



Investment Linked Fund Performance Report June 2015

General Advice Warning

The information contained in this material is general information and intended for the use of professional advisers, researchers and trustees. It does not take into account the objectives, financial situation or needs of any person. These factors should be considered before acting on this information.

MCIS receives remuneration such as fees, charges or premiums for the products. Details of these payments including how they are calculated and when and how they are payable can be found in the relevant sales illustrations, or other disclosure document for each product.

Past performance is not a reliable indicator of future performance

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

AsiaPac Fund Monthly Report (June 2015)

Investment Objective

To achieve steady income stream with potential growth in the Asia Pacific Region over medium to long term. The aim of the Fund is to outperform the S&P Ethical Pan Asia Select Dividend Opportunities Index over periods of five or more years.

Investment Strategy

To invest in Asia Pacific Ethical Dividend Exchange Traded Fund (ETF), managed by CIMB Principal Asset Management where the ETF is listed on the Singapore Stock Exchange.

The ETF focuses on top 40 ethical and high yielding stocks in the Asia Pacific Region excluding India, Taiwan, Japan, New Zealand and Philippines. The fund provides country diversification across the industry that is traded in US Dollar.

Risks

The Fund is considered low risk given the exposure to only one underlying securities with no attempt to select stocks individually or to take defensive positions in declining markets. Risk is managed at the management level, where the asset allocation of the fund to be reviewed on regular basis, and adjusted to commensurate with the Investment Team view on the relative attractiveness of each asset class.

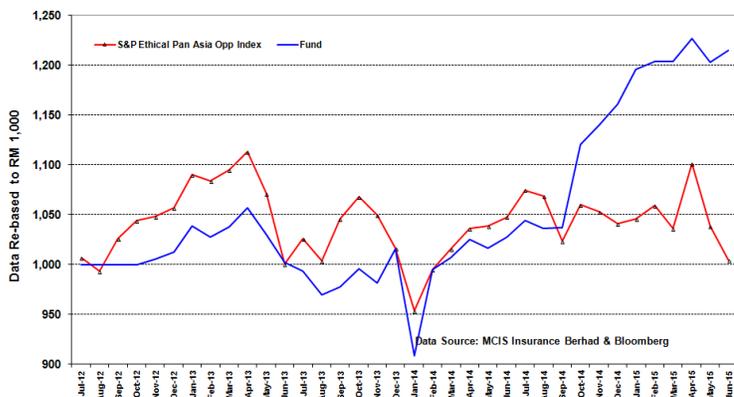
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

The target market is for investors who are seeking regional exposure from investment and at the same time, seeking for medium to long term capital appreciation with moderate market risk.

Fund Performance

For the month ended June 2015, the fund had outperformed the benchmark by 426bps MoM (month on month). The outperformance was mainly due to strengthening USD compared to Ringgit.

AsiaPac Fund Performance Since Inception



Top Ten Holdings

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

Fund Information

NAV (30.06.15)	RM0.6074
Fund Size	RM 26.3 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%	82%
Cash	0%	20%	18%

Performance Table

Period	Fund	Index*
1 month (%)	0.96%	- 3.30%
3 months (%)	0.90%	- 3.07%
6 months (%)	4.63%	- 3.48%
12 months (%)	18.22%	- 4.13%
2 years (% pa)	21.19%	0.36%
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	6.70%	0.16%

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 2015)

Investment Objective

The objective of the Balanced Fund is to provide security and income, while maintaining and potentially increasing the value of capital over the medium to long-term, through exposure across a range of asset classes. The Fund aims to outperform the performance benchmark over periods of three or more years.

Investment Strategy

To invest in Malaysian equities and fixed income securities, including government bonds and corporate debt securities. The asset allocation is reviewed on a regular basis, and is adjusted commensurate with our view on the relative attractiveness of each asset class.

Risks

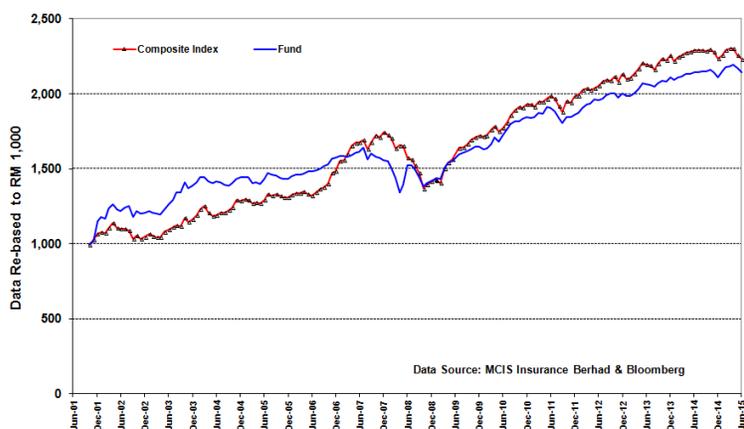
The Fund is considered medium risk given the mixed exposure of equity securities, fixed income and cash. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, industry and economy development, social and political factors, and the liquidity of the underlying assets. Additionally, levels of interest rates, and credit downgrades of defaults can affect the value of fixed income securities

The target market is clients wanting the surety of insurance protection, with an element of potential upside investment exposure.

Fund Performance

For the month ended June 2015, the fund had underperformed the benchmark by 32bps 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)
 Projek Lebuhraya Utara-Selatan (Bond)
 Sabah Credit Corporation (Bond)
 Malayan Banking Berhad (Equity)
 Tenaga Nasional Berhad (Equity)
 Telekom Malaysia Berhad (Equity)
 Maxis Berhad (Equity)
 AmanahRaya REIT (Equity)
 Sime Darby Berhad (Equity)
 CIMB Group Holdings Berhad (Equity)

Fund Information

NAV (30.06.15)	RM1.0710
Fund Size	RM7.3 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%	32%
Cash	0%	20%	24%

Performance Table

Period	Fund	Index*
1 month (%)	- 1.44%	- 1.12%
3 months (%)	- 1.82%	- 3.06%
6 months (%)	1.43%	- 0.08%
12 months (%)	- 0.10%	- 2.59%
2 years (% pa)	1.79%	0.79%
3 years (% pa)	3.07%	2.79%
5 years (% pa)	4.42%	4.72%
Since Inception	5.70%	6.01%

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 (June 2015)

Investment Objective

To achieve steady income stream with potential for capital growth over medium to long term by focusing mostly on high dividend yielding stocks and money market instruments. The aim of the Fund is to outperform the FBM KLCI Index over periods of five or more years.

Investment Strategy

To invest in a broad selection of companies listed on the Malaysian Stock Exchange. Using a relative value methodology, the fund focuses on undervalued stocks relative to fundamental value, with the aim of achieving an income stream, together with some degree of long-term capital gains.

Risks

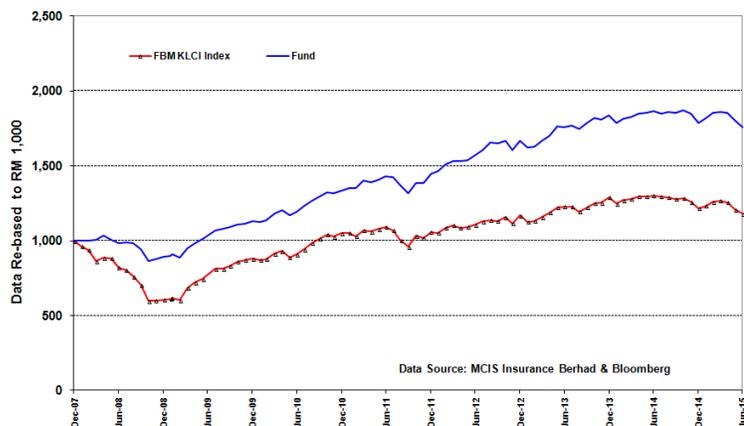
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and political factors, and the liquidity of the underlying assets.

The target market is clients wanting the surety of insurance protection, with an element of potential upside investment exposure.

Fund Performance

For the month ended June 2015, the fund had underperformed the benchmark by 27bps 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
Public Bank Berhad
Petronas Gas Berhad
Maxis Berhad
Malayan Banking Berhad
Axiata Group Berhad
Petronas Chemicals Group Berhad
DiGi.Com Berhad
British American Tobacco (M) Berhad

Fund Information

NAV (30.06.15)	RM0.8343
Fund Size	RM 45.1 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%	96%
Cash	0%	20%	4%

Performance Table

Period	Fund	Index*
1 month (%)	- 2.61%	- 2.34%
3 months (%)	- 5.48%	- 6.78%
6 months (%)	- 1.58%	- 3.10%
12 months (%)	- 5.80%	- 9.35%
2 years (% pa)	- 0.07%	- 1.90%
3 years (% pa)	3.75%	2.19%
5 years (% pa)	7.99%	5.37%
Since Inception	7.80%	2.24%
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 (June 2015)

Investment Objective

The objective of the Equity Fund is to achieve capital growth over the medium to long term by focusing on high quality equities listed on the FBM KLCI Index. The aim of the Equity Fund is to outperform the Index over periods of five or more years.

Investment Strategy

To invest in a broad selection of companies listed on the Malaysian Stock Exchange. Using a relative value methodology, the fund focuses on the stocks whose shares appear undervalued relative to fundamental value, with the aim of achieving long term growth in capital value.

Risks

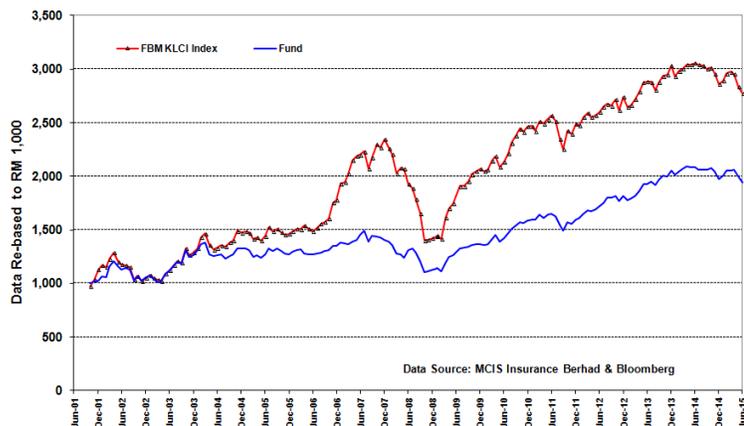
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and political factors, and the liquidity of the underlying assets.

The target market is clients wanting the surety of insurance protection, with an element of potential upside investment exposure.

Fund Performance

For the month ended June 2015, the fund had underperformed the benchmark by 26bps 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
Sime Darby Berhad
Telekom Malaysia Berhad
Axiata Group Berhad
Petronas Chemicals Group Berhad
Petronas Dagangan Berhad
Maxis Berhad

Fund Information

NAV (30.06.15)	RM0.9734
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
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Malaysian Equity	80%	100%	92%
Cash	0%	20%	8%

Performance Table

Period	Fund	Index*
1 month (%)	- 2.60%	- 2.34%
3 months (%)	- 5.13%	- 6.78%
6 months (%)	- 1.50%	- 3.10%
12 months (%)	- 6.83%	- 9.35%
2 years (% pa)	0.41%	- 1.90%
3 years (% pa)	4.20%	2.19%
5 years (% pa)	6.44%	5.37%
Since Inception	4.96%	7.70%
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 (June 2015)

Investment Objective

The fund aims for capital appreciation in the long term by investing in an international portfolio of Shariah-compliant equities and equity-related securities of companies with good growth potential.

Investment Strategy

The Fund is to feed into Aberdeen Islamic World Equity Fund (AIWEF) which managed by Aberdeen Islamic Asset Management Sdn Bhd. The Fund invests in shariah approved securities across the globe.

The Fund seeks to achieve its objective by investing in an international portfolio of Shariah-compliant equities and equity-related securities of companies with good growth potential. The countries that the Fund will invest in will include, but not limited to Canada, United States of America, United Kingdom, France, Germany, Italy, Netherlands, Sweden, Switzerland, Japan, Australia, China, Hong Kong, Korea, Singapore, Taiwan, Brazil and Mexico.

Risks

The Fund is considered low risk given the exposure to only one underlying securities with no attempt to select stocks individually or to take defensive positions in declining markets. Risk is managed at the management level, where the asset allocation of the fund to be reviewed on regular basis, and adjusted to commensurate with the Investment Team view on the relative attractiveness of each asset class.

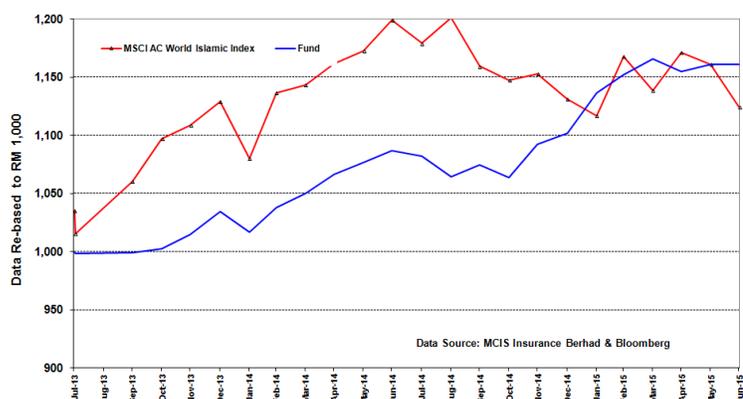
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

The Fund is suitable for investors who seek capital appreciation over a long term investment horizon and who are willing to accept high level of risk.

Fund Performance

For the month ended June 2015, the fund had outperformed the benchmark by 316bps MoM (month on month). The outperformance was partly due to higher return of Aberdeen Islamic World Equity Fund compared to benchmark.

Global Yakin Fund Performance Since Inception



Top Ten Holdings

Aberdeen Islamic World Equity Fund (AIWEF)

Fund Information

NAV (30.06.15)	RM0.5806
Fund Size	RM 18.8 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%	85%
Cash	0%	20%	15%

Performance Table

Period	Fund	Index*
1 month (%)	- 0.01%	- 3.17%
3 months (%)	- 0.41%	- 1.26%
6 months (%)	5.35%	- 0.61%
12 months (%)	6.84%	- 6.24%
2 years (% pa)	-	-
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	7.76%	6.05%

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 2015)

Investment Objective

The objective of the Income Fund is to provide investors with security of income by investing in a mix of fixed income and fixed deposit securities. The aim of the Fund is to outperform the HSBC Malaysia Local Currency All Bond Total Return Index.

Investment Strategy

To invest into underlying asset classes as per the Asset Allocation Ranges. The asset allocation is reviewed on a regular basis, and is adjusted commensurate with our view on the relative attractiveness of each asset class. The Fund invests in cash and fixed income securities including government bonds and corporate debt securities.

Risks

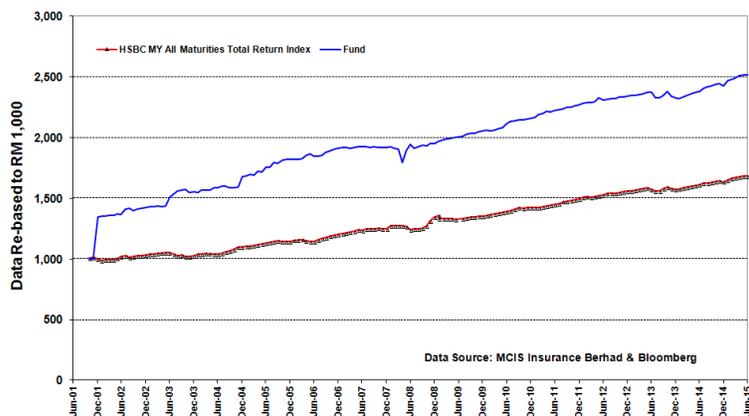
The Fund is considered lower risk given the exposure to cash and fixed income securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and political factors, and the liquidity of the underlying assets. Additionally, levels of interest rates, and credit downgrades or defaults can affect the value of fixed income securities.

The target market is clients wanting the surety of insurance protection, with an element of potential upside investment exposure.

Fund Performance

For the month ended June 2015, the fund had underperformed the benchmark by 7bps MoM (month on month). The underperformance was mainly driven by underperformance of the bond market during the period.

Income Fund Performance Since Inception



Top Ten Holdings

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

Fund Information

NAV (30.06.15)	RM1.2582
Fund Size	RM 21.6 million
Inception Date	15-Oct-01
Fund Management Fee	0.5% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Fixed Income	75%	100%	77%
Cash	0%	25%	23%

Performance Table

Period	Fund	Index*
1 month (%)	- 0.02%	0.09%
3 months (%)	0.95%	0.74%
6 months (%)	3.62%	2.97%
12 months (%)	5.62%	4.57%
2 years (% pa)	2.99%	3.46%
3 years (% pa)	2.90%	3.26%
5 years (% pa)	3.51%	3.88%
Since Inception	6.94%	3.87%

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

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

* Index is HSBC Malaysia All Bond 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 (June 2015)

Investment Objective

The Jati Fund is invested in accordance with Shariah principles in Shariah sanctioned equities, money market instruments, and fixed income investments. The aim is to provide security and income, while maintaining and potentially increasing the value of capital over the medium to long-term. The Jati Fund is not a takaful product.

Investment Strategy

To invest in a broad selection of Shariah approved securities listed on the Malaysian Stock Exchange. Using a relative value methodology it looks to buy stocks whose shares appear undervalued relative to fundamental value, with the aim of achieving an income stream, together with some degree of long-term capital gains.

Risks

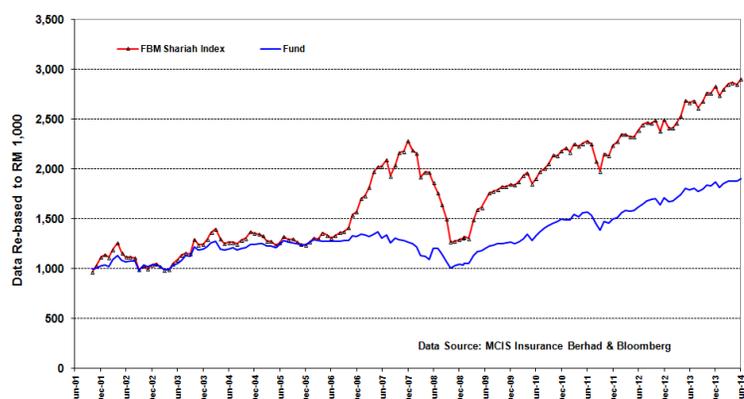
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and political factors, and the liquidity of the underlying assets.

The target market is clients wanting the surety of insurance protection, with an element of potential upside investment exposure.

Fund Performance

For the month ended June 2015, the fund had underperformed the benchmark by 69bps MoM (month on month). The underperformance was mainly driven by higher exposure of underperforming stocks in the portfolio compared to benchmark.

Jati Fund Performance Since Inception



Top Ten Holdings

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

Fund Information

NAV (30.06.15)	RM0.8854
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
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

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

Performance Table

Period	Fund	Index*
1 month (%)	- 3.61%	- 2.92%
3 months (%)	- 6.72%	- 6.96%
6 months (%)	- 2.97%	- 2.38%
12 months (%)	- 7.05%	- 8.80%
2 years (% pa)	- 0.64%	- 0.35%
3 years (% pa)	3.02%	3.53%
5 years (% pa)	5.78%	6.85%
Since Inception	4.24%	7.35%
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

June was another neagtive month for FBMKLCI Index. On-going macro concerns on a whole suite of issues ranging from concerns over the possible Fitch Ratings downgrade of Malaysia to the Greek crisis has dragged the benchmark to a lower level of 1,707pts, fell by 2.3% m-o-m. The index has also breached its 1,700pt psychological support temporarily during the month. This is the second month in a row that the KLCI has taken a big hit, and points towards a tough summer. The broader market performed in line the KLCI, with the FBM EMAS also declining 2.3% mom to 11,772pts. Average daily volume traded on Bursa in May was down 17.1% m-o-m to 1.5bn (1.8bn previously).

On the domestic economic front, credit agency Fitch upgraded the country's outlook rating to "stable" from "negative" recently. This provided some relief to market sentiment. However, the relief could be short-lived given that the 1MBD issues while the macro issues of the weak Ringgit and crude oil prices are still lingering. The Ringgit depreciated to closer to the previous pegged level of RM3.80 recently.

Globally, Greece started capital control on 6 July after the Greek referendum saw 61.3% of voted "NO" versus 38.7% voted for "YES" to austerity measures demanded by Greece creditors'. Meanwhile, an exit poll pointed to around 80% of voters wanted Greece to stay in Eurozone. The first key development post-referendum was ECB Governing Council meeting, which kept its Emergency Liquidity Assistant (ELA) to Greek banks at EUR89bil set on 27 June 2015. ELA has been key in aiding Greece banks facing the deposit runs. For now, due to the fact that Greece will definitely be worse off without the European countries supporting them, there is a high possibility that an agreement will be able to take place. We believe that Greece may have to agree to some of the austerity measures demanded by creditors

Chart 1: FBMKLCI Daily Chart



Source: Bloomberg

Chart 2: FBMKLCI Monthly Pattern and Cycle Analysis



Source: Bloomberg

Market Outlook & Strategy

Technically, the weakening Ringgit, local political issues coupled with the external Greek debt crisis are the on-going concerns of the bearish market. With the lack of any meaningful catalyst, the FBMKLCI could be poised for a near-term consolidation and we expect a sideways trading pattern this month within the 1,710-1,750 range. As long as the recent low of 1,688 holds, the near term bullish view stands. A dip below 1,688 would likely see the downtrend extend towards 1,666, which is within the key support band of 1,660-1,671.

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

Fixed Income Review and Outlook

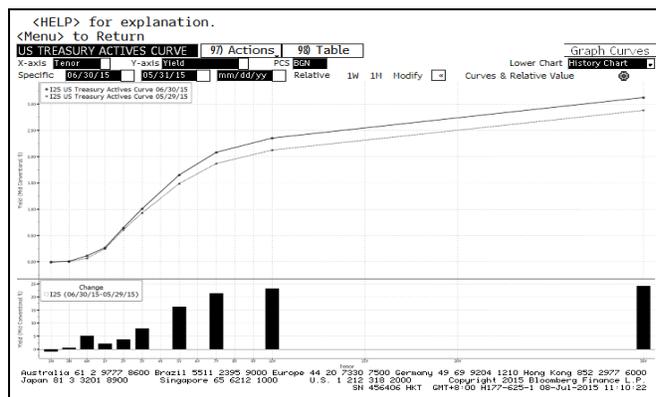
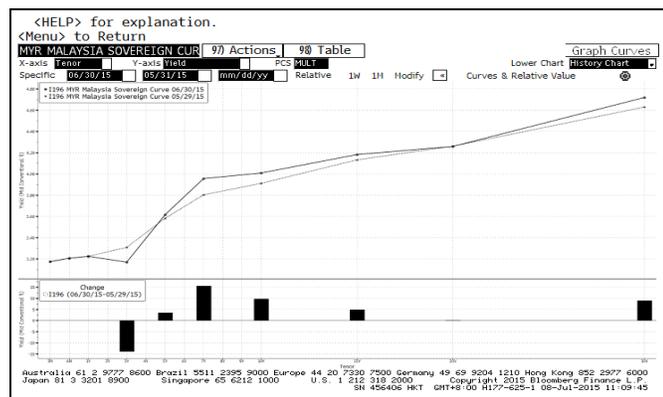
Market Review

Performance for the MGS market in June was mixed. Net selling was more pronounced by mid-month, amid selloff in US Treasuries and Euro Zone government bonds. The Ringgit weakened by 2.4% from RM3.6862/USD to RM3.7733/USD didn't help market sentiment and instead exacerbated more reasons to sell Malaysian government securities. By month-end, added pressure came ahead of impending Greek debt talks and the anticipated completion of Fitch's annual review on Malaysia's sovereign rating. This was built on expectations that Fitch had in numerous times reiterated that Malaysia is an A- with a negative outlook and there is a running chance of Malaysia's credit rating being downgraded with a 50% probability.

The government via the central bank sold RM9.5 bn of debt in June 2015. First it held a RM3.0bn reopening of MGS Sep'25 (10-year MGS), then RM3.5bn reopening of MGS Sep'22 (7-year MGS) and lastly RM3bn reopening of GII Aug'20 (5-year GII). The reopening of MGS Sep'25 was issued at an average yield of 4.037% and bid to cover (btc) was 1.669x. The reopening of MGS Sep'22 attracted a yield of 4.002% and a btc of 1.954x. Lastly, the GII Aug'20 was issued at an average of 3.743% and btc was 2.207x. The higher btc for GII Aug'20 was due to the fact that the government can tap on a bigger investor pool to subscribe to its debt papers as it would appeal to both conventional and Islamic investors.

Despite sellers market in May, foreign holdings of Malaysian government securities increased further to RM169.0 bn from RM168.3 bn in Apr. This was however not as large an increase compared to April where we saw an increase of RM11.0 bn in one month from RM157.3 bn recorded in Mar. The jump in Apr owed to the rally in MGS and also a surge in foreign interest on GII as GII were eligible to be included into the Barclays Global Aggregate Index.

US Treasuries pared losses ahead of the month end as sentiment were taken apart by the FOMC meeting and the Greek debt debacle. As the FOMC met on 18 Jun, UST yields had surged with the UST 10-year rising from 2.26% to 2.38% the same day, but slipped back to 2.26% days later. UST yields were overall volatile because while the US Fed has left the Fed Funds Rate unchanged (as expected) but the US Fed provided little clues as to when the rate will eventually rise and what would be the trigger. Hence, the market still thinks that the US Fed is on course for rate tightening before end-2015 and we think on a longer term, UST yield would remain elevated till year end.



Market Outlook & Strategy

Given the prevailing environment, we would continue to monitor closely the movements of MGS as it has been volatile due to the Ringgit's weakness against the US Dollar, Malaysia's fiscal deficit position and the stability of ratings outlook on Malaysia by the three international rating agencies. We would suggest accumulating bonds when there is a significant sell-off in the local bond market as we do not foresee further changes in the Overnight Policy Rate (OPR) of 3.25% in the near term unless domestic inflation poses a threat. We do not think so at this moment in terms of inflation given that oil prices have dropped considerably globally.