



(formerly known as MCIS Zurich Insurance Berhad)

Investment Linked Fund Performance report October 2014

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AsiaPac Fund Monthly Report (Oct 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.

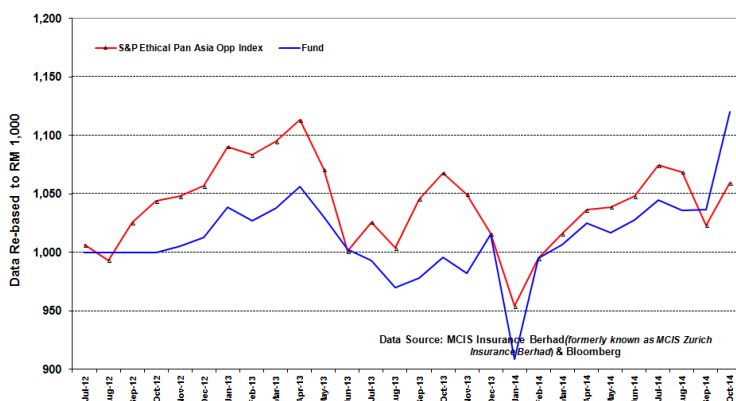
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 October 2014, the fund had outperformed the benchmark by 447bps MoM (month on month). The outperformance was mainly due to the weakening of ringgit against the USD.

AsiaPac Fund Performance Since Inception



Top Ten Holdings

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

Fund Information

NAV (31.10.14)	RM0.5602
Fund Size	RM 20.8 million
Inception Date	15-July-2012
Fund Management Fee	0.85% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad <i>(formerly known as MCIS Zurich Insurance Berhad)</i>
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

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

Performance Table

Period	Fund	Index*
1 month (%)	8.04%	3.57%
3 months (%)	7.26%	-1.40%
6 months (%)	9.29%	2.24%
12 months (%)	12.49%	-0.79%
2 years (% pa)	12.04%	1.52%
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	4.99%	2.53%

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 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 (Oct 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

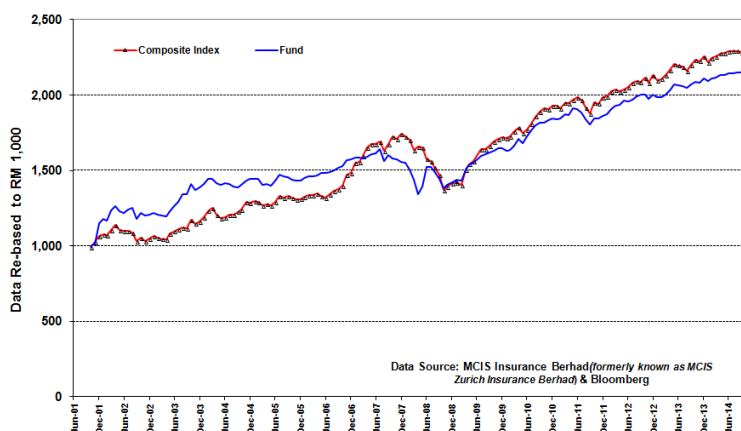
The Fund is considered medium risk given the mixed exposure of equity securities, fixed income and cash. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, industry and economy development, social and political factors, 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 October 2014, the fund had outperformed the benchmark by 2bps MoM (month on month). The outperformance was mainly driven by higher exposure of outperforming securities in the portfolio.

Balanced Fund Performance Since Inception



Top Ten Holdings

Malaysian Government Securities (Bond)
 Tenaga Nasional Berhad (Equity)
 Projek Lebuhraya Utara-Selatan Berhad (Bond)
 Sabah Credit Corporation (Bond)
 Telekom Malaysia Berhad (Bond)
 Government Investment Issue (Bond)
 Malayan Banking Berhad (Equity)
 Telekom Malaysia Berhad (Equity)
 Maxis Berhad (Equity)
 Sime Darby Berhad (Equity)

Fund Information

NAV (31.10.14)	RM1.0813
Fund Size	RM7.2 million
Inception Date	15-Oct-01
Fund Management Fee	1.25% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad (formerly known as MCIS Zurich Insurance Berhad)
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Malaysian Equity	40%	60%	49%
Fixed Income	40%	60%	43%
Cash	0%	20%	8%

Performance Table

Period	Fund	Index*
1 month (%)	0.52%	0.50%
3 months (%)	0.92%	0.11%
6 months (%)	1.34%	0.84%
12 months (%)	3.44%	2.85%
2 years (% pa)	3.93%	4.14%
3 years (% pa)	5.42%	5.54%
5 years (% pa)	5.79%	6.28%
Since Inception	6.07%	6.56%

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 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 (Oct 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

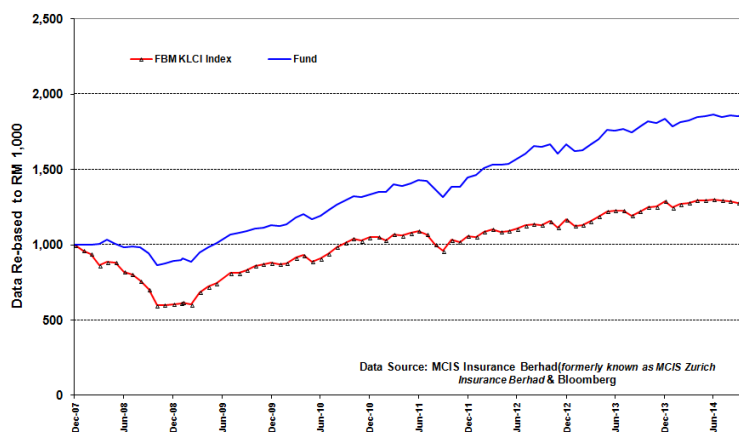
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 October 2014, the fund had outperformed the benchmark by 64bps 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
Sime Darby Berhad
Petronas Gas Berhad
Public Bank Berhad
Maxis Berhad
Axiata Group Berhad
DiGi.Com Berhad
Malayan Banking Berhad
British American Tobacco (M) Berhad
Felda Global Ventures Holdings Berhad

Fund Information

NAV (31.10.14)	RM0.8902
Fund Size	RM 49.6 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%	96%
Cash	0%	20%	4%

Performance Table

Period	Fund	Index*
1 month (%)	1.12%	0.48%
3 months (%)	1.32%	-0.87%
6 months (%)	1.18%	-0.87%
12 months (%)	2.88%	2.67%
2 years (% pa)	6.03%	5.30%
3 years (% pa)	10.58%	7.53%
5 years (% pa)	11.13%	8.33%
Since Inception	9.63%	3.72%
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 (Oct 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

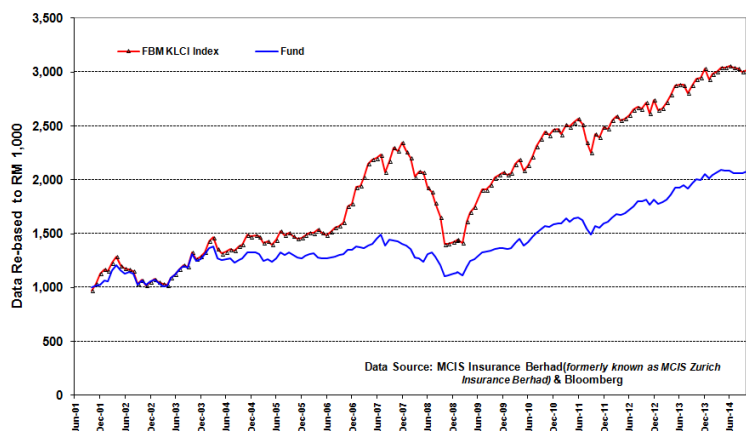
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 October 2014, the fund had outperformed the benchmark by 46bps 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
IOI Corporation Berhad
Public Bank Berhad
Malayan Banking Berhad
Sime Darby Berhad
Telekom Malaysia Berhad
Axiata Group Berhad
Felda Global Ventures Holdings Berhad
Petronas Dagangan Berhad
Maxis Berhad

Fund Information

NAV (31.10.14)	RM1.0395
Fund Size	RM 9.2 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%	96%
Cash	0%	20%	4%

Performance Table

Period	Fund	Index*
1 month (%)	0.94%	0.48%
3 months (%)	0.92%	-0.87%
6 months (%)	-0.74%	-0.87%
12 months (%)	3.64%	2.67%
2 years (% pa)	6.92%	5.30%
3 years (% pa)	9.75%	7.53%
5 years (% pa)	8.84%	8.33%
Since Inception	5.75%	8.80%
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 (Oct 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.

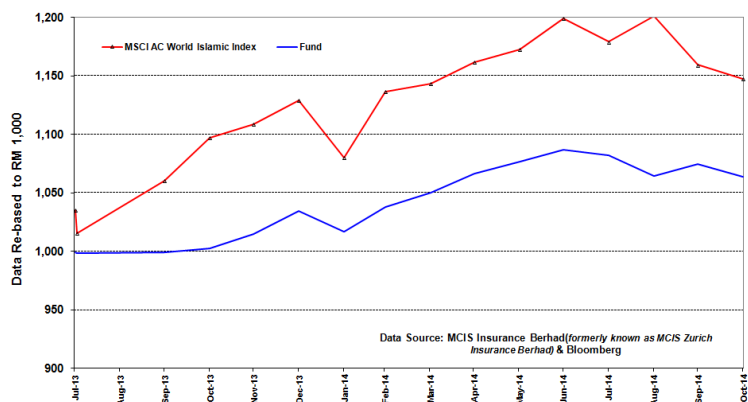
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 October 2014, the fund had outperformed the benchmark by 2bps MoM (month on month). The outperformance was partly due to better performance of Aberdeen Islamic World Equity Fund compared to benchmark.

Global Yakin Fund Performance Since Inception



Top Ten Holdings

Aberdeen Islamic World Equity Fund (AIWEF)

Fund Information

NAV (31.10.14)	RM0.5320
Fund Size	RM 15.9 million
Inception Date	8-July-2013
Fund Management Fee	0.85% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad (formerly known as MCIS Zurich Insurance Berhad)
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
AIWEF	80%	100%	91%
Cash	0%	20%	8%

Performance Table

Period	Fund	Index*
1 month (%)	-0.99%	-1.01%
3 months (%)	-1.68%	-2.67%
6 months (%)	-0.23%	-1.20%
12 months (%)	6.12%	4.64%
2 years (% pa)	-	-
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	4.76%	10.90%

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 (Oct 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.

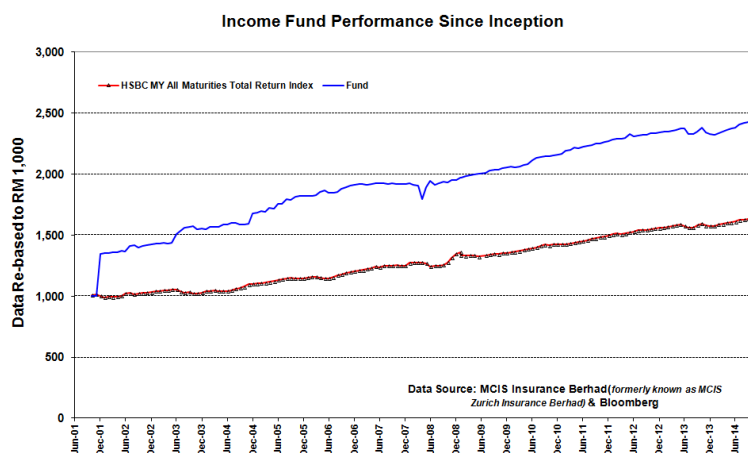
Risks

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 October 2014, the fund had underperformed the benchmark by 9bps MoM (month on month). The underperformance was mainly driven by weaker performance of the bond market during the period.



Top Ten Holdings

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

Fund Information

NAV (31.10.14)	RM1.2198
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%	92%
Cash	0%	25%	8%

Performance Table

Period	Fund	Index*
1 month (%)	0.43%	0.52%
3 months (%)	1.25%	1.09%
6 months (%)	3.18%	2.57%
12 months (%)	2.53%	2.94%
2 years (% pa)	2.23%	2.85%
3 years (% pa)	2.68%	3.46%
5 years (% pa)	3.66%	4.06%
Since Inception	7.05%	3.86%

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 (Oct 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

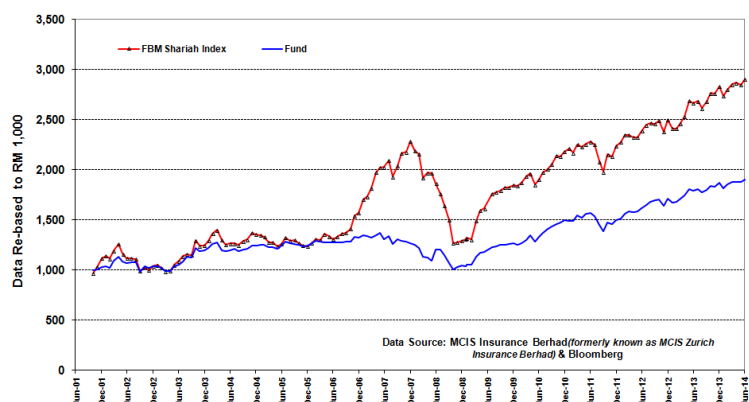
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 October 2014, the fund had outperformed the benchmark by 5bps MoM (month on month). The outperformance was mainly driven by higher exposure of outperforming stocks in the portfolio compared to benchmark.

Jati Fund Performance Since Inception



Top Ten Holdings

Tenaga Nasional Berhad
Sime Darby Berhad
Axiata Group Berhad
IOI Corporation Berhad
Telekom Malaysia Berhad
Felda Global Ventures Holdings Berhad
MyETF Dow Jones Islamic Market Titan 25
MISC Berhad
SapuraKencana Petroleum Berhad
Petronas Chemicals Group Berhad

Fund Information

NAV (31.10.14)	RM0.9570
Fund Size	RM10.9 million
Inception Date	15-Oct-01
Fund Management Fee	1.35% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad <i>(formerly known as MCIS Zurich Insurance Berhad)</i>
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

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

Performance Table

Period	Fund	Index*
1 month (%)	1.27%	1.22%
3 months (%)	0.98%	-0.28%
6 months (%)	1.64%	1.00%
12 months (%)	3.95%	4.74%
2 years (% pa)	6.00%	7.78%
3 years (% pa)	9.03%	10.38%
5 years (% pa)	8.83%	9.67%
Since Inception	5.09%	8.47%
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

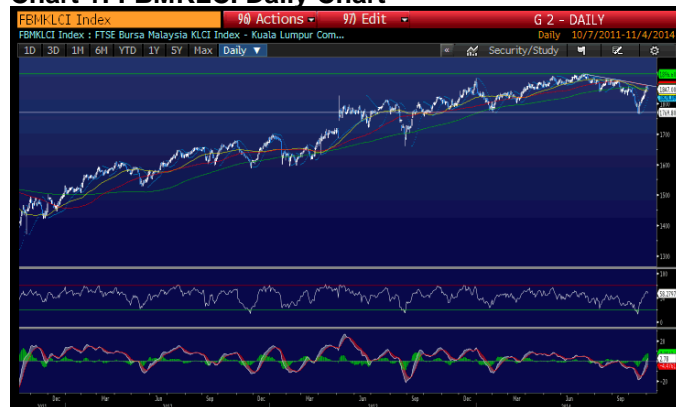
Market Review

October was a very volatile month with concerns about a whole host of issues weighing down on global markets including the weakening economies of Europe and Japan, the conflict in Iraq and Ukraine as well as the Ebola health scare. Wall Street led global markets into a sharp fall and also dragged markets up when it rebounded. The KLCI fell below the 1,800pt psychological support level for the second time this year but managed to recoup all of its losses and change.

Despite the sell-down in early October, performance of the local bourse ended the month on a firm note. Bargain hunting coupled with window dressing activities helped the FBM KLCI to post a 0.48% m-o-m gain for October amid some net outflows of foreign funds amounting RM493mil. The broader market performed worse, with the FBM EMAS falling 0.3% m-o-m to 12,882.9pts. Average daily value traded on Bursa in Oct decreased 1.9% m-o-m to RM2.10bil (RM2.14bil previously).

On the domestic economic front, Budget 2015 was presented on 10th October 2014. Malaysia's real GDP growth for 2015 is projected to be at between 5-6% while government's finance is expected to strengthen with a projected lower fiscal deficit to GDP ratio of 3% by end-2015 (3.5% by end-2014). Budget 2015 is focusing on fiscal discipline and reform, and its measures largely for the people. To the stock market, the budget measures however were not surprise as there were lack of fresh news and significant impact to the sectors.

Chart 1: FBMKLCI Daily Chart



Source: Bloomberg

Chart 2: FBMKLCI Monthly Pattern and Cycle Analysis



Source: Bloomberg

Market Outlook & Strategy

November has historically been a marginally negative month, coming on the back of a strong October. However, given that October this year has been a volatile month, November could be another marginally negative month. Moving into the 4Q of the year, we expect a year-end rally will push the equity prices higher to the year end. Based on traditional analysis, 4Q average return for 10-years, 15-years and 20-years saw the index rise by 4.2%, 8.5% and 5.2% respectively.

Technically, the 6-year rally off the 2008 low is likely coming to an end soon if it has not already reached its terminal point in July. KLCI finally showed some sign of weakness after it fell sharply down to test year low i.e. the 1,769 support in October before rebounding swiftly to end the month around the 1,850s levels. We reckon that it could be forming a very large Head & shoulders pattern here with the critical neckline support at 1,766-1,769. Therefore for the month of November, we expect more sideways movements as the index digest the recent gains over final two weeks of October.

Earnings season in the month of November for period ending September 2014 will provide a direction for the markets. However, given a concern over potential interest rates in the US and potential capital flight, strategy remain to SELL on Strength when the index is approaching 2,000 level.

Fixed Income Review and Outlook

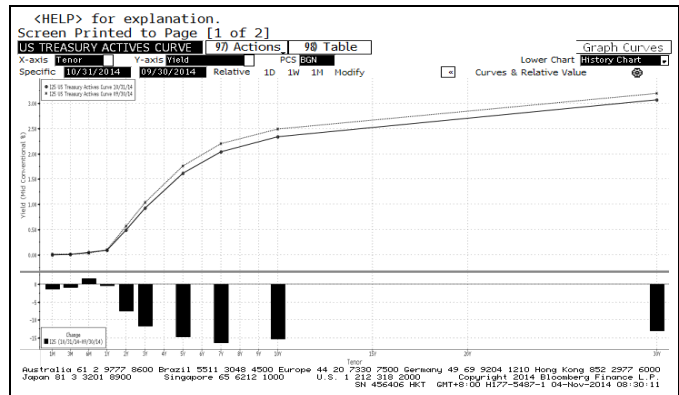
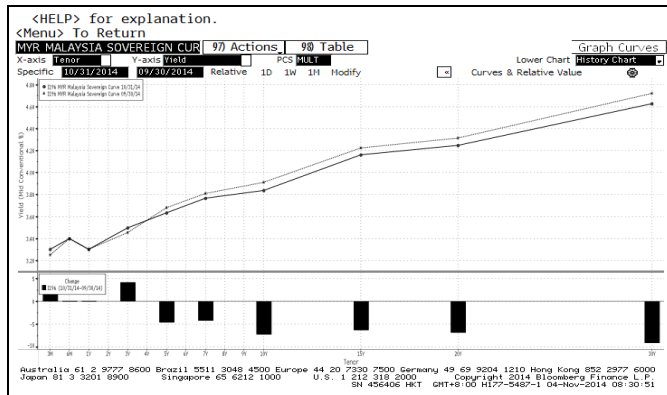
Market Review

In the month of October, Malaysian Government Bonds traded firmer, with the main impetus being expectations that Bank Negara Malaysia would not be tightening monetary policy at the November Monetary Policy Committee (MPC) Meeting on 5th and 6th November.

Earlier in the month, there were remarks from Bank Negara Governor Zeti of risk to growth emanating from geopolitical uncertainties and moderation in domestic consumption. Worries over global growth were made worse on weak macro indicators from the likes of the Euro Zone and China, whilst Japan announced an unexpected monetary stimulus. In economic data release, Malaysia's inflation eased to +2.6% y-o-y in the month of September from +3.3% y-o-y the month before, in line with market expectation.

Aside, Malaysia's Budget 2014/2015 was tabled in Parliament on Friday, 10th October 2014. The government has committed to a narrower fiscal deficit target of 3.0% of GDP in 2015 (estimated -3.5% in 2014), and this would entail financing of around RM35.7bil. Adding MGS and GII maturities of RM54.9bil in 2015 would require an expected government bond offerings of around RM90bil next year. We think the continued pace of fiscal consolidation especially implementation of the GST and sustained subsidy rationalization (fuel subsidies) is credit positive for Malaysia' sovereign ratings. In addition, the government has further stated its commitment to rationalize its borrowings, namely committing to its self-imposed 55% to GDP debt threshold. The federal government's debt was RM568.9bil or 52.8% of GDP as at June 2014.

The government held three auctions in October, comprising reopening of the 7-year SPK papers (worth RM1.4bil plus another RM2.0bil in a private placement), RM2.5bil reopening of 15-year MGS and RM3.5bil reopening of the 3-year GII.



Market Outlook & Strategy

We would suggest in accumulating bonds should there be a sell-off in the bond market as we do not foresee further changes in the Overnight Policy Rate (OPR) given the decline in oil prices. At least, in the next 3 to 6 months, interest rates would likely be range bound until end of first quarter of 2015.