



## **Investment Linked Fund Fact Sheets August 2013**

### **General Advice Warning**

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### **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 (Aug 2013)

## Investment Objective

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

## Investment Strategy

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

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

## Risks

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

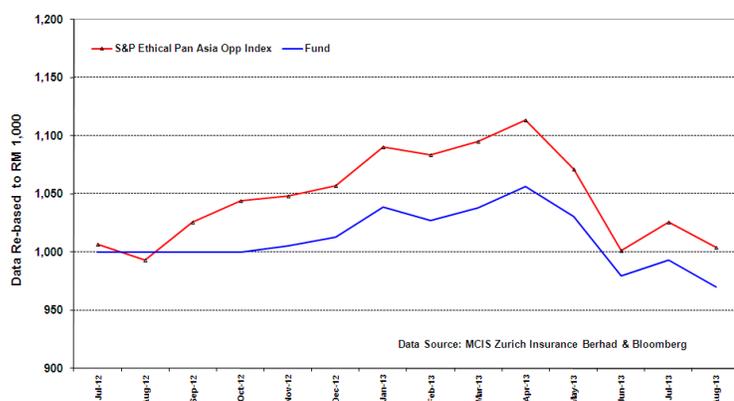
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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

## Fund Performance

For the month ended August 2013, the fund had underperformed the benchmark by 25bps MoM (month on month). The underperformance was mainly due to foreign exchange loss partly caused by weakening ringgit.

AsiaPac Fund Performance Since Inception



## Top Five Holdings

Asia Pacific Ethical Dividend Exchange Traded Fund (ETF)

## Fund Information

NAV (31.08.13)	RM0.4849
Fund Size	RM 25.6 million
Inception Date	15-July-2012
Fund Management Fee	0.85% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mciszurich.com.my">http://www.mciszurich.com.my</a>
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%	89%
Cash	0%	20%	11%

## Performance Table

Period	Fund	Index*
1 month (%)	-2.38%	-2.13%
3 months (%)	-5.88%	-6.28%
6 months (%)	-5.61%	-7.34%
12 months (%)	-3.02%	1.08%
2 years (% pa)	-	-
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	-2.59%	0.36%

**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 (Aug 2013)

## Investment Objective

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

## Investment Strategy

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

## Risks

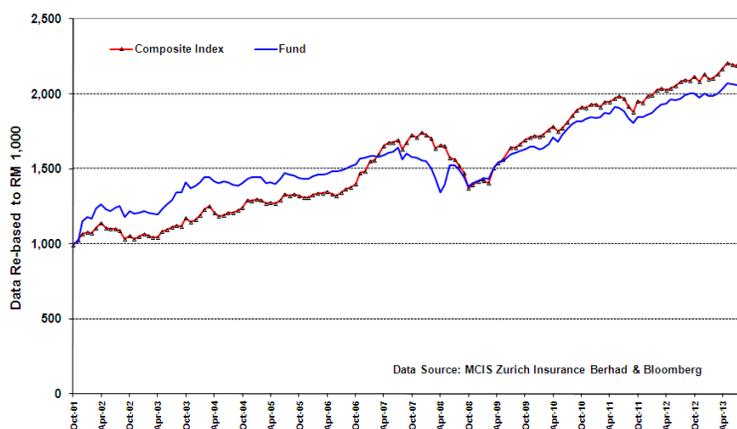
The Fund is considered medium risk given the mixed exposure of equity securities, fixed income and cash. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, industry and economy development, social and political factors,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

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

## Fund Performance

For the month ended August 2013, the fund had outperformed the benchmark by 52bps 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-MJ (Bond)  
 Malaysian Government Securities-MS (Bond)  
 Bank Pembangunan Malaysia Berhad (Bond)  
 Projek Lebuhraya Usahasama Berhad (Bond)  
 Maybank Berhad (Equity)

## Fund Information

NAV (31.08.13)	RM1.0236
Fund Size	RM6.6 million
Inception Date	15-Oct-01
Fund Management Fee	1.25% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mciszurich.com.my">http://www.mciszurich.com.my</a>
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%	42%
Cash	0%	20%	18%

## Performance Table

Period	Fund	Index*
1 month (%)	-0.72%	-1.24%
3 months (%)	-1.21%	-2.02%
6 months (%)	3.07%	2.51%
12 months (%)	2.66%	3.22%
2 years (% pa)	5.51%	6.17%
3 years (% pa)	4.39%	5.14%
5 years (% pa)	6.45%	7.24%
Since Inception	6.20%	6.68%

**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 (Aug 2013)

## Investment Objective

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

## Investment Strategy

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

## Risks

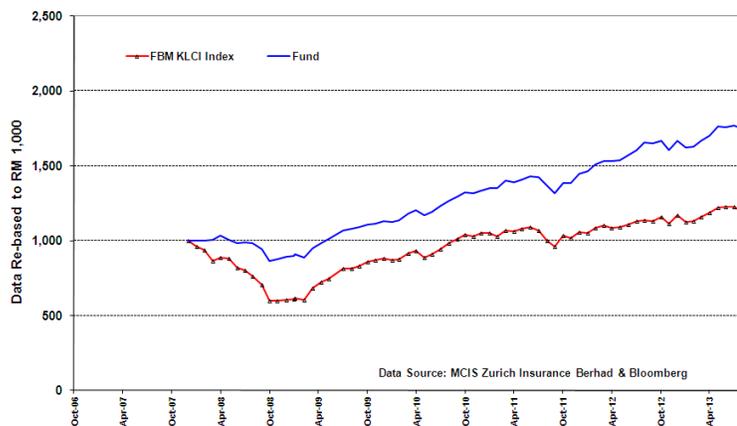
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and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

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

## Fund Performance

For the month ended August 2013, the fund had outperformed the benchmark by 127bps 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  
Telekom Malaysia Berhad  
Public Bank Berhad  
Sime Darby Berhad  
Maxis Berhad

## Fund Information

NAV (31.08.13)	RM0.8312
Fund Size	RM 46.6 million
Inception Date	21-Jan-08
Fund Management Fee	1.5% p.a.
Pricing	Daily
	Major Newspaper, or
Price Quote	<a href="http://www.mciszurich.com.my">http://www.mciszurich.com.my</a>
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%	81%
Cash	0%	20%	19%

## Performance Table

Period	Fund	Index*
1 month (%)	-1.27%	-2.54%
3 months (%)	-0.98%	-2.35%
6 months (%)	7.32%	5.49%
12 months (%)	5.67%	4.95%
2 years (% pa)	13.10%	9.26%
3 years (% pa)	11.38%	6.69%
5 years (% pa)	12.26%	9.44%
Since Inception	10.38%	3.20%
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 (Aug 2013)

## Investment Objective

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

## Investment Strategy

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

## Risks

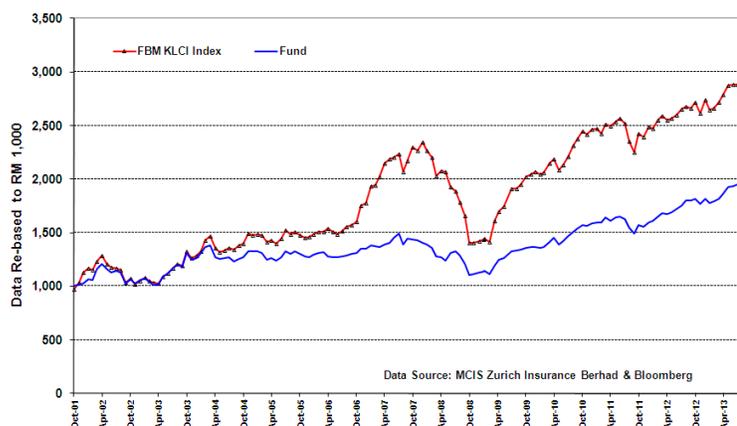
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and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

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

## Fund Performance

For the month ended August 2013, the fund had outperformed the benchmark by 126bps 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  
Maybank Berhad  
Public Bank Berhad  
Petronas Dagangan Berhad  
IOI Corporation Berhad

## Fund Information

NAV (31.08.13)	RM0.9618
Fund Size	RM 8.2 million
Inception Date	15-Oct-01
Fund Management Fee	1.40% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mciszurich.com.my">http://www.mciszurich.com.my</a>
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 (%)	-1.28%	-2.54%
3 months (%)	-0.22%	-2.35%
6 months (%)	7.26%	5.49%
12 months (%)	6.96%	4.95%
2 years (% pa)	11.42%	9.26%
3 years (% pa)	8.39%	6.69%
5 years (% pa)	8.38%	9.44%
Since Inception	5.64%	9.05%
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 (Aug 2013)

## Investment Objective

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

## Investment Strategy

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

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

## Risks

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

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

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

## Fund Performance

For the month ended August 2013, the fund had outperformed the benchmark by 186bps MoM (month on month). We are currently in a process to feed the fund into AIWEF.

## Top Five Holdings

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## Fund Information

NAV (31.08.13)	RM0.4994
Fund Size	RM 1.1 million
Inception Date	8-July-2013
Fund Management Fee	0.85% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mciszurich.com.my">http://www.mciszurich.com.my</a>
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%	-
Cash	0%	20%	100%

## Performance Table

Period	Fund	Index*
1 month (%)	-0.07%	-1.93%
3 months (%)	-	-
6 months (%)	-	-
12 months (%)	-	-
2 years (% pa)	-	-
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	-0.74%	9.65%

**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 (Aug 2013)

## Investment Objective

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

## Investment Strategy

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

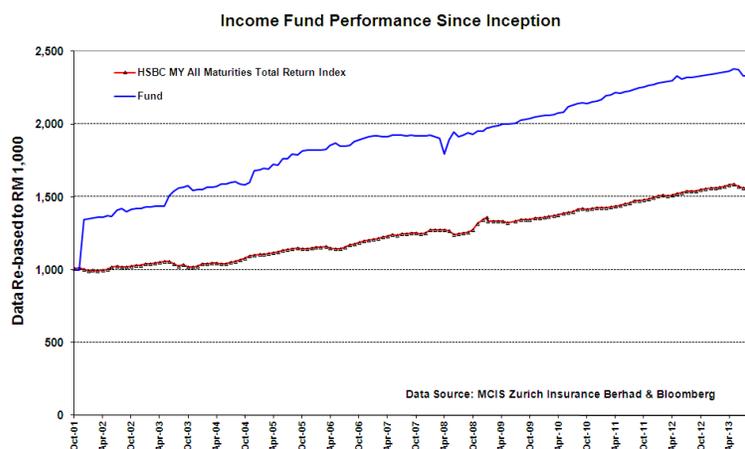
## Risks

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

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

## Fund Performance

For the month ended August 2013, the fund had underperformed the benchmark by 7bps MoM (month on month). The underperformance was mainly driven by sell down in the MGS market which had adversely affected our holdings.



## Top Five Holdings

Malaysian Government Securities-MS130005  
 Projek Lebuhraya Usahasama Berhad  
 Bank Pembangunan Malaysia Berhad  
 Malaysian Government Securities-MN130003  
 Malaysian Government Securities-MS03002H

## Fund Information

NAV (31.08.13)	RM1.1656
Fund Size	RM 22.3 million
Inception Date	15-Oct-01
Fund Management Fee	0.5% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.mciszurich.com.my">http://www.mciszurich.com.my</a>
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%	92%
Cash	0%	25%	8%

## Performance Table

Period	Fund	Index*
1 month (%)	-0.02%	0.05%
3 months (%)	-1.98%	-1.70%
6 months (%)	-0.90%	-0.44%
12 months (%)	0.42%	1.32%
2 years (% pa)	1.99%	2.95%
3 years (% pa)	2.84%	3.36%
5 years (% pa)	3.89%	4.54%
Since Inception	7.36%	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 (Aug 2013)

## Investment Objective

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

## Investment Strategy

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

## Risks

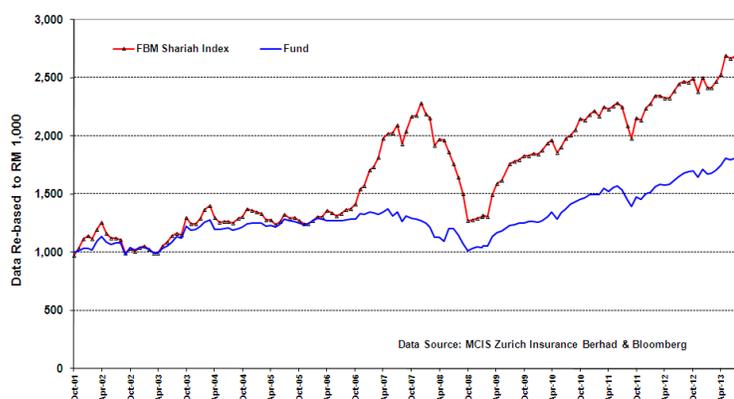
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and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

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

## Fund Performance

For the month ended August 2013, the fund had outperformed the benchmark by 84bps MoM (month on month). The outperformance was mainly driven by higher exposure of outperforming stocks in the portfolio compared to benchmark.

Jati Fund Performance Since Inception



## Top Five Holdings

Axiata Berhad  
Tenaga Nasional Bhd  
Sime Darby Berhad  
Telekom Malaysia Berhad  
MyETF Dow Jones Islamic Market Malaysia Titans 25

## Fund Information

NAV (31.08.13)	RM0.8885
Fund Size	RM 9.9 million
Inception Date	15-Oct-01
Fund Management Fee	1.35% p.a.
Pricing	Daily
	Major Newspaper, or
Price Quote	<a href="http://www.mciszurich.com.my">http://www.mciszurich.com.my</a>
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%	78%
Cash	0%	20%	22%

## Performance Table

Period	Fund	Index*
1 month (%)	-1.80%	-2.64%
3 months (%)	-1.62%	-2.88%
6 months (%)	5.80%	8.47%
12 months (%)	5.75%	5.88%
2 years (% pa)	10.75%	12.00%
3 years (% pa)	7.92%	9.20%
5 years (% pa)	9.14%	9.67%
Since Inception	4.94%	8.40%
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

Traditionally, August is considered as the worst performing month of the year for the KLCI and it was similar this time. In fact, this August was far worse than we could have anticipated as it was hit by numerous macro concerns including 1) the steep fall in regional stock markets and currencies led by Indonesia, India and Thailand, 2) Malaysia's 2Q GDP growth numbers which were below expectations and a narrowing current account surplus, and 3) concerns about possible US military intervention in Syria.

For the month, the FBM KLCI index declined 45pts or 2.5% to close at 1,727.58pts. The broader market underperformed the KLCI as the FBM Emas fell 2.9% to 11,968.6pts. The average daily volume in August increased to 1,897.04mil compared to 1,409.25mil in July. For the 6 months period, average daily volume was 1,520.95mil as compared to 1,378.14mil shares in July.

On the local economic front, in recent Monetary Policy Committee, Bank Negara Malaysia has opted to maintain the Overnight Policy Rate (OPR) stable at 3.0%. This is the 14th successive meeting the Central Bank has kept its OPR unchanged, after weighing carefully to balance between maintaining an accommodative monetary policy to continue supporting growth. According to the Central Bank, Malaysia's growth will be sustained, supported by continued expansion in domestic activity, on the back of a sustained growth in private consumption and private investment activities.

Chart 1: FBMKLCI Daily Chart



Source: Bloomberg

Chart 2: FBMKLCI Monthly Pattern and Cycle Analysis



Source: Bloomberg

## Market Outlook & Strategy

Based on historical trend analysis, September is another negative month for the Bursa Malaysia. This could be the case again if regional stock markets and currencies continue to deteriorate, particularly those of Indonesia and India as all eyes are focused on them. Malaysia cannot buck the regional trend and even just a stabilisation of those markets would be a positive catalyst for the KLCI.

Technically, KLCI was in negative territory in the month of August. This was seen as buying opportunity for some investors. Buying support should stay intact as long as the index stays above 1,700 pts. A close above of 1,715 pts should erase any doubt on the strength of the rebound, which should lead to a test of strong resistance at 1,730 pts. On the other hand, immediate support is at 1,690 pts, and the index has to get below 1,680 pts to confirm the weakness and extend the downward move.

We anticipated that negative atmosphere in August could spillover to September. With the absence of major positive news, we maintain to be cautious on the local equity markets in the near term. We would advocate a more defensive approach heading into September and October.

# Fixed Income Review and Outlook

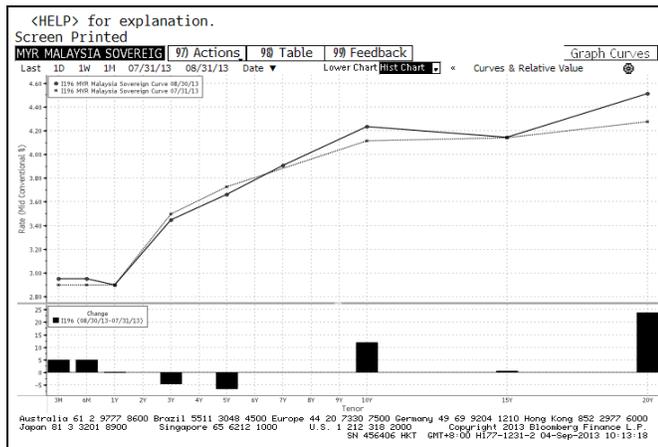
## Market Review

In August, the MGS yield curve emerged steeper particularly on the long end. While the 3 and 5-year MGS shed 5 and 7bps, 10 and 20-year MGS added 12 and 24bps respectively. From the yield movements, it was observed that the mode of the market was still fairly cautious and investors (be it local or offshore) prefer to invest in shorter dated MGS than longer dated ones. The price actions in the MGS market led the MGS curve to steepen.

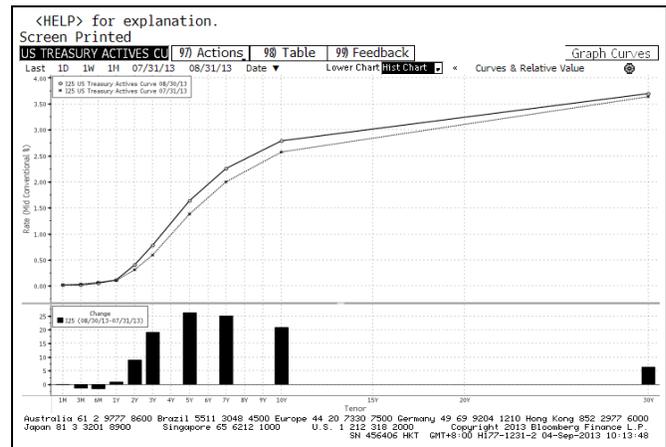
Also in August, we saw the issuance of the 7y SPK and 20y GII. 7y SPK's tender closed with a decent bid to cover (btc) of 1.53x with an average yield of 3.967% while for the 20y GII, it drew a btc of 1.63x and an average yield of 4.582%. The capital flight saw the MYR weakening 1.87% m-o-m to RM3.30/USD where the currency touched RM3.34/USD mid-month, a level not tested since June 2010. Additionally, official data has pointed to stark decline in the foreign ownership of MGS and GII from 30.5% to 27.3% in July; excluding GII, we saw a -5% m-o-m change to 42.8% in July. Looking ahead, we believe that the market will likely focus on shortening its duration on govies, given heightened risk in the EM as well as the heavy supply of MGS in the long-end for the remainder of 2013.

US Treasuries continued to weaken with losses slanted along the medium to longer tenors. Basically, players are trading on assumption the Fed will announce the tapering of the QE come the September FOMC meeting. As expected, players shortened duration as we saw the 5T and 10T up in excess of 20bps whilst the 2T rose 5-10bps.

The minutes from the FOMC July 30-31 meeting indicated policymakers were generally behind Fed chief Ben Bernanke's stance that an unwinding of the current \$85 billion-permonth asset purchases will start this year (if the economy continues to improve). However, the FOMC minutes provided little clues whether the taper would occur from September, October or December (the three remaining FOMC meeting dates of this year). Without the signals, UST players continued to sell off Treasuries in August.



Source: Bloomberg



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## Market Outlook & Strategy

The continued selloff in August was mainly driven by foreign investors selling of MGS. The concerns drawn from an improving economic outlook in US where it could lead the US Fed to taper its bond purchases in September and would likely result in higher UST yields. While yields may edge higher in the short term for the Ringgit bond market, we believe there is considerably more value in bonds now and would accumulate when there is a sell off as we do not see any changes in the OPR in the medium term. This was reiterated in the recent Monetary Policy Committee (MPC) meeting by BNM on 5 September 2013 where the OPR was held unchanged at 3.00%.