



(formerly known as MCIS Zurich Insurance Berhad)

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

### **General Advice Warning**

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

# AsiaPac Fund Monthly Report (Aug 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.

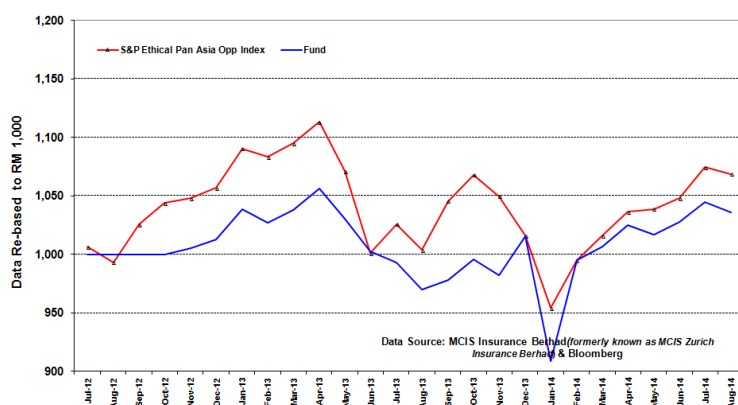
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 August 2014, the fund had underperformed the benchmark by 24bps MoM (month on month). The underperformance was partly due to foreign exchange movement.

AsiaPac Fund Performance Since Inception



## Top Five Holdings

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

## Fund Information

NAV (31.08.14)	RM0.5181
Fund Size	RM 19.9 million
Inception Date	15-July-2012
Fund Management Fee	0.85% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mcis.my">http://www.mcis.my</a>
Fund Manager	MCIS Insurance Berhad <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%	99%
Cash	0%	20%	1%

## Performance Table

Period	Fund	Index*
1 month (%)	-0.80%	-0.56%
3 months (%)	1.89%	2.88%
6 months (%)	4.12%	7.41%
12 months (%)	6.85%	6.45%
2 years (% pa)	3.62%	7.59%
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	1.65%	3.12%

**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 (Aug 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

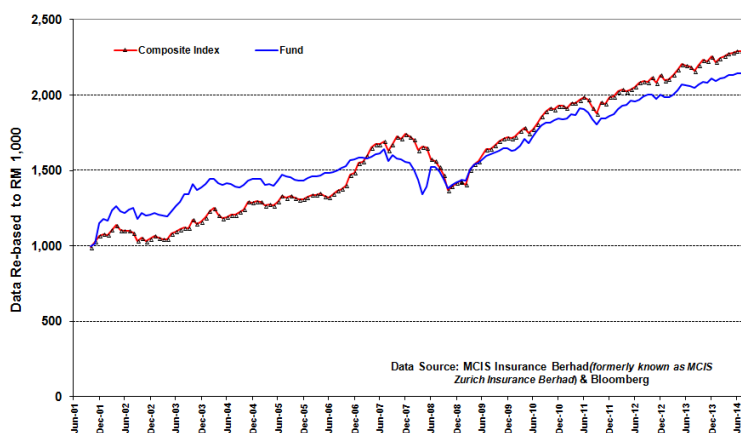
The Fund is considered medium risk given the mixed exposure of equity securities, fixed income and cash. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, industry and economy development, social and political factors, 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 August 2014, the fund had outperformed the benchmark by 36bps MoM (month on month). The outperformance was mainly driven by higher exposure of outperforming securities in the portfolio.

Balanced Fund Performance Since Inception



### Top Five Holdings

Government Investment Issue-GO130071 (Bond)  
 Malaysian Government Securities-MS03002H (Bond)  
 Projek Lebuhraya Utara-Selatan Berhad (Bond)  
 Tenaga Nasional Berhad (Equity)  
 Maybank (Equity)

### Fund Information

NAV (31.08.14)	RM1.0751
Fund Size	RM7.0 million
Inception Date	15-Oct-01
Fund Management Fee	1.25% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mcis.my">http://www.mcis.my</a>
Fund Manager	MCIS Insurance Berhad (formerly known as MCIS Zurich Insurance Berhad)
Exceptional Circumstances	Refer to your Policy Document

### Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Malaysian Equity	40%	60%	45%
Fixed Income	40%	60%	27%
Cash	0%	20%	9%

### Performance Table

Period	Fund	Index*
1 month (%)	0.35%	-0.01%
3 months (%)	0.67%	0.52%
6 months (%)	1.98%	2.15%
12 months (%)	5.03%	6.15%
2 years (% pa)	3.84%	4.67%
3 years (% pa)	5.35%	6.17%
5 years (% pa)	5.97%	6.89%
Since Inception	6.11%	6.64%

**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 (Aug 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

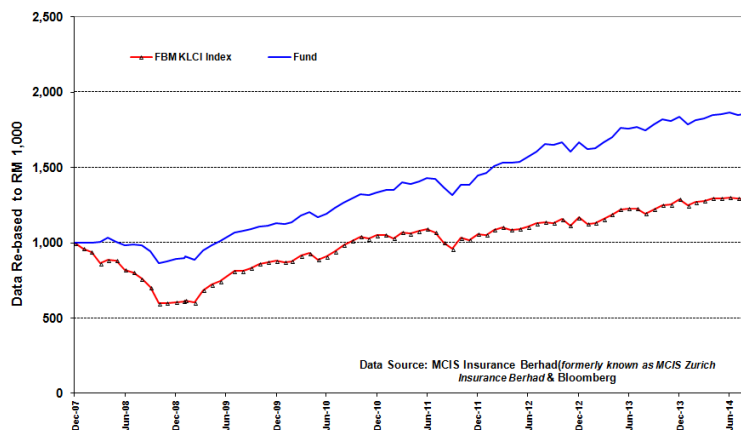
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 August 2014, the fund had outperformed the benchmark by 78bps MoM (month on month). The outperformance was mainly driven by higher exposure of outperforming stocks in the portfolio compared to benchmark.

Dividend Fund Performance Since Inception



### Top Five Holdings

Petronas Gas Berhad (Equity)  
Telekom Malaysia Berhad (Equity)  
Public Bank Berhad (Equity)  
Sime Darby Berhad (Equity)  
Maxis Berhad (Equity)

### Fund Information

NAV (31.08.14)	RM0.8830
Fund Size	RM 50.2 million
Inception Date	21-Jan-08
Fund Management Fee	1.5% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mcis.my">http://www.mcis.my</a>
Fund Manager	MCIS Insurance Berhad (formerly known as MCIS Zurich Insurance Berhad)
Exceptional Circumstances	Refer to your Policy Document

### Asset Allocation Ranges

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

### Performance Table

Period	Fund	Index*
1 month (%)	0.50%	-0.28%
3 months (%)	0.14%	-0.39%
6 months (%)	2.44%	1.66%
12 months (%)	6.23%	8.02%
2 years (% pa)	5.95%	6.47%
3 years (% pa)	10.76%	8.84%
5 years (% pa)	11.48%	9.71%
Since Inception	9.75%	3.91%
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 (Aug 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

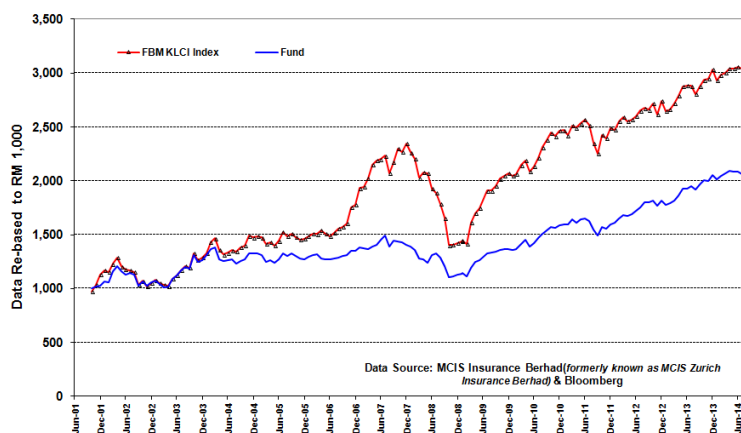
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 August 2014, the fund had outperformed the benchmark by 56bps MoM (month on month). The outperformance was mainly driven by higher exposure of outperforming stocks in the portfolio compared to benchmark.

Equity Fund Performance Since Inception



## Top Five Holdings

Tenaga Nasional Berhad (Equity)  
Public Bank Berhad (Equity)  
IOI Corporation Berhad (Equity)  
Maybank Berhad (Equity)  
Axiata Berhad (Equity)

## Fund Information

NAV (31.08.14)	RM1.0329
Fund Size	RM 9.4 million
Inception Date	15-Oct-01
Fund Management Fee	1.40% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mcis.my">http://www.mcis.my</a>
Fund Manager	MCIS Insurance Berhad (formerly known as MCIS Zurich Insurance Berhad)
Exceptional Circumstances	Refer to your Policy Document

## Asset Allocation Ranges

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

## Performance Table

Period	Fund	Index*
1 month (%)	0.28%	-0.28%
3 months (%)	-0.85%	-0.39%
6 months (%)	0.99%	1.66%
12 months (%)	7.39%	8.02%
2 years (% pa)	7.18%	6.47%
3 years (% pa)	10.06%	8.84%
5 years (% pa)	9.11%	9.71%
Since Inception	5.78%	8.97%
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 (Aug 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.

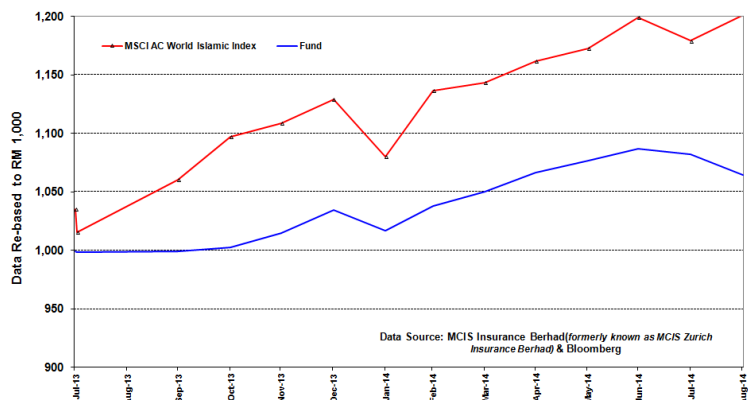
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 August 2014, the fund had underperformed the benchmark by 350bps MoM (month on month). The underperformance was partly due to the cash holding of the fund.

Global Yakin Fund Performance Since Inception



## Top Five Holdings

Aberdeen Islamic World Equity Fund (AIWEF)

## Fund Information

NAV (31.08.14)	RM0.5323
Fund Size	RM 14.4 million
Inception Date	8-July-2013
Fund Management Fee	0.85% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mcis.my">http://www.mcis.my</a>
Fund Manager	MCIS Insurance Berhad <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
AIWEF	80%	100%	87%
Cash	0%	20%	13%

## Performance Table

Period	Fund	Index*
1 month (%)	-1.63%	1.87%
3 months (%)	-1.17%	2.44%
6 months (%)	2.52%	5.69%
12 months (%)	6.59%	18.31%
2 years (% pa)	-	-
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	5.51%	17.03%

**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 (Aug 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.

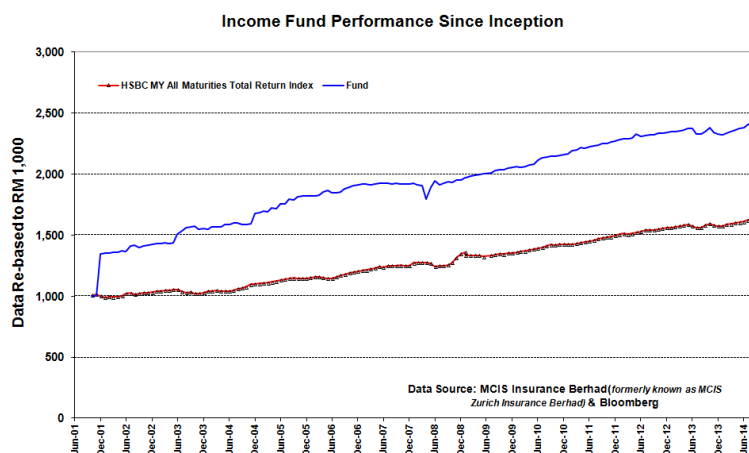
## Risks

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 August 2014, the fund had outperformed the benchmark by 33bps MoM (month on month). The outperformance was mainly driven by better outperformance of the bond market during the period.



## Top Five Holdings

Malaysian Government Securities-MS130005 (Bond)  
 Projek Lebuhraya Utara-Selatan Berhad (Bond)  
 Malaysian Government Securities-MN130003 (Bond)  
 Government Investment Issue-GO130071 (Bond)  
 Malaysian Government Securities-MS03002H (Bond)

## Fund Information

NAV (31.08.14)	RM1.2119
Fund Size	RM 21.1 million
Inception Date	15-Oct-01
Fund Management Fee	0.5% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mcis.my">http://www.mcis.my</a>
Fund Manager	MCIS Insurance Berhad <i>(formerly known as MCIS Zurich Insurance Berhad)</i>
Exceptional Circumstances	Refer to your Policy Document

## Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Fixed Income	75%	100%	83%
Cash	0%	25%	17%

## Performance Table

Period	Fund	Index*
1 month (%)	0.60%	0.27%
3 months (%)	2.10%	1.44%
6 months (%)	3.61%	2.63%
12 months (%)	3.97%	4.23%
2 years (% pa)	2.18%	2.77%
3 years (% pa)	2.65%	3.38%
5 years (% pa)	3.63%	3.93%
Since Inception	7.09%	3.85

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

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\* 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 (Aug 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

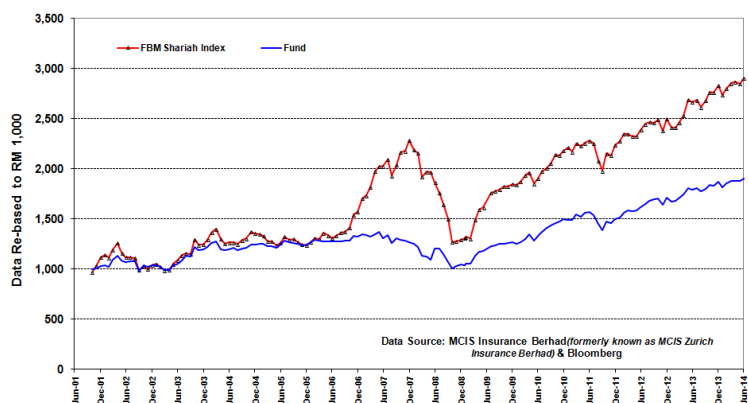
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 August 2014, the fund had outperformed the benchmark by 117bps 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 Five Holdings

Tenaga Nasional Berhad (Equity)  
 Axiata Berhad (Equity)  
 Sime Darby Berhad (Equity)  
 Telekom Malaysia Berhad (Equity)  
 IOI Corporation Berhad (Equity)

### Fund Information

NAV (31.08.14)	RM0.9471
Fund Size	RM10.4 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 (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%	89%
Cash	0%	20%	11%

### Performance Table

Period	Fund	Index*
1 month (%)	-0.06%	-1.23%
3 months (%)	0.89%	0.64%
6 months (%)	2.06%	2.51%
12 months (%)	6.60%	9.74%
2 years (% pa)	6.17%	7.79%
3 years (% pa)	9.35%	11.24%
5 years (% pa)	8.83%	10.03%
Since Inception	5.07%	8.51%
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

August was a volatile month as the FBMKLCI saw heavy selling pressure in the early trade of the month but slowly clawed back all the losses, in tandem with the Wall Street's strength. Results season for the previous quarter ended June '14 released during the month were again disappointing, but the impact on overall share prices was muted. Penny stocks were all the rage during the month, with a record 7.67 bil shares traded on Aug 20. The high volumes were viewed positively as it could herald more buoyant market conditions to come. The FBMKLCI ended the month 5pts or 0.3% lower to close at 1,866pts. The broader market underperformed the KLCI as the FBM EMAS fell 0.7% mom to 12,995pts. Average daily value traded on Bursa in Aug increased 19% mom to RM2.52bil.

On the domestic economic front, the Leading Index (LI), which provides an early signal of the direction of the economy, fell by a bigger margin of 0.4% m-o-m in June (-0.3% in May). Conversely, the leading index picked up to +0.8% y-o-y in June, from +0.6% in May. Despite a rebound in June's leading index, it remained modest, suggesting that economic activities will likely expand at a more moderate pace in the months ahead, following a stronger growth in the 2Q.

Meanwhile, exports unexpectedly slowed to 0.6% y-o-y in July (+7.9% in June), the slowest in 13 months, as the effect of a weaker currency fades and a higher base effect sets in, while developed countries' economic recovery continues to remain modest. The sharp slowdown in July's exports will likely cause the Central Bank to be cautious on tightening its monetary policy further as some economists are expecting.

Chart 1: FBMKLCI Daily Chart



Source: Bloomberg

Chart 2: FBMKLCI Monthly Pattern and Cycle Analysis



Source: Bloomberg

## Market Outlook & Strategy

The focus this month will be on the 2015 Budget presentation which is scheduled to be in the month of October. For the immediate term, equity market is focusing on the release of financial results where the current progress is not supportive as less upside surprises seen so far. The plantation sector may hit by lower CPO prices while some property companies were hit by the slower launches. Any downgrade in earnings will be negative for the market.

However, the reversal of foreign fund flow recently after few month of outflow may give some positive sign for the market. Sustained inflow may push the equity market higher. For the immediate term, we do not discount possible of a correction on the market in the month of September as traditionally this is considered as the month of consolidation. This may provide opportunity to accumulate at lower levels in line with our strategy to increase equity exposure for 2015 recovery.

Technically, taking out the all time high would see prices continue on higher towards 1,898-1,907 first followed by 1,916-1,924 as the next resistance. Support is seen at 1837 level.

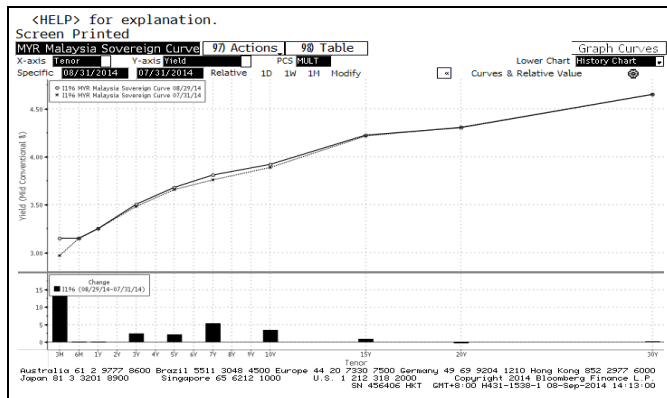
# Fixed Income Review and Outlook

## Market Review

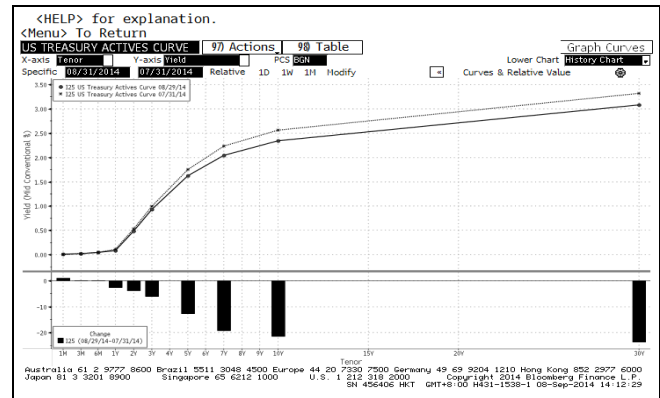
Trading of Malaysian Government Securities (MGS) was cautious on relatively thin volume in August. Sentiment was guarded as we head towards the September Bank Negara Malaysia Monetary Policy Committee (MPC) meeting, which is now a major flag to the market after the release of stronger-than-expected the 2Q2014 GDP. The 2Q2014 GDP came out at +6.4% yoy against +5.8% yoy consensus and 6.2% yoy in 1Q2014. On a qoq seasonally adjusted basis, the economy grew 1.8% (+0.8% in 1Q2014). The number was boosted by trade figures with net exports lifting overall GDP growth by 4.5 percentage points, amid stronger exports (+8.8% yoy in 2Q2014 versus +7.9% in 1Q2014).

MGS traded firmer and pared mid-month losses. Support came from gains along the US Treasuries market and firm Ringgit levels - as the dollar slumped and the ringgit boosted by expectations of another OPR hike in September. The USD/MYR pair had dipped a tad below 3.1400 as regional currencies strengthened against the USD. We also saw increased activities and mild gains for MGS after the release of the July inflation numbers, which came marginally lower at +3.2% yoy, compared with +3.3% in June.

Bank Negara Malaysia sold RM3.5 billion worth of the 7-year MGS in a reopening auction. Demand was firm, indicated by the bid-to-cover ratio of 2.0 times, despite the average yield recorded at 3.803%. Bank Negara also held reopening auction for the 10-year GII, which came in at size of RM3 billion, slightly below market consensus of RM3.5 billion. The auction result was healthy, as the bid-to-cover ratio reached 2.60 times, while average yield was 4.140%. Meantime, Bank Negara Malaysia conducted a reopening auction for 10-year Sukuk Perumahan Kerajaan (SPK), with a tender size of RM1 billion, and another RM500 million via private placement. Demand was firm, indicated by a bid-to-cover ratio of 5.59 times, while average yield was 4.268%.



Source: Bloomberg



Source: Bloomberg

## Market Outlook & Strategy

We continue to advocate on accumulating bonds whenever there is a knee jerk sell-off arising from sentiment that is bearish. Since the OPR has been raised by 25bps, it moderated some concerns on the quantum of the interest rate increase going forward. We believe this increase in OPR should augur well to offshore investors as they may see BNM's intention to signal an increase in OPR as a preemptive measure to manage inflation risk as well as to address some financial imbalances in key sectors.