



Investment Linked Fund Performance Report April 2014

General Advice Warning

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

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

Past performance is not a reliable indicator of future performance

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

MCIS Zurich Investment Linked – AsiaPac Fund Monthly Report (Apr 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.

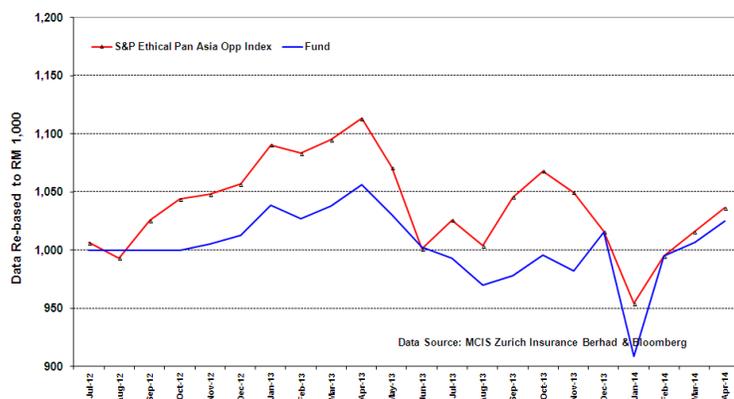
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 April 2014, the fund had underperformed the benchmark by 21bps MoM (month on month). The underperformance was partly due to foreign exchange market and cash holdings.

AsiaPac Fund Performance Since Inception



Top Five Holdings

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

Fund Information

NAV (30.04.14)	RM0.5126
Fund Size	RM 22.3 million
Inception Date	15-July-2012
Fund Management Fee	0.85% p.a.
Pricing	Daily
	Major Newspaper, or
Price Quote	http://www.mciszurich.com.my
Fund Manager	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 (%)	1.83%	2.04%
3 months (%)	12.78%	8.65%
6 months (%)	2.93%	-2.96%
12 months (%)	-2.99%	-6.89%
2 years (% pa)	-	-
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	1.37%	1.99%

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 Zurich 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.

MCIS Zurich Investment Linked - Balanced Fund Monthly Report (Apr 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

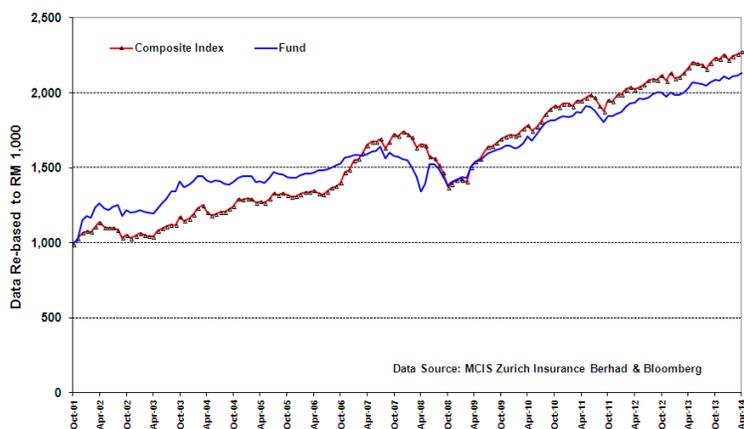
The Fund is considered medium risk given the mixed exposure of equity securities, fixed income and cash. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, industry and economy development, social and political factors, 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 April 2014, the fund had outperformed the benchmark by 10bps 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

Malaysian Government Securities-MJ140004 (Bond)
 Malaysian Government Securities-MO110001 (Bond)
 Khazanah (Bond)
 Malaysian Government Securities-MS03002H (Bond)
 Projek Lebuhraya Usahasama Berhad (Bond)

Fund Information

NAV (30.04.14)	RM1.0670
Fund Size	RM7.0 million
Inception Date	15-Oct-01
Fund Management Fee	1.25% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mciszurich.com.my
Fund Manager	MCIS Zurich Insurance Berhad
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Malaysian Equity	40%	60%	42%
Fixed Income	40%	60%	56%
Cash	0%	20%	18%

Performance Table

Period	Fund	Index*
1 month (%)	0.96%	0.86%
3 months (%)	2.02%	2.57%
6 months (%)	2.08%	1.99%
12 months (%)	5.15%	4.99%
2 years (% pa)	5.03%	6.03%
3 years (% pa)	4.49%	5.33%
5 years (% pa)	7.21%	8.65%
Since Inception	6.21%	6.76%

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 Zurich 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.

MCIS Zurich Investment Linked - Dividend Fund Monthly Report (Apr 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

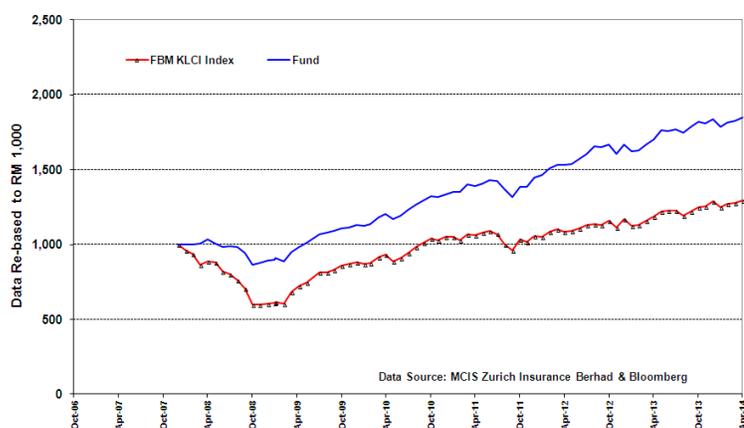
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 April 2014, the fund had outperformed the benchmark by 13bps 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)
Public Bank Berhad (Equity)
Telekom Malaysia Berhad (Equity)
Maxis Berhad (Equity)
Sime Darby Berhad (Equity)

Fund Information

NAV (30.04.14)	RM0.8798
Fund Size	RM 51.3 million
Inception Date	21-Jan-08
Fund Management Fee	1.5% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mciszurich.com.my
Fund Manager	MCIS Zurich Insurance Berhad
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

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

Performance Table

Period	Fund	Index*
1 month (%)	1.34%	1.21%
3 months (%)	3.68%	3.74%
6 months (%)	1.68%	3.58%
12 months (%)	8.90%	8.96%
2 years (% pa)	9.99%	9.16%
3 years (% pa)	10.07%	6.83%
5 years (% pa)	14.29%	13.57%
Since Inception	10.22%	4.17%
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 Zurich 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 Zurich.

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.

MCIS Zurich Investment Linked - Equity Fund Monthly Report (Apr 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

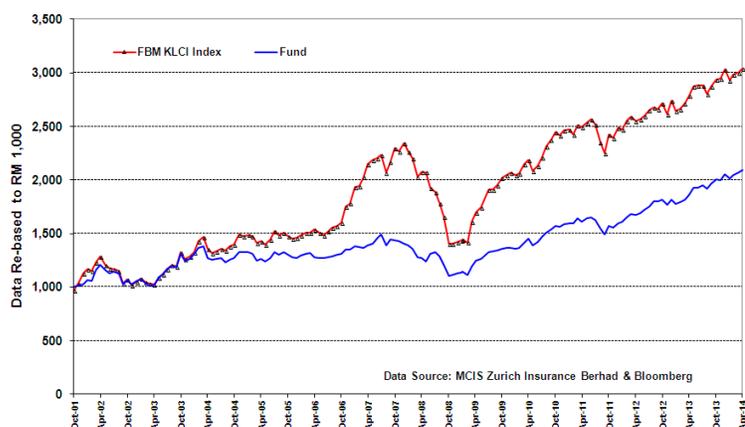
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 April 2014, the fund had outperformed the benchmark by 9bps 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 Bhd (Equity)
- Public Bank Berhad (Equity)
- Petronas Dagangan Berhad (Equity)
- Maybank Berhad (Equity)
- Axiata Berhad (Equity)

Fund Information

NAV (30.04.14)	RM1.0473
Fund Size	RM 9.1 million
Inception Date	15-Oct-01
Fund Management Fee	1.40% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or
Fund Manager	http://www.mciszurich.com.my
Exceptional Circumstances	MCIS Zurich Insurance Berhad
	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Malaysian Equity	80%	100%	81%
Cash	0%	20%	19%

Performance Table

Period	Fund	Index*
1 month (%)	1.30%	1.21%
3 months (%)	4.05%	3.74%
6 months (%)	4.42%	3.58%
12 months (%)	12.23%	8.96%
2 years (% pa)	11.85%	9.16%
3 years (% pa)	9.15%	6.83%
5 years (% pa)	11.91%	13.57%
Since Inception	6.05%	9.24%
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 Zurich 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 Zurich.

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.

MCIS Zurich Investment Linked – Global Yakin Fund Monthly Report (Apr 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.

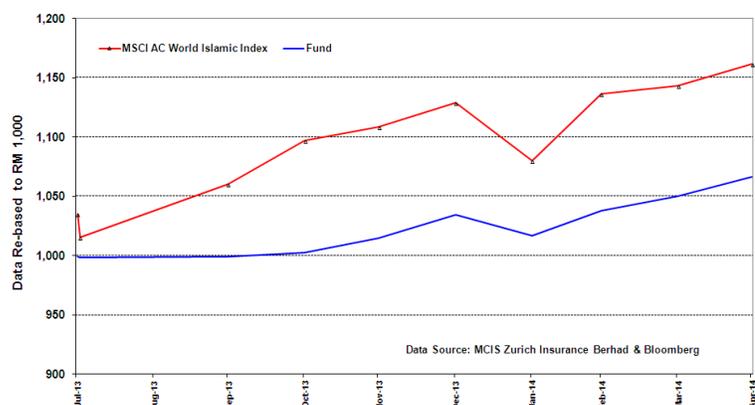
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 April 2014, the fund had underperformed the benchmark by 6bps MoM (month on month). The underperformance was partly due to cash holdings of the fund.

Global Yakin Fund Performance Since Inception



Top Five Holdings

Aberdeen Islamic World Equity Fund (AIWEF)

Fund Information

NAV (30.04.14)	RM0.5332
Fund Size	RM 6.8 million
Inception Date	8-July-2013
Fund Management Fee	0.85% p.a.
Pricing	Daily
	Major Newspaper, or
Price Quote	http://www.mciszurich.com.my
Fund Manager	MCIS Zurich Insurance Berhad
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
AIWEF	80%	100%	81%
Cash	0%	20%	19%

Performance Table

Period	Fund	Index*
1 month (%)	1.52%	1.58%
3 months (%)	4.86%	7.53%
6 months (%)	6.36%	5.91%
12 months (%)	-	-
2 years (% pa)	-	-
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	8.02%	19.72%

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 Zurich 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.

MCIS Zurich Investment Linked - Income Fund Monthly Report (Apr 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.

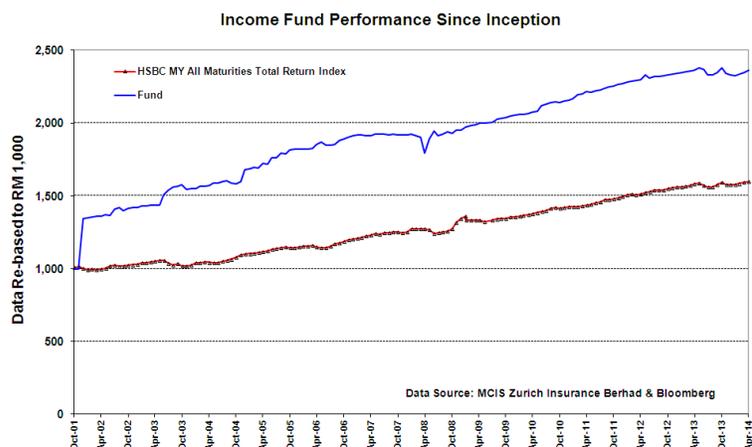
Risks

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 April 2014, the fund had outperformed the benchmark by 20bps MoM (month on month). The outperformance was mainly driven by better performance of the bond market during the period.



Top Five Holdings

Malaysian Government Securities-MS130005 (Bond)
 Projek Lebuhraya Usahasama Berhad (Bond)
 Malaysian Government Securities-MN130003 (Bond)
 Malaysian Government Securities-MS03002H (Bond)
 Malaysian Government Securities-MJ140004 (Bond)

Fund Information

NAV (30.04.14)	RM1.1822
Fund Size	RM 20.6 million
Inception Date	15-Oct-01
Fund Management Fee	0.5% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mciszurich.com.my
Fund Manager	MCIS Zurich Insurance Berhad
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Fixed Income	75%	100%	98%
Cash	0%	25%	2%

Performance Table

Period	Fund	Index*
1 month (%)	0.71%	0.51%
3 months (%)	1.72%	1.41%
6 months (%)	-0.63%	0.36%
12 months (%)	0.07%	1.05%
2 years (% pa)	1.41%	2.84%
3 years (% pa)	2.16%	3.61%
5 years (% pa)	3.49%	3.68%
Since Inception	7.08%	3.81%

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 Zurich 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.

MCIS Zurich Investment Linked - Jati Fund Monthly Report (Apr 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

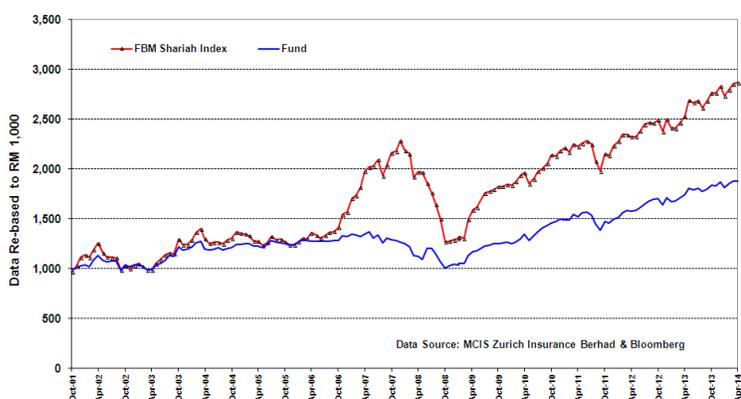
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 April 2014, the fund had underperformed the benchmark by 19bps MoM (month on month). The underperformance was mainly driven by higher exposure of underperforming stocks in the portfolio compared to benchmark.

Jati Fund Performance Since Inception



Top Five Holdings

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

Fund Information

NAV (30.04.14)	RM0.9416
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.mciszurich.com.my
Fund Manager	MCIS Zurich Insurance Berhad
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Malaysian Equity	80%	100%	84%
Cash	0%	20%	16%

Performance Table

Period	Fund	Index*
1 month (%)	0.33%	0.52%
3 months (%)	3.39%	4.84%
6 months (%)	2.28%	3.71%
12 months (%)	7.81%	13.30%
2 years (% pa)	9.23%	11.02%
3 years (% pa)	7.24%	8.76%
5 years (% pa)	10.63%	13.92%
Since Inception	5.16%	8.74%
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 Zurich 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 Zurich.

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

For the month of April 2014, equity market traded sideways as investors continued to focus on the small cap stocks. However, closer to the month-end, profit taking in the overall small cap sector and some penny stocks saw these stocks declined sharply. US and regional markets were also traded sideways during the same period under review. The FBMKLCI index ended the month 1.2% higher at 1,871 with buying support coming from the local funds towards the end of the month. However, the broader market underperformed the FBMKLCI as the FBM Emas only gained 1.1% to 12,940. Small cap performance was mixed as the FBM Small cap gained 1.7% to 17,426pts but the FBM ACE declined 1.2% mom to 6,583pts. Average daily value traded on Bursa in Apr gained 9% mom to RM2.38 billion.

On the economic front, Malaysia's headline inflation held steady at 3.5% yoy in Mar'14, reflecting the carry-through effects of subsidy rationalisation, which was largely responsible for the upward inflation trajectory for seven months in a row since Sep'13. Meanwhile, Malaysia's industrial production (IP) expanded by 6.7% yoy in Feb'14. The expansion was largely driven by the manufacturing sector – thanks to firmer electronics output. The IP reading was lower than the market consensus of +7.0%. Additionally, for the banking sector, banking system loan growth moderated further for a second month to 10.2% yoy in Mar'14 (+10.7% in Feb'14). This was due to slower credit demand from both of the business (+7.6% vs. +9.1% in Feb'14) and household sectors (+11.7% vs. +11.8% in Feb'14).



Source: Bloomberg



Source: Bloomberg

Market Outlook & Strategy

For the immediate term, concern over economic slowdown in China with lower GDP growth of 7.4% for 2014 and 7.3% for 2015 against 7.7% for 2013 will continue to undermine the regional equity market sentiment. This will be further exacerbated by the selling pressure on the technology stocks in the US on valuation concern which may add pressure on the global equity market. On the geopolitical front, rising tension in Ukraine will not favour the equity market on concern over its impact to the global economic growth. Locally, focus will be on the current earnings reporting season which may provide clearer direction on the current valuation on the market. Meanwhile, recent improvement of inflow of foreign fund into the equity market may provide some support on equity prices especially on the key heavyweight counters.

Technically, upside is limited to the recent all time high of 1,882.2 recorded on 31 Dec 2013. We believe that the market will trade in a range bound until sentiment improved.

Fixed Income Review and Outlook

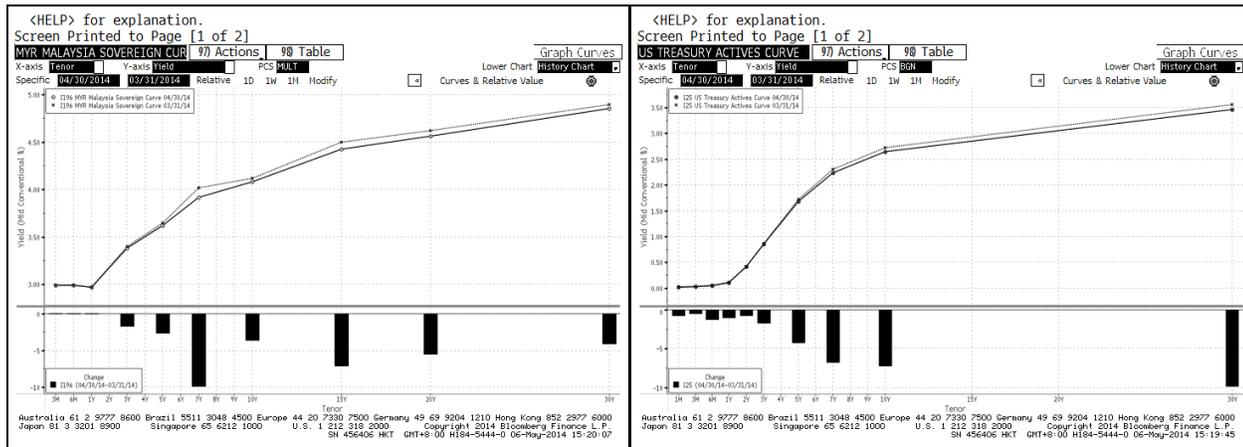
Market Review

Malaysian government bonds ended on firm note for the month of April, aided by mixed economic data and continued gains along US Treasuries. There had been recent uptick in shorter term interbank levels, but the impact has been pretty muted on bond yields. Malaysia's headline inflation held steady at 3.5% yoy in March, meeting market expectations and reflecting the carry-through effects of subsidy rationalisation, which was largely responsible for the upward inflation trajectory for seven months in a row since September 2013.

On the other hand, Bank Negara Governor Zeti said domestic inflationary pressures are likely to remain contained, and mentioned little expectation of second-round effects on prices. She added 'the source of the inflation ... is not induced from strong demand, because this is a period when demand is quite modest'. Elsewhere, industrial production growth was 6.7% yoy in February, but lower than consensus forecast of 7.5%. However, export growth continued to sustain at a strong double-digit rate of 12.3% yoy in February (+12.2% in January), thanks to the low base last year.

The reopening auction of the 15-year GII ended with firm demand, though the amount issued was pretty small at RM1.5 billion. The bid-to-cover ratio (btc) was 2.773 times, which came above market expectation. Average yield generated was 4.547%. There was also an auction for the new RM4bn 5-year MGS (MGS Oct'19) where we saw overwhelming demand with btc of 2.715 times; notably due to strong pickup from offshore. The average yield was 3.654%. There was also a new RM1.6bn 7.5year SPK 10/21 which resulted in strong btc of 3.4x (owing to its smallish issuance size) and an average yield of 4.345%.

Meanwhile, players reacted to the latest FOMC meeting, in which Fed policymakers said interest rates will remain low for a considerable time after the QE asset purchases program ends (expected later this year). However, underpinning the Fed's outlook for continued revival in the economy going into next year, policymakers further cut the QE purchases by another \$10 billion to \$45 billion per month which was announced during the FOMC meeting on 29-30 April 2014.



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, as we do not see any changes in the Overnight Policy Rate (OPR) of 3% in the medium term. While inflation reading has been on an upward trend, much of the increase was cost led rather than being demand induced and raising the OPR to tackle this form of inflation may not be the best resort. It is likely that BNM would continue to track the CPI and would probably use macro-prudential measures to address pockets of risks in the financial system instead of using interest rate to mitigate these risks.