



Investment Linked Fund Fact Sheets January 2014

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 (Jan 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.

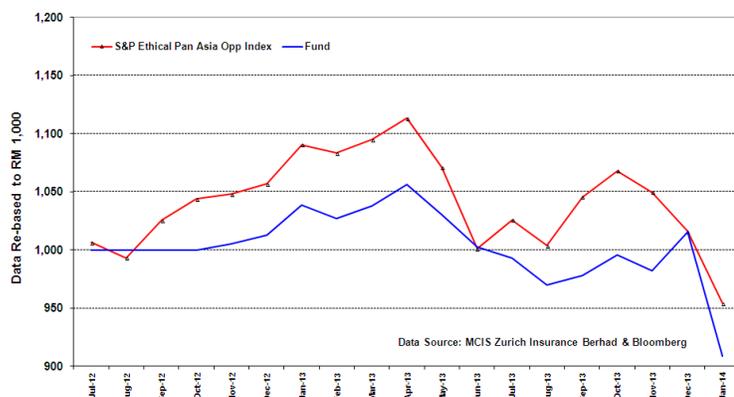
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 January 2014, the fund had underperformed the benchmark by 439bps MoM (month on month). The underperformance was mainly due to foreign exchange loss partly caused by weakening ringgit and also Asia Pacific markets slump.

AsiaPac Fund Performance Since Inception



Top Five Holdings

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

Fund Information

NAV (31.01.14)	RM0.4545
Fund Size	RM 20.8 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%	95%
Cash	0%	20%	5%

Performance Table

Period	Fund	Index*
1 month (%)	-10.51%	-6.12%
3 months (%)	-8.73%	-10.69%
6 months (%)	-8.50%	-7.01%
12 months (%)	-12.48%	-12.52%
2 years (% pa)	-	-
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	-5.85%	-2.92%

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 (Jan 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

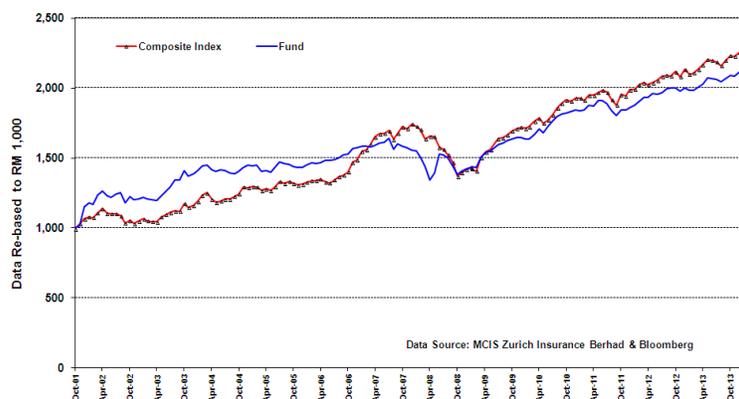
The Fund is considered medium risk given the mixed exposure of equity securities, fixed income and cash. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, industry and economy development, social and political factors, 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 January 2014, the fund had outperformed the benchmark by 66bps 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

Maybank Berhad (Bond)
 Malaysian Government Securities-MS03002H (Bond)
 Khazanah (Bond)
 Projek Lebuh raya Usahasama Berhad (Bond)
 Tenaga Nasional Berhad (Equity)

Fund Information

NAV (31.01.14)	RM1.0459
Fund Size	RM6.9 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%	41%
Cash	0%	20%	18%

Performance Table

Period	Fund	Index*
1 month (%)	-0.96%	-1.62%
3 months (%)	0.06%	-0.57%
6 months (%)	1.45%	1.46%
12 months (%)	5.37%	5.83%
2 years (% pa)	5.58%	5.64%
3 years (% pa)	4.39%	4.79%
5 years (% pa)	7.83%	9.18%
Since Inception	6.17%	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 (Jan 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

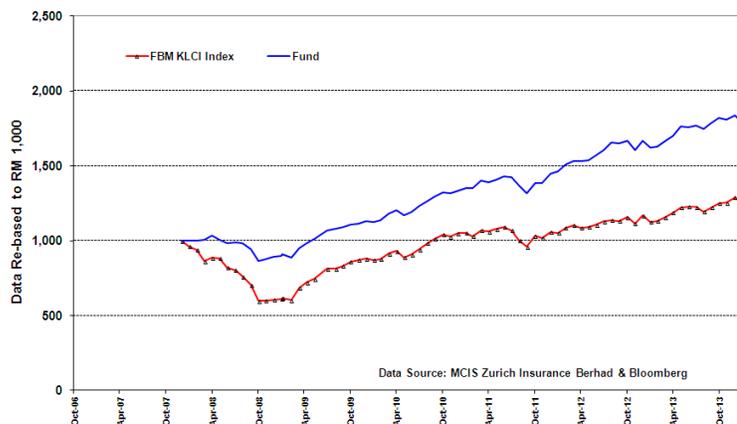
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 January 2014, the fund had outperformed the benchmark by 46bps MoM (month on month). The outperformance was mainly driven by higher exposure of outperforming stocks in the portfolio compared to benchmark.

Dividend Fund Performance Since Inception



Top Five Holdings

Petronas Gas Berhad
Public Bank Berhad
Maxis Berhad
Telekom Malaysia Berhad
Sime Darby Berhad

Fund Information

NAV (31.01.14)	RM0.8486
Fund Size	RM 52.0 million
Inception Date	21-Jan-08
Fund Management Fee	1.5% 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
Malaysian Equity	80%	100%	82%
Cash	0%	20%	18%

Performance Table

Period	Fund	Index*
1 month (%)	-2.91%	-3.37%
3 months (%)	-1.93%	-0.16%
6 months (%)	0.80%	1.77%
12 months (%)	10.21%	10.84%
2 years (% pa)	10.54%	8.90%
3 years (% pa)	9.73%	5.88%
5 years (% pa)	14.74%	15.32%
Since Inception	10.01%	3.71%
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 (Jan 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

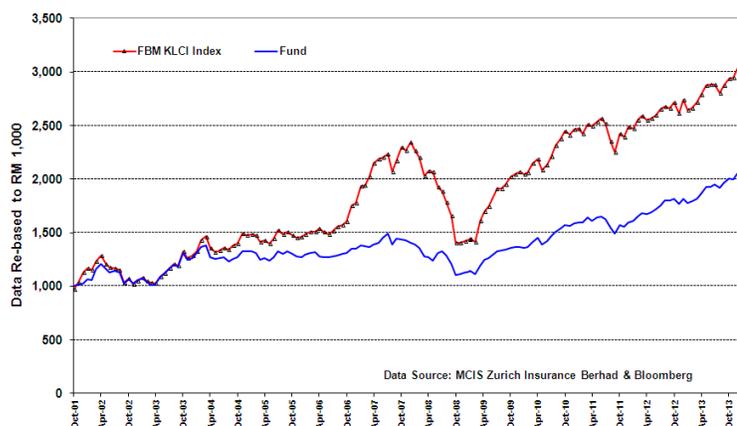
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 January 2014, the fund had outperformed the benchmark by 118bps 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
Public Bank Berhad
Petronas Dagangan Berhad
Maybank Berhad
Axiata Berhad

Fund Information

NAV (31.01.14)	RM1.0065
Fund Size	RM 8.7 million
Inception Date	15-Oct-01
Fund Management Fee	1.40% 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
Malaysian Equity	80%	100%	84%
Cash	0%	20%	16%

Performance Table

Period	Fund	Index*
1 month (%)	-2.19%	-3.37%
3 months (%)	0.35%	-0.16%
6 months (%)	3.30%	1.77%
12 months (%)	13.06%	10.84%
2 years (% pa)	11.65%	8.90%
3 years (% pa)	8.00%	5.88%
5 years (% pa)	12.12%	15.32%
Since Inception	5.84%	9.11%
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 (Jan 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

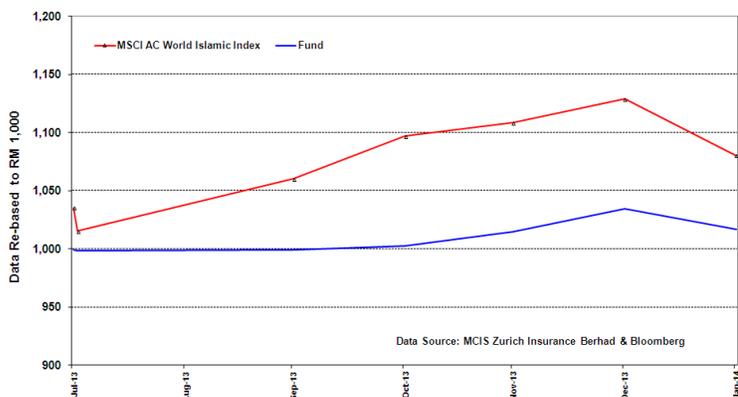
The Fund is considered low risk given the exposure to only one underlying securities with no attempt to select stocks individually or to take defensive positions in declining markets. Risk is managed at the management level, where the asset allocation of the fund to be reviewed on regular basis, and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

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.

Fund Performance

For the month ended January 2014, the fund had outperformed the benchmark by 260bps MoM (month on month). The outperformance was due to better performance of Aberdeen Islamic World Equity Fund compared to benchmark.

AsiaPac Fund Performance Since Inception



Top Five Holdings

Aberdeen Islamic World Equity Fund

Fund Information

NAV (31.01.14)	RM0.5085
Fund Size	RM 3.4 million
Inception Date	8-July-2013
Fund Management Fee	0.85% 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
AIWEF	80%	100%	87%
Cash	0%	20%	13%

Performance Table

Period	Fund	Index*
1 month (%)	-1.70%	-4.30%
3 months (%)	1.44%	-1.51%
6 months (%)	-	-
12 months (%)	-	-
2 years (% pa)	-	-
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	2.93%	14.18%

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 (Jan 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.

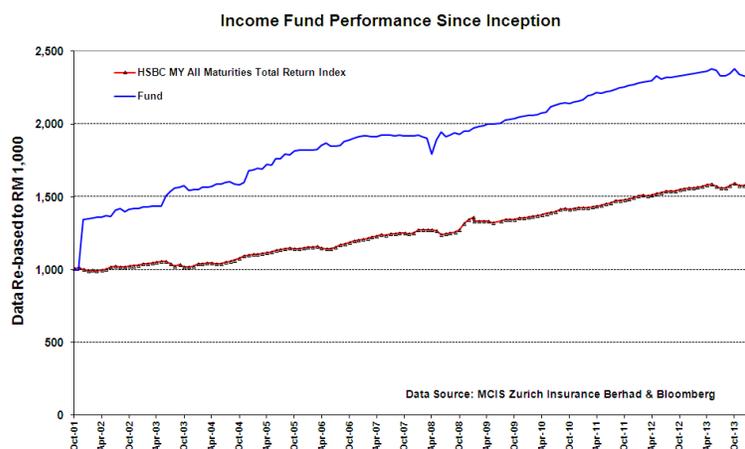
Risks

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 January 2014, the fund had underperformed the benchmark by 47bps 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 (31.01.14)	RM1.1622
Fund Size	RM 20.4 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%	82%
Cash	0%	25%	18%

Performance Table

Period	Fund	Index*
1 month (%)	-0.34%	0.13%
3 months (%)	-2.31%	-1.04%
6 months (%)	-0.31%	1.07%
12 months (%)	-1.00%	0.92%
2 years (% pa)	0.91%	2.32%
3 years (% pa)	2.36%	3.46%
5 years (% pa)	3.35%	3.02%
Since Inception	7.08%	3.77%

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 (Jan 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

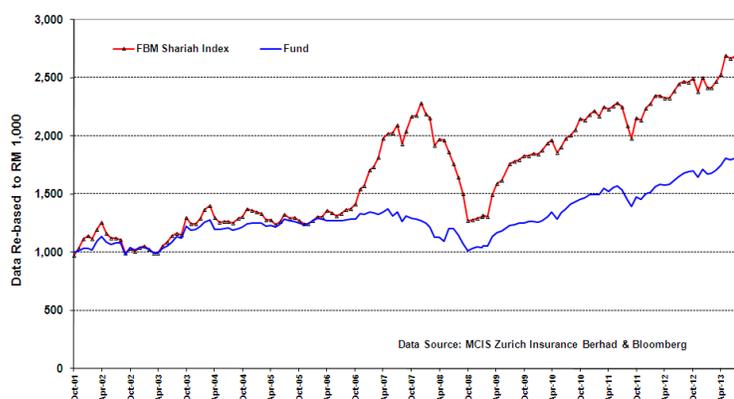
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and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

Jati Fund Performance Since Inception



Top Five Holdings

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

Fund Information

NAV (31.01.14)	RM0.9107
Fund Size	RM10.3 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%	79%
Cash	0%	20%	21%

Performance Table

Period	Fund	Index*
1 month (%)	-2.68%	-3.43%
3 months (%)	-1.08%	-1.08%
6 months (%)	0.65%	1.86%
12 months (%)	8.65%	13.42%
2 years (% pa)	9.50%	9.57%
3 years (% pa)	6.79%	7.28%
5 years (% pa)	11.80%	15.91%
Since Inception	4.98%	8.51%
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

After a positive end in 2013, global stock markets struggled in the month of January 2014 as uneasiness surrounding the slower growth in China and the withdrawal of US monetary stimulus spread from a broad decline in emerging market currencies into major equity markets.

For the month of January 2014, the FBM KLCI index declined almost 63 points or 3.3% to close at 1,804 points. The broader market outperformed the KLCI as the FBM Emas fell 3.1% to 12,456 points. The average daily volume in January increased to 1,641.5mil compared to 1,140.73mil in December. For the 6 months period, average daily volume was 1,645.77mil as compared to 1,603.24mil shares in December.

On the local economic front, in recent Monetary Policy Committee, Bank Negara Malaysia's (BNM) Monetary Policy Committee (MPC) opted to maintain the Overnight Policy Rate (OPR) stable at 3.0% on 29 January. This is the 16th 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 amidst the downside risks emanating from external source and rising price pressure.

Chart 1: FBMKLCI Daily Chart



Source: Bloomberg

Chart 2: FBMKLCI Monthly Pattern and Cycle Analysis



Source: Bloomberg

Market Outlook & Strategy

The downward momentum from the start of this year is expected to continue in February for the local bourse. The depth of the down fall of this market will largely depending on the outflow of foreign fund from the country and the development of the regional economy including China. The rising inflation is expected to provide some pressure to the country's domestic consumption as it has stated to give pressure to the consumers' spending pattern.

Technically, The KLCI is currently testing its major support trend line at 1,780 points and failure to hold above this trend line could lead to further weakness consolidation in the immediate term. The KLCI's long-term support trend line is at the 1,750-1,760 levels.

We maintain our view on the volatile market in 2014 with weakness 'seen' in the middle of the year. We continue to be cautiously optimistic about the outlook for the Malaysian equity market. Meanwhile, domestic economy will continue to be supported by the ETP related sectors namely oil & gas, construction and property sectors. As such, our stocks selection will remain status quo and continue to focus on blue-chips given their strong fundamentals and strong interest from major institutions.

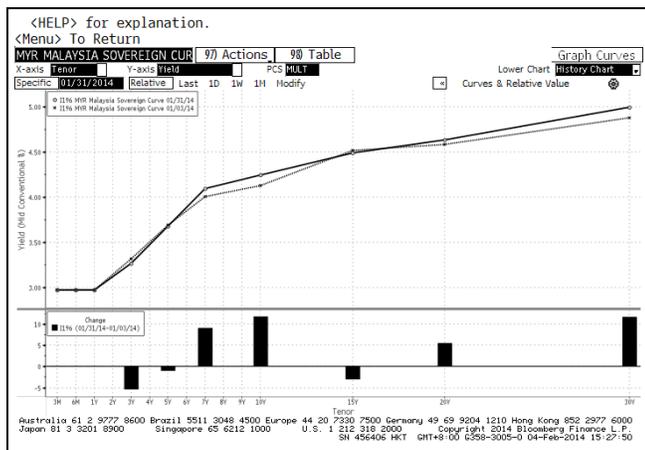
Fixed Income Review and Outlook

Market Review

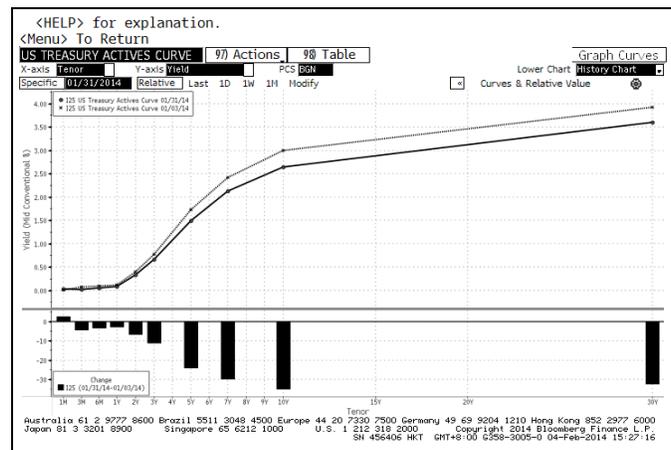
Post QE tapering announcement, the MGS yield curve was steepening as players shortened duration with the concerns of yields surging. Longer tenor yields continued to hover at higher levels as we awaited the end-January 2014 FOMC meeting. After 28-29 January 2014 FOMC's meeting, the Fed duly reduced its QE asset purchases by another \$10 billion to \$65 billion which was within market expectations.

Post a series of tapering announcements in the US, in January 2014, the MGS yield curve was steepening along with US Treasuries as players shortened duration with the concerns of yields surging. Longer tenor yields continued to hover at higher levels and remained alleviated as the Fed duly reduced its QE asset purchases by another \$10 billion to \$65 billion per month. Meantime, Bank Negara's MPC kept the OPR unchanged at 3.00%. The MPC views that the growth momentum in 2014 is likely to be supported by the improvements in exports although there is risk of moderation in domestic demand, which should deter price inflation. Meantime, the MPC stated that the policymakers will remain focused on ensuring medium-term price stability, alongside sustainable economic growth. That said, we foresee little chance of a shift in the OPR seeing current market volatility and inflation readings that are mainly cost-led.

Along the primary segment, the new 10-year MGS benchmark auction worth RM4bn received decent demand, with hints of improved offshore interest. The bid to cover (btc) ratio reached 1.81 times and dealt at an average yield of 4.18%. Meanwhile, the RM3.5 billion reopening of the 5-year GII ended with decent demand, as the bid-to-cover ratio reached 1.96 times. Average yield was done at 3.95%. Amidst the QE taper and emerging market concerns, foreigners' shareholding of Malaysian government bonds fell slightly to 29.4% of total outstanding at end December 2013 from 29.5% a month prior. Value-wise, holdings by foreigners rose to RM140.4 billion as at end December from RM139.2 billion the prior month. Year on year, value was up from RM131.6 billion in December 2012, although down slightly from the 30.2% share during the similar period.



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.