



(formerly known as MCIS Zurich Insurance Berhad)

Investment Linked Fund Performance Report September 2014

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AsiaPac Fund Monthly Report (Sept 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.

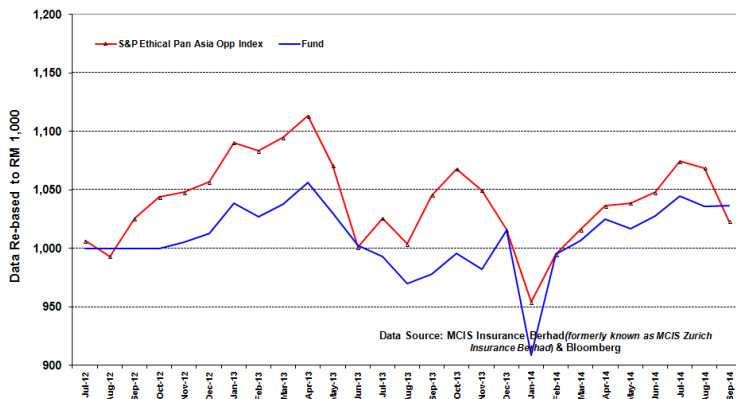
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 September 2014, the fund had outperformed the benchmark by 434bps MoM (month on month). The outperformance was due to optimal asset allocation into the ETF and translation gain due to weaker ringgit.

AsiaPac Fund Performance Since Inception



Top Ten Holdings

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

Fund Information

NAV (30.09.14)	RM0.5185
Fund Size	RM 19.6 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 (formerly known as MCIS Zurich Insurance Berhad)
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
ETF	80%	100%	87%
Cash	0%	20%	13%

Performance Table

Period	Fund	Index*
1 month (%)	0.08%	-4.26%
3 months (%)	0.91%	-2.34%
6 months (%)	3.00%	0.73%
12 months (%)	6.03%	-2.15%
2 years (% pa)	3.70%	-0.25%
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	1.63%	1.03%

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 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 (Sept 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

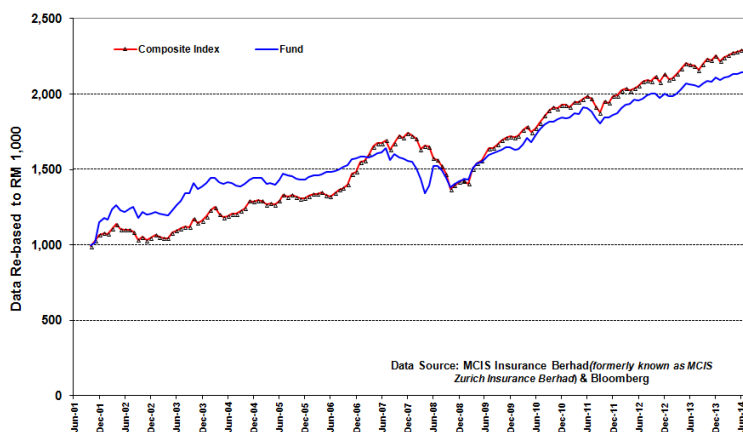
The Fund is considered medium risk given the mixed exposure of equity securities, fixed income and cash. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, industry and economy development, social and political factors, 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 September 2014, the fund had outperformed the benchmark by 59bps MoM (month on month). The underperformance was mainly driven by higher exposure of outperforming securities in the portfolio.

Balanced Fund Performance Since Inception



Top Ten Holdings

Government Investment Issue (Bond)
 Malaysian Government Securities-MS03002H (Bond)
 Projek Lebuhraya Utara-Selatan Berhad (Bond)
 Tenaga Nasional Berhad (Equity)
 Malayan Banking Berhad (Equity)
 Maxis Berhad (Equity)
 Telekom Malaysia Berhad (Equity)
 Malaysian Government Securities-MN130003 (Bond)
 Amanah Raya REIT (Equity)
 Sime Darby Berhad (Equity)

Fund Information

NAV (30.09.14)	RM1.0757
Fund Size	RM7.1 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 <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	40%	60%	49%
Fixed Income	40%	60%	27%
Cash	0%	20%	24%

Performance Table

Period	Fund	Index*
1 month (%)	0.06%	-0.53%
3 months (%)	0.34%	-0.46%
6 months (%)	1.78%	1.05%
12 months (%)	4.00%	3.75%
2 years (% pa)	3.69%	4.55%
3 years (% pa)	6.05%	6.70%
5 years (% pa)	5.82%	6.49%
Since Inception	6.07%	6.55%

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 (Sept 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

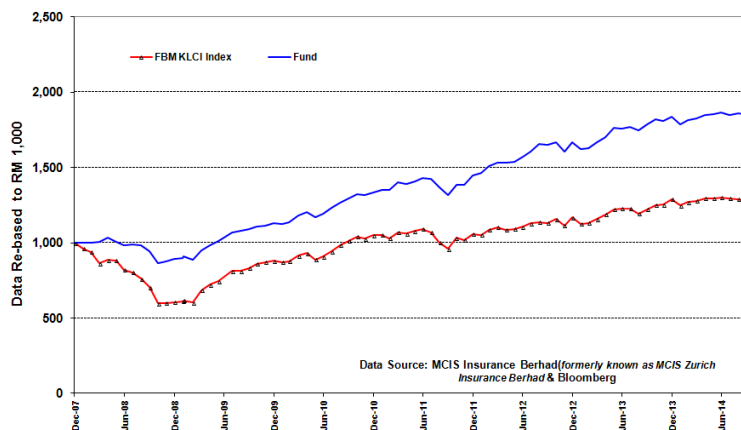
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 September 2014, the fund had outperformed the benchmark by 75bps MoM (month on month). The outperformance was mainly driven by higher exposure of outperforming stocks in the portfolio compared to benchmark.

Dividend Fund Performance Since Inception



Top Ten Holdings

Telekom Malaysia Berhad
 Petronas Gas Berhad
 Public Bank Berhad
 Sime Darby Berhad
 Maxis Berhad
 Axiata Group Berhad
 British American Tobacco (M) Berhad
 DiGi.Com Berhad
 Malayan Banking Berhad
 Petronas Chemicals Group Berhad

Fund Information

NAV (30.09.14)	RM0.8803
Fund Size	RM 49.3 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%	89%
Cash	0%	20%	11%

Performance Table

Period	Fund	Index*
1 month (%)	-0.31%	-1.06%
3 months (%)	-0.61%	-1.93%
6 months (%)	1.39%	-0.16%
12 months (%)	3.67%	4.39%
2 years (% pa)	5.96%	6.21%
3 years (% pa)	12.00%	10.00%
5 years (% pa)	11.17%	8.96%
Since Inception	9.57%	3.70%
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 (Sept 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

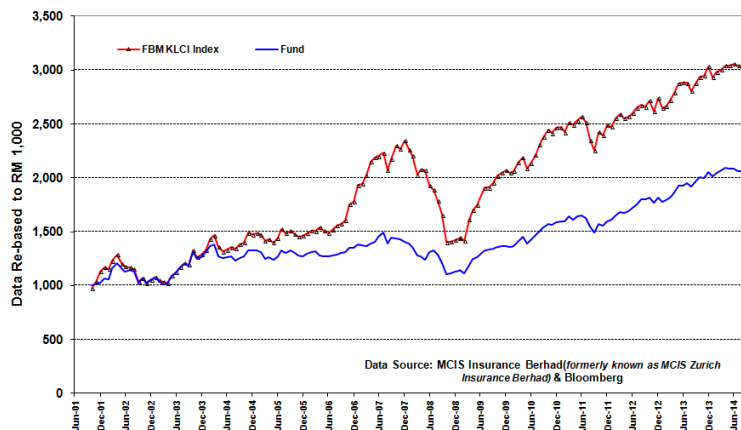
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 September 2014, the fund had outperformed the benchmark by 76bps MoM (month on month). The outperformance was mainly driven by higher exposure of outperforming stocks in the portfolio compared to benchmark.

Equity Fund Performance Since Inception



Top Ten Holdings

Tenaga Nasional Berhad
Public Bank Berhad
IOI Corporation Berhad
Malayan Banking Berhad
Axiata Group Berhad
Telekom Malaysia Berhad
Sime Darby Berhad
Petronas Dagangan Berhad
Maxis Berhad
Felda Global Ventures Holdings Berhad

Fund Information

NAV (30.09.14)	RM1.0298
Fund Size	RM 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%	87%
Cash	0%	20%	13%

Performance Table

Period	Fund	Index*
1 month (%)	-0.30%	-1.06%
3 months (%)	-1.44%	-1.93%
6 months (%)	-0.40%	-0.16%
12 months (%)	4.68%	4.39%
2 years (% pa)	6.82%	6.21%
3 years (% pa)	11.35%	10.00%
5 years (% pa)	8.87%	8.96%
Since Inception	5.72%	8.82%
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 (Sept 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.

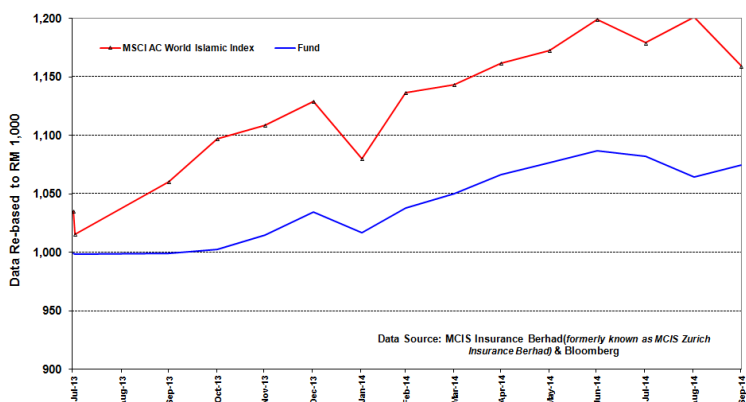
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 September 2014, the fund had outperformed the benchmark by 442bps MoM (month on month). The outperformance was partly due to better performance of Aberdeen Islamic World Equity Fund compared to benchmark and favorable translation gain due to weaker ringgit.

Global Yakin Fund Performance Since Inception



Top Ten Holdings

Aberdeen Islamic World Equity Fund (AIWEF)

Fund Information

NAV (30.09.14)	RM0.5373
Fund Size	RM 15.8 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 (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%	80%
Cash	0%	20%	20%

Performance Table

Period	Fund	Index*
1 month (%)	0.94%	-3.48%
3 months (%)	-1.12%	- 3.32%
6 months (%)	2.30%	1.39%
12 months (%)	7.52%	9.35%
2 years (% pa)	-	-
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	5.92%	12.57%

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 (Sept 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.

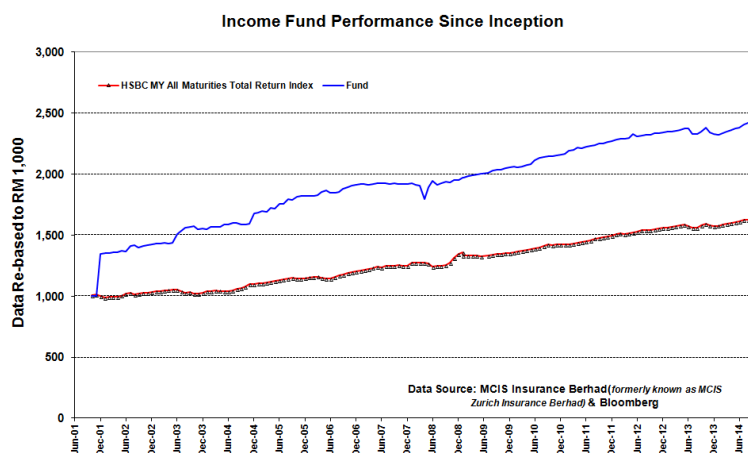
Risks

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 September 2014, the fund had underperformed the benchmark by 7bps MoM (month on month). The underperformance was mainly driven by lower performance of the bond market during the period.



Top Ten Holdings

Malaysian Government Securities-MS130005
 Projek Lebuhraya Utara-Selatan Berhad
 Malaysian Government Securities-MN130003
 Government Investment Issue-GO130071
 Malaysian Government Securities-MS03002H
 Government Investment Issue-GL130069
 CIMB Bank Berhad

Fund Information

NAV (30.09.14)	RM1.2146
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%	83%
Cash	0%	25%	17%

Performance Table

Period	Fund	Index*
1 month (%)	0.22%	0.29%
3 months (%)	1.96%	1.03%
6 months (%)	3.47%	2.26%
12 months (%)	3.43%	3.03%
2 years (% pa)	2.21%	2.77%
3 years (% pa)	2.59%	3.34%
5 years (% pa)	3.61%	3.87%
Since Inception	7.07%	3.82%

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 (Sept 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

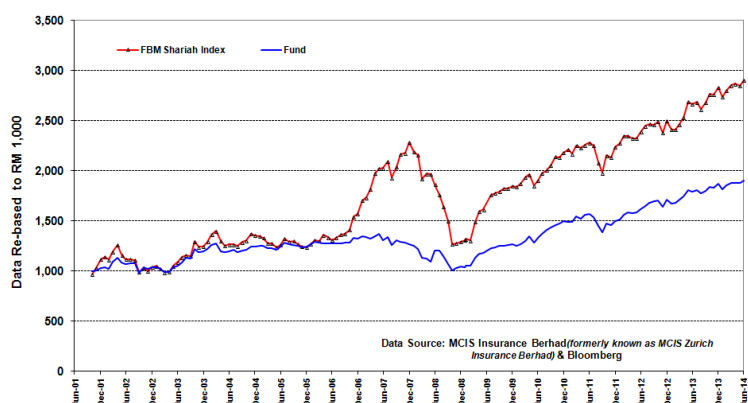
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 September 2014, the fund had outperformed the benchmark by 4bps 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
 Axiata Group Berhad
 Sime Darby Berhad
 Telekom Malaysia Berhad
 IOI Corporation Berhad
 MyETF Dow Jones Islamic Market Titan 25
 MISC Berhad
 Petronas Chemicals Group Berhad
 Gamuda Berhad
 Felda Global Ventures Holdings Berhad

Fund Information

NAV (30.09.14)	RM0.9450
Fund Size	RM10.6 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%	87%
Cash	0%	20%	13%

Performance Table

Period	Fund	Index*
1 month (%)	-0.22%	-0.26%
3 months (%)	-0.80%	-1.50%
6 months (%)	0.69%	0.30%
12 months (%)	4.76%	6.64%
2 years (% pa)	5.61%	7.82%
3 years (% pa)	10.72%	13.05%
5 years (% pa)	8.59%	9.78%
Since Inception	5.02%	8.43%
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.

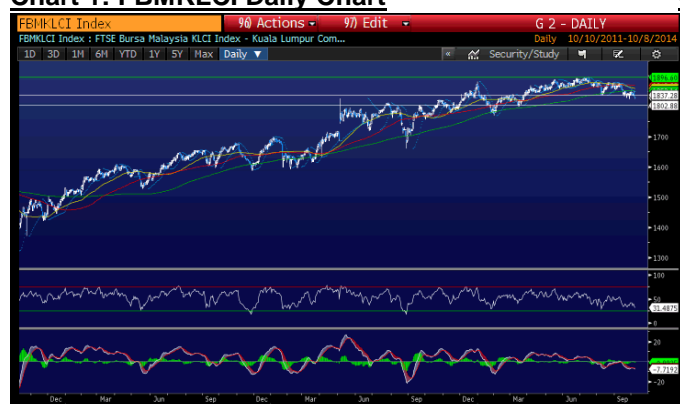
Equity Market Review and Outlook

Market Review

Net foreign selling in the 3Q has caused the local bourse to turn back down, while local investors shifted their attention to focus on the mid- to smaller-cap stocks. As a result, September has showed negative returns m-o-m with the FBM KLCI sliding to its year lows as investors also digested August's poor results season. The KLCI ended the month 20pts or 1.1% lower to close at 1,846pts. The broader market also ended the month lower but managed to outperform the KLCI, with the FBM Emas falling 0.5% mom to 12,925pts. Average daily value traded on Bursa in September declined 15% mom to RM2.14bn.

On the domestic economic front, after recording a strong growth of 6.3% y-o-y in the 1H, there are early signs to suggest that the spectacular growth will likely cool off in the 2H of the year. Already, industrial production and export growth unexpectedly slowed down significantly in July. This is on account of a slower increase in exports after a strong pick-up in 1H 2014, on weaker demand from some Malaysia's major trading partners, made worse by a higher base effect in the 2H of 2013. Domestic demand will likely moderate as well in the 2H 2014, dampened by rising cost of doing business and elevated inflation.

Chart 1: FBMKLCI Daily Chart



Source: Bloomberg

Chart 2: FBMKLCI Monthly Pattern and Cycle Analysis



Source: Bloomberg

Market Outlook & Strategy

October has been historically a decent month for the stock market, with the KLCI rising an average of 1.4% over the past 25 years. This could be the case again this year as the Malaysian stock market has come under selling pressure in the past two months and has significantly underperformed regional and global markets YTD. We continue to expect the KLCI to play a bit of catch-up in 4Q and for more aggressive window dressing to rear its head in December. Malaysia's premium valuations to the region have narrowed from the 25-30% range earlier in the year to around 10-15% now, close to its historical lows.

Technically, so far this year, FBM KLCI dropped by 2.2%. Average 20-years saw FBMKLCI index dropped by 2.7% and 15-years saw the index dropped by 2.4%. However, given the positive momentum since 2008, 10-years average saw the index rose by 1.3%. Meanwhile for the 4Q, average 10-years, 15-years and 20-years saw the index rose by 4.2%, 8.5% and 5.2% respectively.

Based on the above analysis, we believe that the equity market will recover into the 4Q of the year. This will be in line with the Budget presentation in the month of October and year end window dressing activities by most of major funds. To benefit from this potential rally, we will increase exposure into equity accordingly. The strategy will be 'Sell on Strength' when the index is approaching 2,000 level.

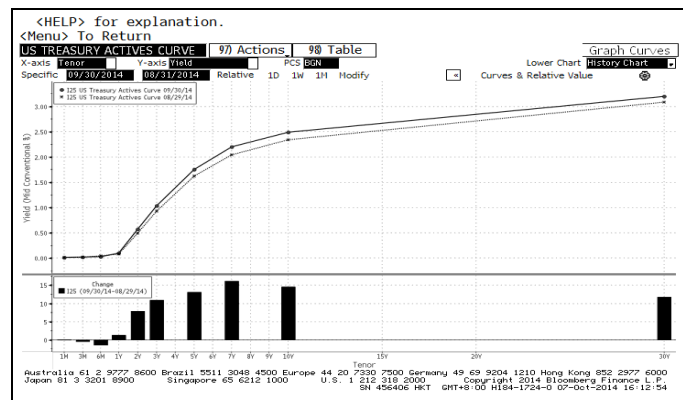
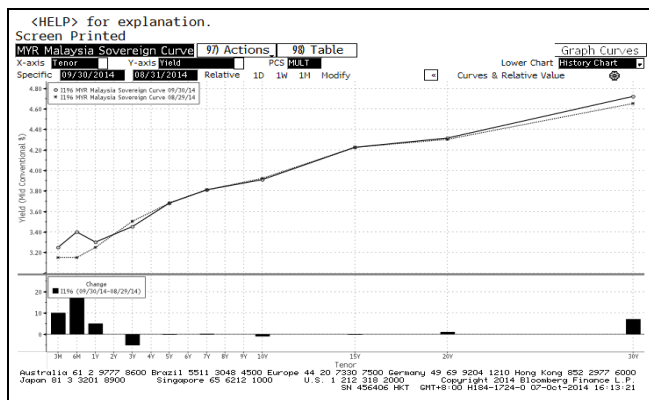
Fixed Income Review and Outlook

Market Review

In the month of September, there was net buying of shorter dated MGS post-MPC meeting (where Bank Negara did not hike the OPR) though flows were muted. At the 18 September Monetary Policy Committee (MPC) meeting, Bank Negara Malaysia decided to keep the Overnight Policy Rate (OPR) unchanged at 3.25%. The central bank continued to assess the balance between growth, inflation and financial imbalances. It has maintained a cautious but positive stance on growth, anchored by domestic demand and exports (moderate expansion in global economic activities) whilst private investment remains robust. We attributed the poor show of flows post the 18 September MPC was mainly due to the majority of a rate hike view rather than a rate pause. In short, even though there was a rate pause which is supposedly good for bonds, bonds didn't rally as market is now mixed in terms of the next rate action. In contrast to July's rate hike, the bond market did rally and our Ringgit strengthened at the same time buoyed mainly by the bigger interest rate differential compared to USA and the impression of Malaysia being ahead of the curve.

Subsequently, the MGS yield curve steepened as players digested fresh macroeconomic data. There was some net buying interest ahead of the month- and quarter-end, boosted by portfolio rebalancing activity. However, sentiment was also negatively affected by the firm USD which was hampering offshore interest on MGS, in our opinion. As for economic data, the August inflation number came slightly higher than expected at +3.3% yoy, in comparison to +3.2% consensus. Meanwhile, Malaysia's IPI showed a small 0.5% yoy growth in July, or its smallest gain since February 2013. In contrast, consensus amongst economists was growth of 4.3% after the 7.0% yoy growth the month before.

US Treasuries weakened as we headed towards the mid-September FOMC meeting. The market also responded to a San Francisco Fed report that indicated players have not responded to, or priced in, tighter monetary policy moves by the Fed going forward. The robust ISM manufacturing, factory orders, services PMI and composite PMI data had triggered selling pressure. On the other hand, non-farm payrolls were just +142k in August, lower than 230k forecasted by economists. The latter half of the month saw fresh buying interest and which pared prior losses. The yield curve steepened post mid-month FOMC meeting. As widely expected, the Fed reduced another \$10 billion from its \$25 billion monthly asset purchases. On the flipside, policy makers stated that the low interest rate environment should remain for a "considerable time" after the stimulus programme ends (which we expect to be in October this year). Meantime, economic data were disappointing, led by lower-than expected CPI number of 1.7% in August, versus forecast of 1.9%.



Market Outlook & Strategy

We continue to advocate on accumulating bonds whenever there is a knee jerk sell-off arising from sentiment that is bearish as the fundamental reasons for bond investments are still positive. Since the OPR has been raised by 25bps in July, it moderated some concerns on the quantum of the interest rate increase going forward.