



## **Investment Linked Fund Performance Report March 2014**

### **General Advice Warning**

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# MCIS Zurich Investment Linked – AsiaPac Fund Monthly Report (Mar 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.

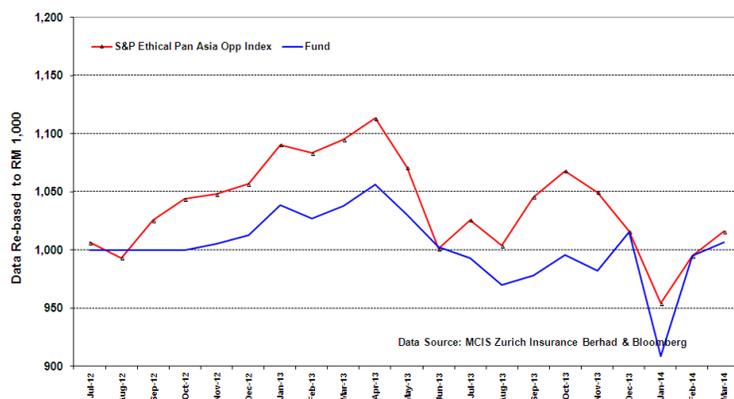
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 March 2014, the fund had underperformed the benchmark by 92bps 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

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

## Fund Information

NAV (31.03.14)	RM0.5034
Fund Size	RM 20.9 million
Inception Date	15-July-2012
Fund Management Fee	0.85% 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
ETF	80%	100%	75%
Cash	0%	20%	25%

## Performance Table

Period	Fund	Index*
1 month (%)	1.17%	2.09%
3 months (%)	-0.89%	-0.04%
6 months (%)	2.94%	-2.86%
12 months (%)	-3.02%	-7.21%
2 years (% pa)	-	-
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	0.39%	0.91%

**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 (Mar 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

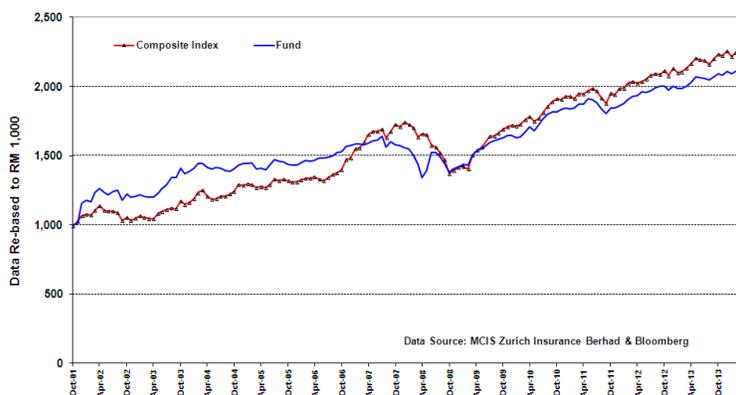
The Fund is considered medium risk given the mixed exposure of equity securities, fixed income and cash. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, industry and economy development, social and political factors, 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 March 2014, the fund had underperformed the benchmark by 29bps MoM (month on month). The underperformance was mainly driven by higher exposure of underperforming securities in the portfolio especially for fixed income assets.

Balanced Fund Performance Since Inception



## Top Five Holdings

Malaysian Government Securities-MO110001 (Bond)  
 Khazanah (Bond)  
 Malaysian Government Securities-MS03002H (Bond)  
 Projek Lebuhraya Usahasama Berhad (Bond)  
 Tenaga Nasional Berhad (Equity)

## Fund Information

NAV (31.03.14)	RM1.0569
Fund Size	RM7.0 million
Inception Date	15-Oct-01
Fund Management Fee	1.25% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or <a href="http://www.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 (%)	0.26%	0.55%
3 months (%)	0.09%	0.05%
6 months (%)	2.19%	2.67%
12 months (%)	5.39%	5.83%
2 years (% pa)	4.61%	5.26%
3 years (% pa)	4.08%	5.01%
5 years (% pa)	8.07%	9.92%
Since Inception	6.17%	6.73%

**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 (Mar 2014)

### Investment Objective

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

### Investment Strategy

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

### Risks

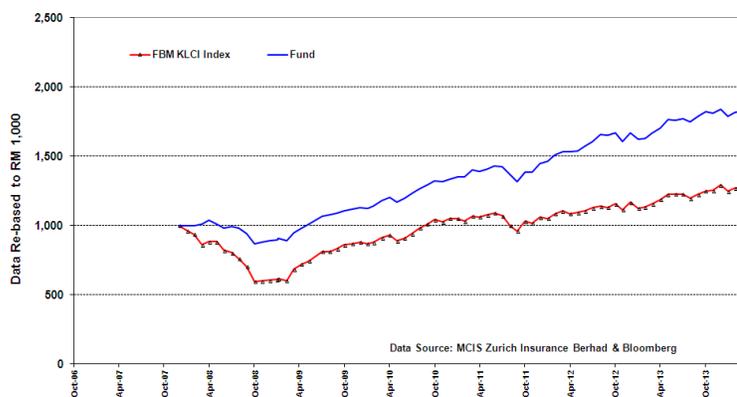
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and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

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

### Fund Performance

For the month ended August 2013, the fund had underperformed the benchmark by 2bps MoM (month on month). The underperformance was mainly driven by higher exposure of underperforming 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 (31.03.14)	RM0.8682
Fund Size	RM 51.6 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%	83%
Cash	0%	20%	17%

### Performance Table

Period	Fund	Index*
1 month (%)	0.72%	0.74%
3 months (%)	-0.66%	-0.95%
6 months (%)	2.25%	4.56%
12 months (%)	9.62%	10.62%
2 years (% pa)	9.15%	7.63%
3 years (% pa)	9.28%	6.17%
5 years (% pa)	15.49%	16.21%
Since Inception	10.13%	4.02%
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 (Mar 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

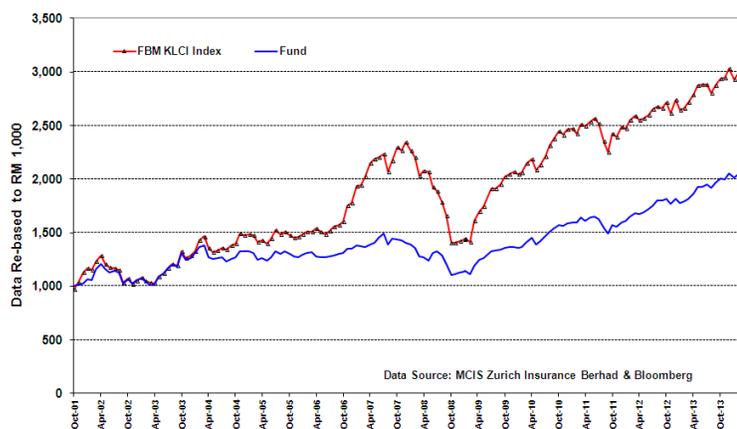
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 March 2014, the fund had outperformed the benchmark by 35bps MoM (month on month). The outperformance was mainly driven by higher exposure of outperforming stocks in the portfolio compared to benchmark.

Equity Fund Performance Since Inception



## Top Five Holdings

Tenaga Nasional Berhad (Equity)  
Public Bank Berhad (Equity)  
Petronas Dagangan Berhad (Equity)  
Maybank Berhad (Equity)  
Axiata Berhad (Equity)

## Fund Information

NAV (31.03.14)	RM1.0339
Fund Size	RM 9.0 million
Inception Date	15-Oct-01
Fund Management Fee	1.40% 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 (%)	1.09%	0.74%
3 months (%)	0.48%	-0.95%
6 months (%)	5.09%	4.56%
12 months (%)	13.70%	10.62%
2 years (% pa)	10.85%	7.63%
3 years (% pa)	8.03%	6.17%
5 years (% pa)	13.23%	16.21%
Since Inception	5.98%	9.20%
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 (Mar 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.

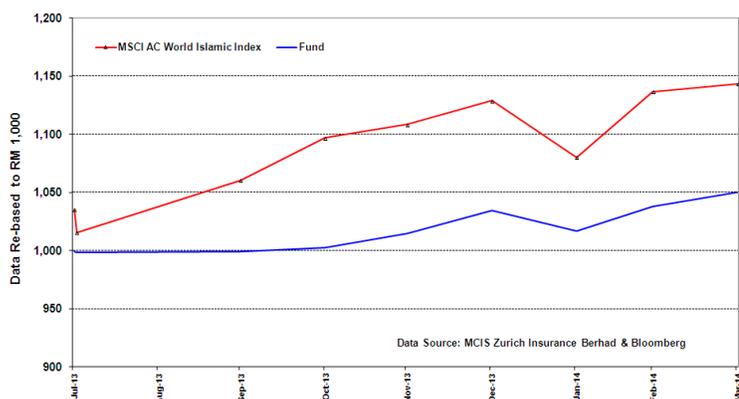
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 March 2014, the fund had outperformed the benchmark by 55bps MoM (month on month). The outperformance was due to better performance of Aberdeen Islamic World Equity Fund compare to benchmark.

Global Yakin Fund Performance Since Inception



## Top Five Holdings

Aberdeen Islamic World Equity Fund (AIWEF)

## Fund Information

NAV (31.03.14)	RM0.5252
Fund Size	RM 5.9 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%	75%
Cash	0%	20%	25%

## Performance Table

Period	Fund	Index*
1 month (%)	1.16%	0.61%
3 months (%)	1.53%	1.30%
6 months (%)	5.10%	7.85%
12 months (%)	-	-
2 years (% pa)	-	-
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	6.78%	19.60%

**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 (Mar 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.

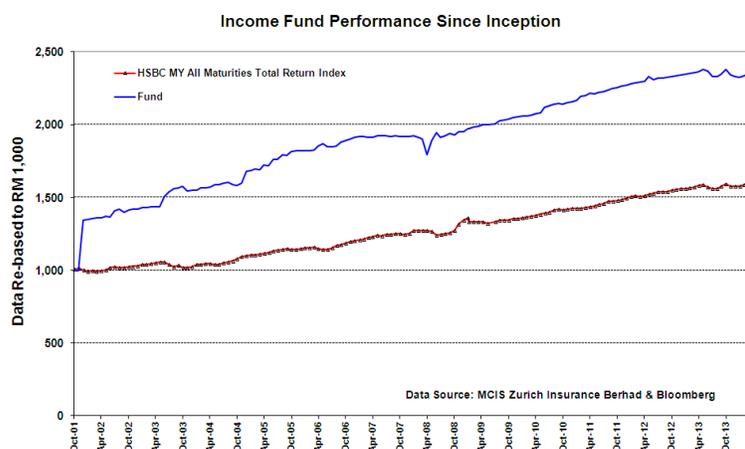
## Risks

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 March 2014, the fund had underperformed the benchmark by 1bps 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 (Bond)  
 Projek Lebuhraya Usahasama Berhad (Bond)  
 Malaysian Government Securities-MN130003 (Bond)  
 Malaysian Government Securities-MS03002H (Bond)  
 Government Investment Issue-GL130069 (Bond)

## Fund Information

NAV (31.03.14)	RM1.1739
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 <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%	87%
Cash	0%	25%	13%

## Performance Table

Period	Fund	Index*
1 month (%)	0.35%	0.36%
3 months (%)	0.66%	1.03%
6 months (%)	-0.03%	0.75%
12 months (%)	-0.40%	1.12%
2 years (% pa)	1.19%	2.80%
3 years (% pa)	2.17%	3.63%
5 years (% pa)	3.40%	3.63%
Since Inception	7.07%	3.79%

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

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\* Index is HSBC Malaysia All Bond FBM KLCI Index, sourced from Bloomberg.

Other Charges: Switching Fee, you are entitled to four free switches per policy year. Additional switches within the same year will be charged at 1% of the value of units switched, subject to a maximum of RM 50; and all taxes, duties and other charges incurred in the purchase, sale, valuation and maintenance of the investments of the Fund.

The NAV per unit of the Fund is the total market value of assets in the Fund divided by the total number of units of the Fund. Transaction costs, taxes and applicable fees are provided for in the net asset value.

# MCIS Zurich Investment Linked - Jati Fund Monthly Report (Mar 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

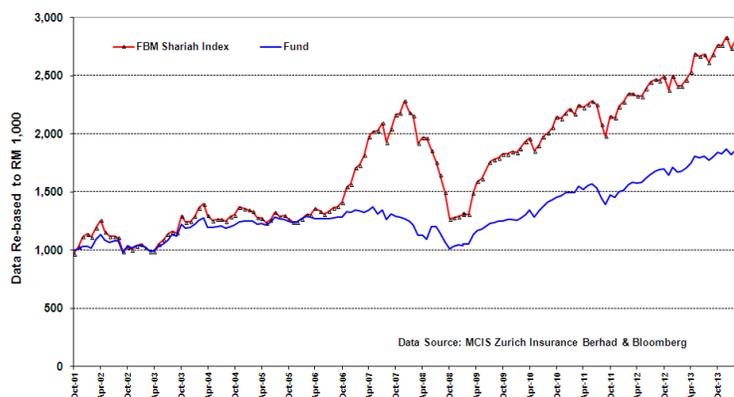
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 March 2014, the fund had underperformed the benchmark by 81bps 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 Berhad (Equity)
- Sime Darby Berhad (Equity)
- Axiata Berhad (Equity)
- Telekom Malaysia Berhad (Equity)
- IOI Corporation Berhad (Equity)

## Fund Information

NAV (31.03.14)	RM0.9385
Fund Size	RM10.7 million
Inception Date	15-Oct-01
Fund Management Fee	1.35% 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%	82%
Cash	0%	20%	18%

## Performance Table

Period	Fund	Index*
1 month (%)	1.13%	1.94%
3 months (%)	0.29%	0.72%
6 months (%)	4.04%	6.32%
12 months (%)	9.74%	15.75%
2 years (% pa)	8.72%	10.25%
3 years (% pa)	6.61%	8.22%
5 years (% pa)	12.17%	16.91%
Since Inception	5.17%	8.75%
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 March 2014, Bursa Malaysia extended its positive momentum at a slower pace with the benchmark FBM Composite Index rose by 0.74% as compared to 1.75% in the month of Feb 2014. The positive momentum however, was undermined by persistent selling by foreign fund managers which saw a net outflow of RM454 million during the month. March had been rather eventful with politics, economics and tragedy all rolled into one. The Ukraine/Russia tension took the headlines during the early part of the month when traders took the opportunity to create ripples across the globe before the tension abated.

The performance of the local market was very much supported by the local funds which have managed to absorb persistent selling from the foreign funds. During the month, average daily volume was at 1.802 billion units per day as compared to 2.497 billion units in Feb'14. On the broader market FBM Emas Index rose by 1.01% in Mar'14 and FBM Small Cap index rose by 3.6% for the same period under review. This is giving the indication that the market was focus into the small cap stocks.

On the economic front, the headline inflation rate inched higher to 3.5% y-o-y in February, from +3.4% in January and compared with +3.2% in December, as the effect of subsidy rationalisation measures by the Government continued to spill over to other products and services. The situation was made worse by the power tariff hike that came into effect on 1 January. Meanwhile, Industrial Production Index (IPI) for the month of Jan'14 rose by 3.6% year on year as compared to 1.7% in Dec'13. Despite the improvement, there was some weakness seen on some of the components of growth.

**Chart 1: FBMKLCI Daily Chart**

**Chart 2: FBMKLCI Monthly Pattern and Cycle Analysis**



Source: Bloomberg

Source: Bloomberg

## Market Outlook & Strategy

Recent sell down in the US which was led by Nasdaq counters on concern over stretch valuation may attract investors attention to re-look at the current valuation of the equity market. Potential profit taking from a 5-year old rally on the Wall Street may spill over in the region which will also trigger another round of selling in the local market. This will further add the pressure on the current persistent selling from external fund since the start of QE tapering program. On the local development, although there seems to lack of catalyst to boost the sentiment on the Bursa Malaysia, the recent launch of Permodalan Nasional Berhad's (PNB) Amanah Saham Bumiputera 2 (ASB2) may provide some catalyst to the market when it is fully subscribed.

Technically, upside is limited to the recent all time high of 1,882.2 recorded on 31 Dec 2013. Meanwhile, monthly chart above is suggesting that the current bull run since 2008 is ripe for a correction. We maintain our cautious view on the market for the medium term on the back of uncertainties in the US equity market, continuous QE tapering process and less favourable economic outlook.

# Fixed Income Review and Outlook

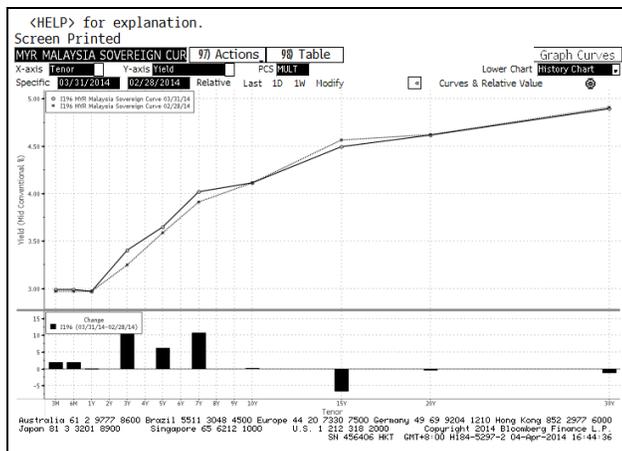
## Market Review

During the month of March, mixed sentiments seen infused to the local bond scene. Market players turned cautious with Yellen echoing taper moves and ending QE by end-December 2014. She added that the US Fed could also begin to normalize interest rates by raising the US Fed Funds rate gradually as early as mid 2015. Despite lingering concerns over tapering in the US, some positive vibes seen returning to the MYR bond space, following healthy bid to cover prints from concluded government bond auctions:- 3-year MGS 3/17, 10-year GII 5/24 and 7-year MGS 9/21 concluded during the month. Healthy bid to cover (btc) prints suggest investors were still on the look-out for trading buy or bargain hunts albeit on a more vigilant stance.

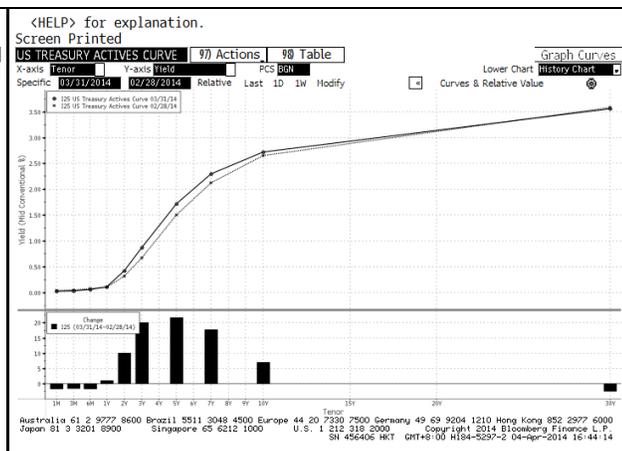
Chronologically, in March, we saw the first issuance of the MGS 3/17 of RM4bn where the average yield and btc were 3.394% and 2.177x respectively. Then, there was a reopening of MGII 05/24 amounting to RM2.5bn, which attracted a decent btc of 2.511x at an average yield of 4.236%. By end March, there was a new 7-year benchmark MGS 09/21 of RM4bn with a reported btc of 2.269 and at an average yield of 4.048%.

Bank Negara (BNM) has also kept the OPR unchanged at 3%, after its MPC meeting held on 6 - 7 March 2014. BNM continued to strike a neutral policy tone, reaffirming our belief that the OPR will stay unchanged this year. In tandem with the release of the BNM Annual Report 2013, BNM has also revised Malaysia's growth range lower from 5.0% - 5.5% previously to 4.5% - 5.5%. The wider growth projection means BNM anticipates that the Malaysian economy may grow modestly lower in 2014 due to external headwinds and tightened consumer spending to high cost of living. BNM also foresees domestic inflation to rise higher from 2.0% - 3.0% to 3.0% - 4.0% on expectations of further subsidy rationalization to set in. Therefore, given the prevailing challenges, we don't think BNM would start to raise rates as over the years, we have seen commitment from the BNM to ensure Malaysia sustains a reasonable amounts of growth.

There was mixed trading mode within the UST space for the month of March. Market sentiments appeared somewhat binary, swaying interchangeably from risk on to risk off mode and vice versa. Support for UST was seen emerging amid political headwinds emanating from Ukraine and Russia. However, sentiments for bonds turned a tad more cautious, spooked by Yellen's less dovish comments, echoing tapering continuity and possible completion of tapering by December 2014. The Fed's language also sounded more hawkish with indications on possible FFTR (Fed Fund Target Rate) resuming its normalization trend as early as mid-2015.



Source: Bloomberg



Source: Bloomberg

## Market Outlook & Strategy

While yield movements remained volatile in 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 Overnight Policy Rate (OPR) in the medium term albeit slight uptick in inflation which were largely cost-led.