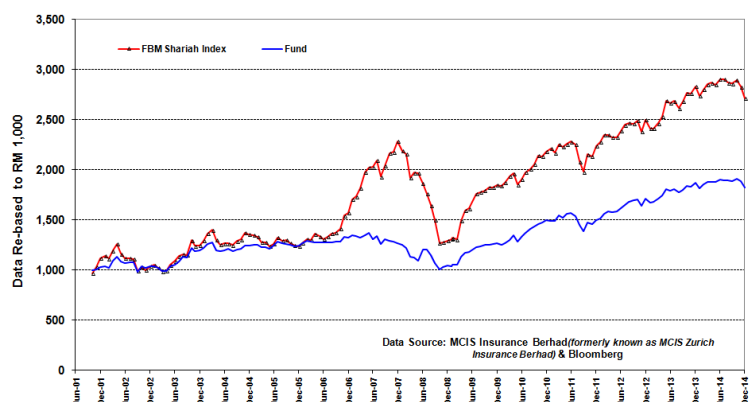
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 December 2014, the fund had outperformed the benchmark by 82bps 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
Maxis Berhad
Petronas Dagangan Berhad

Fund Information

NAV (31.12.14)	RM0.9125
Fund Size	RM10.7 million
Inception Date	15-Oct-01
Fund Management Fee	1.35% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad <i>(formerly known as MCIS Zurich Insurance Berhad)</i>
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Malaysian Equity	80%	100%	86%
Cash	0%	20%	14%

Performance Table

Period	Fund	Index*
1 month (%)	-3.24%	-4.06%
3 months (%)	-3.44%	-5.15%
6 months (%)	-4.21%	-6.58%
12 months (%)	-2.49%	-4.17%
2 years (% pa)	3.14%	4.19%
3 years (% pa)	6.70%	6.68%
5 years (% pa)	7.58%	8.01%
Since Inception	4.64%	7.83%
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

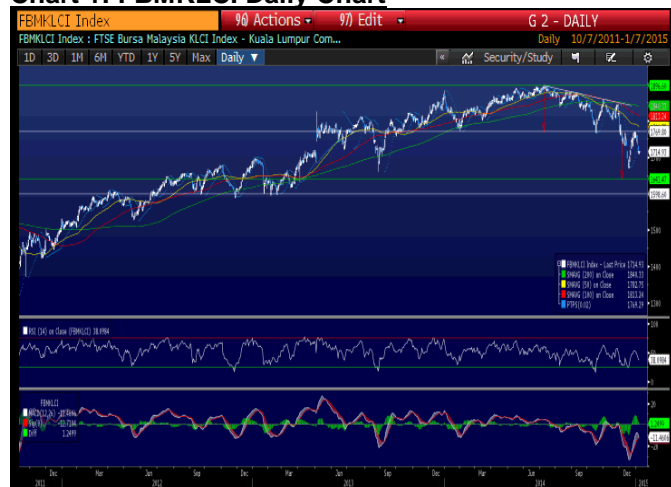
Market Review

The continued weaken in Ringgit (against the USD) coupled with soften oil prices dampened the local trading sentiment in the late 4Q14. December witnessed another volatile month as the FBM KLCI plummeted to a new 52-week low of 1,671 before rebounding on the back of window dressing activities.

On a month-on-month performance basis, the FBMKLCI continued to dampen by the weak macro factors and recorded a second consecutive month of negative total return. For the month, the KLCI plunged 3.3% or 60pts to close at 1,761pts. The broader market underperformed, with the FBM EMAS falling 3.8% mom to 12,058pts. Average daily value traded on Bursa in December decreased 4.6% mom to RM1.89bn.

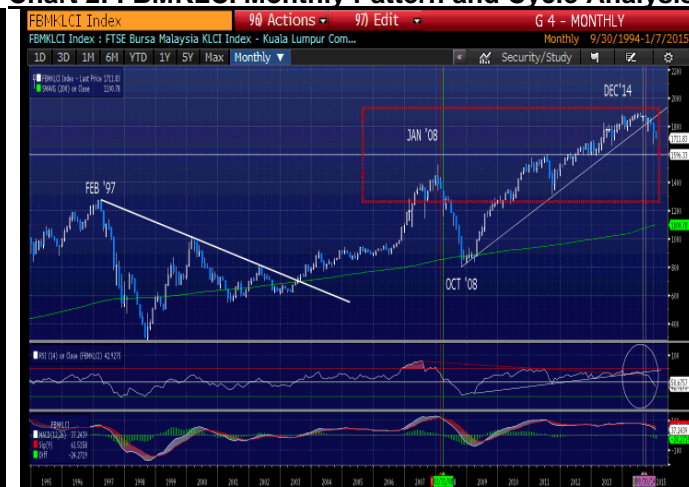
On the domestic economic front, the leading index (LI) moderated to 0.7% in Oct (+1.5% in Sep), coinciding with a moderation in industrial production and decline in exports. The LI moderation reaffirms the view of slower albeit positive growth prospects in the coming months. Lower oil prices will have its benefits in terms of shoring up discretionary spending ahead of the implementation of GST this April. Lower oil prices lend support to global and regional demand, thus reinforcing exports and industrial production.

Chart 1: FBMKLCI Daily Chart



Source: Bloomberg

Chart 2: FBMKLCI Monthly Pattern and Cycle Analysis



Source: Bloomberg

Market Outlook & Strategy

Eventhough January is historically a good month for KLCI, it might not be the case this time around. We expect the local equity market to remain volatile as a result of the unfavourable macro factors, namely lower crude oil prices and weak Ringgit against USD. We are cautious on the outlook as 2015 going to be a tough year. As such, our strategy pinned on buy on weakness and focusing on lower beta stocks. Switching to higher beta stocks will be our next strategy if the market were showing recovery.

Technically, the KLCI is now undergoing a multi-month correction. The fall below the 1,766 low in December confirmed its Head and Shoulders pattern, which is a topping pattern and has a downside target of 1,600-1,640. For January, we expect the index to give back most if not all of its gains from the 1,671 low. January is likely to be muted compared to recent years.

Fixed Income Review and Outlook

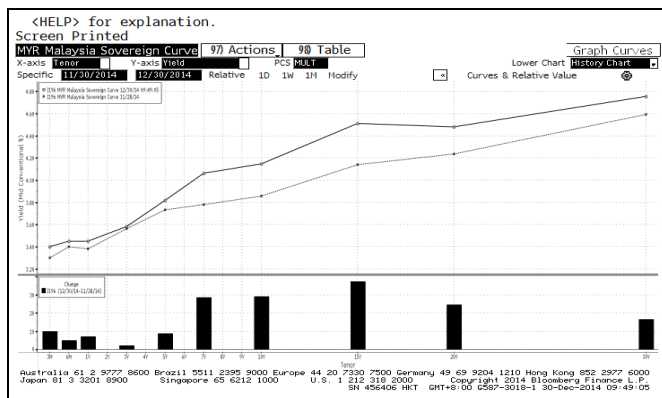
Market Review

December, in sum, has been an eventful month for the local bond market. Probably, the drop in price of oil was the main catalyst for the slew of events thereafter that impacted the local bond market significantly. Oil went from a high of USD105.37 on 30 June 2014 to USD53.15 per barrel (Ref: Nymex Crude Oil) on 30 December 2014, which equated to a 50% drop in price for the past six months. The drastic drop in oil price led Petronas to issue a statement that Petronas' profits could be much affected by this and that dividends to the Federal Government might be slashed if oil price stays low. Additionally, in order to circumvent further pressure on Petronas' earnings and cash flows, capital expenditure for its oil projects have also been scaled back substantially. That said, the prevailing low oil price has also prompted the Federal Government to announce that they will be removing the subsidy on RON 95 petrol and that its price would be determined by market forces and by the calibrated average price like how the price of RON 97 has been determined in order to manage public finances better in 2015.

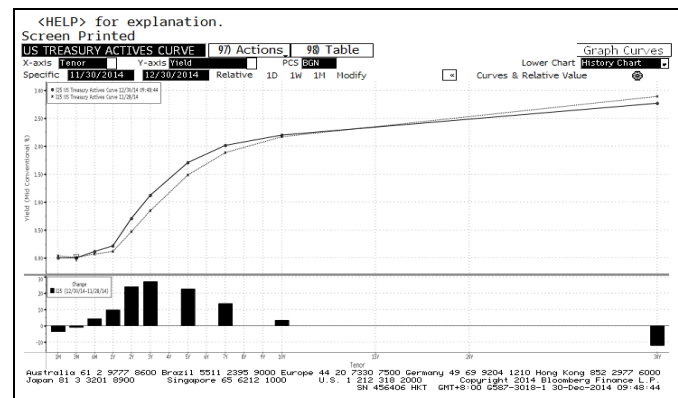
As there were doubts casted on Malaysia's fiscal position in meeting the targeted fiscal deficit of 3.0% for 2015 since bulk of Federal Government Revenue would come from contributions of Petronas, both equities and bonds suffered sell offs where prices dropped significantly compared to the month before. That selling led to a barrage of portfolio outflows where we also saw the Ringgit weakened by 3.5% month on month USD/MYR 3.5015. While across the yield curve, benchmarked MGS adjusted on average 25bps end December 2014, there were selected tenures like the 7-year MGS 921 where yields have spiked more than 55bps to as high as 4.35% at reopening of its tender.

The 7-year MGS 9/21 tender of RM3bn garnered a bid to cover ratio of 1.323x and at an average yield of 4.277%, nearing the 15-year MGS yield of 4.28% a day before the tender. In the near term, we expect the market to show positive reaction to the attractive pricing. Besides the 7-year MGS 9/21, there was also the reopening of the 10-year GII 5/24 of RM3bn where the btc was 1.642x and average tender yield of 4.162%.

In addition to the scheduled reopening of the two mentioned government bond auctions, Bank Negara Malaysia has also announced the 2015 Government Auction Calendar on 2 December 2014. In summary, there will be a total of 29 tenders (16 MGS tenders, 13 GII tenders) versus 28 MGS(16) /GII (12) tenders held during 2014. Meanwhile, SPK issuance in 2015 will comprise of 2 reopening (SPK 7/22, with 2 scheduled private placements) and 1 new issue. Probably what stood out from the announcement was the relevance of MGS 4/30 & MGS 9/43, where both MGS were benchmarks in 2014 and would remain having that status in 2015.



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) in the near term, 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 half of 2015.