



(formerly known as MCIS Zurich Insurance Berhad)

Investment Linked Fund Performance report January 2015

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AsiaPac Fund Monthly Report (January 2015)

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.

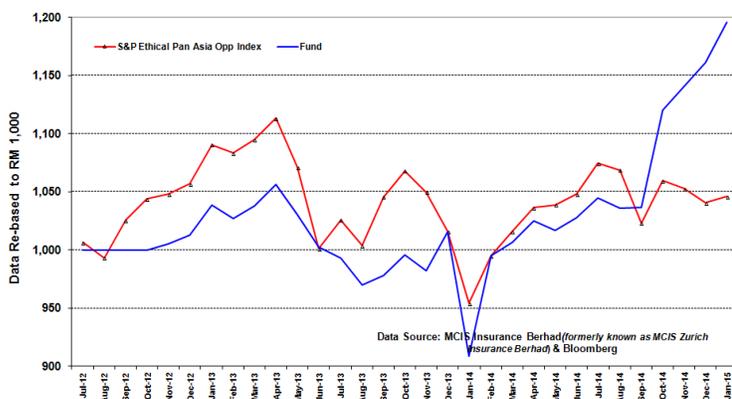
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 2015, the fund had outperformed the benchmark by 251bps MoM (month on month). The outperformance was mainly due to strengthening of USD.

AsiaPac Fund Performance Since Inception



Top Ten Holdings

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

Fund Information

NAV (31.01.15)	RM0.5980
Fund Size	RM 24.0 million
Inception Date	15-July-2012
Fund Management Fee	0.85% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad (formerly known as MCIS Zurich Insurance Berhad)
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
ETF	80%	100%	88%
Cash	0%	20%	12%

Performance Table

Period	Fund	Index*
1 month (%)	3.01%	0.50%
3 months (%)	6.75%	-1.31%
6 months (%)	14.49%	-2.69%
12 months (%)	31.57%	9.63%
2 years (% pa)	15.16%	-4.10%
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	7.17%	1.76%

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

The Fund returns are calculated by MCIS and based on the value of the NAV, and for periods greater than 12-months are annualised numbers. Actual returns of the Fund are on a net basis (gross of tax and net of fees) and based on the performance of the Fund, and not the returns earned on the actual premiums/ contributions paid for the product.

* Index is S&P Ethical Pan Asia Select Dividend Opportunities sourced from Bloomberg.

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

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

Balanced Fund Monthly Report (January 2015)

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

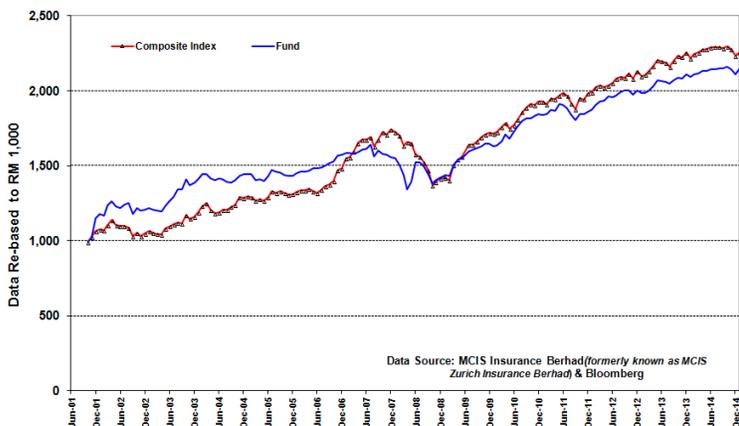
The Fund is considered medium risk given the mixed exposure of equity securities, fixed income and cash. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, industry and economy development, social and political factors, 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 2015, the fund had outperformed the benchmark by 72bps MoM (month on month). The outperformance was mainly driven by higher exposure of outperforming securities in the portfolio.

Balanced Fund Performance Since Inception



Top Ten Holdings

Malaysian Government Securities (Bond)
Danga Capital Berhad (Bond)
Projek Lebuh raya Utara-Selatan (Bond)
Sabah Credit Corporation (Bond)
Tenaga Nasional Berhad (Equity)
Malayan Banking Berhad (Equity)
Maxis Berhad (Equity)
Telekom Malaysia Berhad (Equity)
Sime Darby Berhad (Equity)
AmanahRaya REIT (Equity)

Fund Information

NAV (31.01.15)	RM1.0754
Fund Size	RM7.3 million
Inception Date	15-Oct-01
Fund Management Fee	1.25% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad <i>(formerly known as MCIS Zurich Insurance Berhad)</i>
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Malaysian Equity	40%	60%	46%
Fixed Income	40%	60%	33%
Cash	0%	20%	21%

Performance Table

Period	Fund	Index*
1 month (%)	1.85%	1.13%
3 months (%)	-0.55%	-1.60%
6 months (%)	0.37%	-1.49%
12 months (%)	2.82%	1.78%
2 years (% pa)	4.09%	3.79%
3 years (% pa)	4.65%	4.34%
5 years (% pa)	5.67%	5.69%
Since Inception	5.91%	6.30%

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

The Fund returns are calculated by MCIS and based on the value of the NAV, and for periods greater than 12-months are annualised numbers. Actual returns of the Fund are on a net basis (gross of tax and net of fees) and based on the performance of the Fund, and not the returns earned on the actual premiums/ contributions paid for the product.

* Index is composite of 50% FBM KLCI Index, and 50% HSBC Malaysia All Bond FBM KLCI Index. Index data sourced from Bloomberg.

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

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

Dividend Fund Monthly Report (January 2015)

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

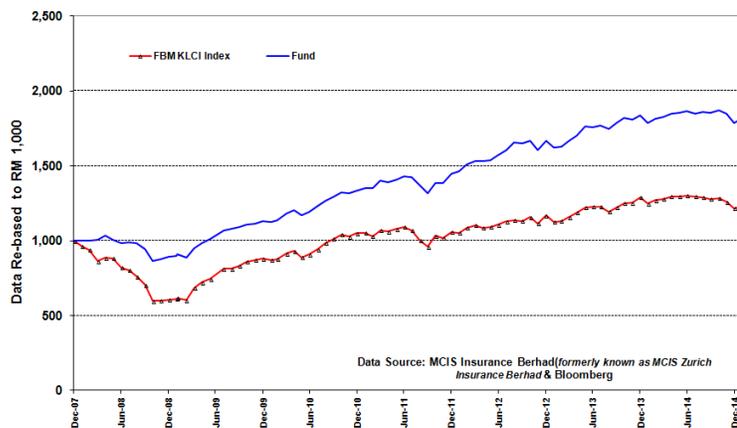
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 2015, the fund had outperformed the benchmark by 78bps MoM (month on month). The outperformance was mainly driven by higher exposure of outperforming stocks in the portfolio compared to benchmark.

Dividend Fund Performance Since Inception



Top Ten Holdings

Telekom Malaysia Berhad
Sime Darby Berhad
Petronas Gas Berhad
Public Bank Berhad
Maxis Berhad
Axiata Group Berhad
DiGi.Com Berhad
British American Tobacco (M) Berhad
Malayan Banking Berhad
Petronas Chemicals Group Berhad

Fund Information

NAV (31.01.15)	RM0.8640
Fund Size	RM 48.3 million
Inception Date	21-Jan-08
Fund Management Fee	1.5% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad (formerly known as MCIS Zurich Insurance Berhad)
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Malaysian Equity	80%	100%	94%
Cash	0%	20%	6%

Performance Table

Period	Fund	Index*
1 month (%)	1.92%	1.14%
3 months (%)	-2.94%	-3.98%
6 months (%)	-1.66%	-4.81%
12 months (%)	1.81%	-1.26%
2 years (% pa)	5.93%	4.62%
3 years (% pa)	7.55%	5.40%
5 years (% pa)	10.08%	7.18%
Since Inception	8.81%	3.00%
Yield #	2.93%	3.53%

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

The Fund returns are calculated by MCIS and based on the value of the NAV, and for periods greater than 12-months are annualised numbers. Actual returns of the Fund are on a net basis (gross of tax and net of fees) and based on the performance of the Fund, and not the returns earned on the actual premiums/ contributions paid for the product.

* Index is FBM KLCI sourced from Bloomberg. # Yield data is sourced from Bloomberg, and MCIS.

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

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

Equity Fund Monthly Report (January 2015)

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

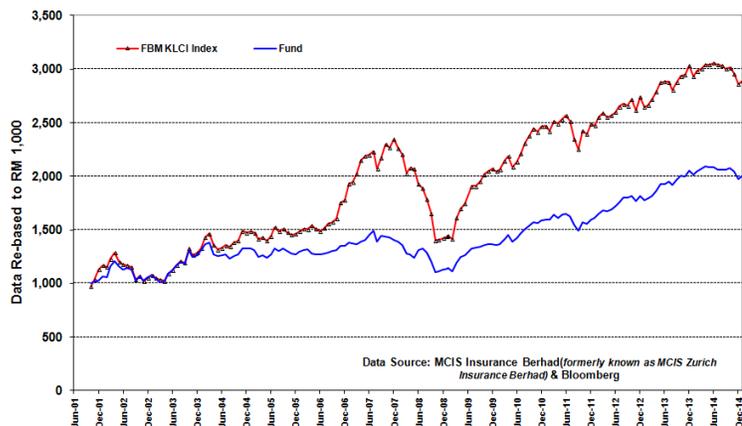
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 2015, the fund had outperformed the benchmark by 55bps MoM (month on month). The outperformance was mainly driven by higher exposure of outperforming stocks in the portfolio compared to benchmark.

Equity Fund Performance Since Inception



Top Ten Holdings

Tenaga Nasional Berhad
IOI Corporation Berhad
Public Bank Berhad
Sime Darby Berhad
Malayan Banking Berhad
Telekom Malaysia Berhad
Axiata Group Berhad
Maxis Berhad
SapuraKencana Petroleum Berhad
Petronas Dagangan Berhad

Fund Information

NAV (31.01.15)	RM1.0049
Fund Size	RM 9.1 million
Inception Date	15-Oct-01
Fund Management Fee	1.40% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad (formerly known as MCIS Zurich Insurance Berhad)
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Malaysian Equity	80%	100%	94%
Cash	0%	20%	6%

Performance Table

Period	Fund	Index*
1 month (%)	1.69%	1.14%
3 months (%)	-3.33%	-3.98%
6 months (%)	-2.44%	-4.81%
12 months (%)	-0.16%	-1.26%
2 years (% pa)	6.25%	4.62%
3 years (% pa)	7.57%	5.40%
5 years (% pa)	8.20%	7.18%
Since Inception	5.37%	8.30%
Yield #	2.79%	3.53%

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

The Fund returns are calculated by MCIS and based on the value of the NAV, and for periods greater than 12-months are annualised numbers. Actual returns of the Fund are on a net basis (gross of tax and net of fees) and based on the performance of the Fund, and not the returns earned on the actual premiums/ contributions paid for the product.

* Index is FBM KLCI sourced from Bloomberg. # Yield data is sourced from Bloomberg, and MCIS.

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

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

Global Yakin Fund

Monthly Report (January 2015)

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.

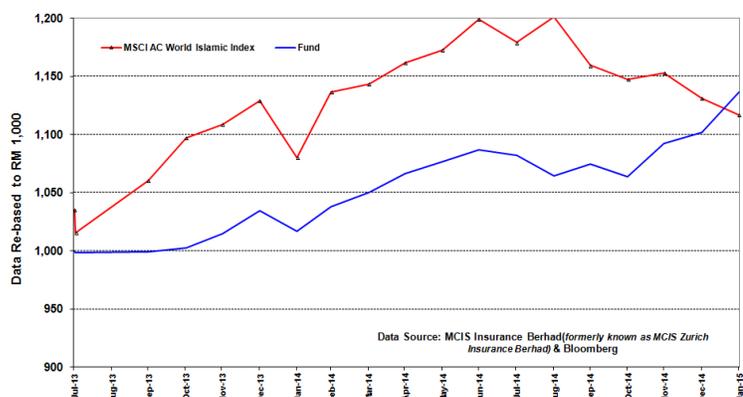
The following factors can potentially affect the value of the Fund; economic and political developments in related countries, foreign exchange fluctuation, illiquid and inefficient securities in the Emerging Markets, and the financial performance of the underlying companies.

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 January 2015, the fund had outperformed the benchmark by 446bps MoM (month on month). The outperformance was mainly due to strengthening of USD.

Global Yakin Fund Performance Since Inception



Top Ten Holdings

Aberdeen Islamic World Equity Fund (AIWEF)

Fund Information

NAV (31.01.15)	RM0.5685
Fund Size	RM 16.6 million
Inception Date	8-July-2013
Fund Management Fee	0.85% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad <i>(formerly known as MCIS Zurich Insurance Berhad)</i>
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
AIWEF	80%	100%	94%
Cash	0%	20%	6%

Performance Table

Period	Fund	Index*
1 month (%)	3.16%	-1.30%
3 months (%)	6.86%	- 2.70%
6 months (%)	5.06%	-5.29%
12 months (%)	11.80%	3.37%
2 years (% pa)	-	-
3 years (% pa)	-	-
5 years (% pa)	-	-
Since Inception	8.45%	7.23%

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

The Fund returns are calculated by MCIS and based on the value of the NAV, and for periods greater than 12-months are annualised numbers. Actual returns of the Fund are on a net basis (gross of tax and net of fees) and based on the performance of the Fund, and not the returns earned on the actual premiums/ contributions paid for the product.

* Index is MSCI AC World Islamic sourced from Bloomberg.

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

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

Income Fund

Monthly Report (January 2015)

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.

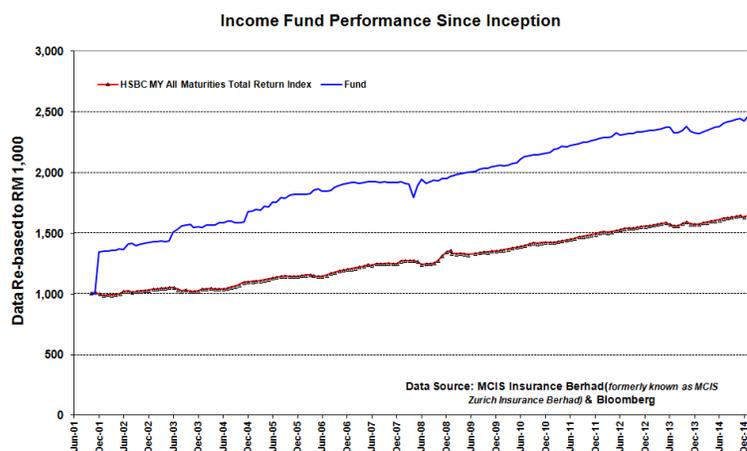
Risks

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 2015, the fund had outperformed the benchmark by 59bps MoM (month on month). The outperformance was mainly driven by better performance of the bond market during the period.



Top Ten Holdings

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

Fund Information

NAV (31.01.15)	RM1.2351
Fund Size	RM 21.5 million
Inception Date	15-Oct-01
Fund Management Fee	0.5% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad <i>(formerly known as MCIS Zurich Insurance Berhad)</i>
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Fixed Income	75%	100%	82%
Cash	0%	25%	18%

Performance Table

Period	Fund	Index*
1 month (%)	1.71%	1.12%
3 months (%)	1.25%	0.82%
6 months (%)	2.52%	1.91%
12 months (%)	6.27%	4.87%
2 years (% pa)	2.57%	2.88%
3 years (% pa)	2.66%	3.16%
5 years (% pa)	3.69%	4.01%
Since Inception	7.02%	3.85%

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

The Fund returns are calculated by MCIS and based on the value of the NAV, and for periods greater than 12-months are annualised numbers. Actual returns of the Fund are on a net basis (gross of tax and net of fees) and based on the performance of the Fund, and not the returns earned on the actual premiums/ contributions paid for the product.

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

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

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

Jati Fund

Monthly Report (January 2015)

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

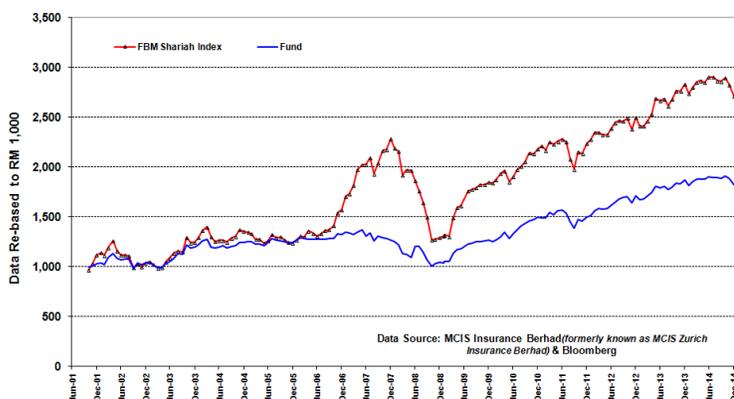
The Fund is considered high risk given the exposure to equity securities. The following factors can potentially affect the value of the Fund; consumer sentiment, financial performance of the underlying companies, the performance of the industry and economy, and the share market in general, social and 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 2015, the fund had underperformed the benchmark by 58bps 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 Ten Holdings

Tenaga Nasional Berhad
Sime Darby Berhad
Axiata Group Berhad
Telekom Malaysia Berhad
IOI Corporation Berhad
MISC Berhad
Petronas Dagangan Berhad
MyETF Dow Jones Islamic Market Titan 25
Gamuda Berhad
Maxis Berhad

Fund Information

NAV (31.01.15)	RM0.9324
Fund Size	RM10.9 million
Inception Date	15-Oct-01
Fund Management Fee	1.35% p.a.
Pricing	Daily
Price Quote	Major Newspaper, or http://www.mcis.my
Fund Manager	MCIS Insurance Berhad <i>(formerly known as MCIS Zurich Insurance Berhad)</i>
Exceptional Circumstances	Refer to your Policy Document

Asset Allocation Ranges

Asset Class	Min	Max	Current Actual
Malaysian Equity	80%	100%	89%
Cash	0%	20%	11%

Performance Table

Period	Fund	Index*
1 month (%)	2.18%	2.76%
3 months (%)	-2.57%	-3.70%
6 months (%)	-1.61%	-3.98%
12 months (%)	2.38%	1.97%
2 years (% pa)	5.47%	7.54%
3 years (% pa)	7.07%	6.97%
5 years (% pa)	8.24%	8.68%
Since Inception	4.78%	8.00%
Yield #	2.26%	3.56%

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

The Fund returns are calculated by MCIS and based on the value of the NAV, and for periods greater than 12-months are annualised numbers. Actual returns of the Fund are on a net basis (gross of tax and net of fees) and based on the performance of the Fund, and not the returns earned on the actual premiums/ contributions paid for the product.

* Index is FBMS Index sourced from Bloomberg. # Yield data is sourced from Bloomberg, and MCIS.

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

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

Equity Market Review and Outlook

Market Review

January was a good month for global markets and Malaysia as oil prices appeared to have stabilised, at least temporarily, while investors were cautious in general. For the month, the KLCI gained 1.1% or 20 points to close at 1,781.26 points. The KLCI rallied above the 1,800 points level for a while before consolidating lower. The broader market outperformed, with the FBM EMAS gaining 1.7% mom to 12,272 points. Average daily value traded on Bursa in January increased 16% mom to RM2.2bn.

On the domestic economic front, exports rose to +2.7% y-o-y in December (+2.1% in November and -3.2% in October). This was better than the median estimate of a 1.0% growth in December. Export growth was supported by higher shipments of E&E products. It could partly be attributed to higher demand ahead of the festive season, while growing popularity of smart devices has also boosted demand for E&E components and parts.

Chart 1: FBMKLCI Daily Chart



Source: Bloomberg

Chart 2: FBMKLCI Monthly Pattern and Cycle Analysis



Source: Bloomberg

Market Outlook & Strategy

February is historically another good month for FBM KLCI with a 27 year average of 2.5%. But given the volatile external environment and the KLCI's big rebound in January, profit taking activities may emerge to weigh down on the market. Moreover, the Chinese New Year period falls in mid-February and investors may not want to hold onto too many positions over the long festive holidays. In addition, we expect another poor set of results season in February (for 4Q14) and there are concerns that core market EPS growth in 2014 could dip into the red. At last count, core market EPS growth for 2014 was a miniscule 0.8%.

Technically, the 6-year rally off the 2008 low has likely ended in July 2014 and is now undergoing a multi-month correction. The recent rebound to 1,810 suggests that there is a chance for the KLCI to form a larger Head and Shoulders pattern that has a neckline at 1,660-1,671. A breach of 1,660 would confirm a downside target of 1,424-1,400 for the rest of 2015.

We continue to remain bearish on the KLCI in 2015. Our strategy pinned on buy on weakness and focusing on lower beta stocks. Switching to higher beta stocks will be our next strategy if the market were showing recovery.

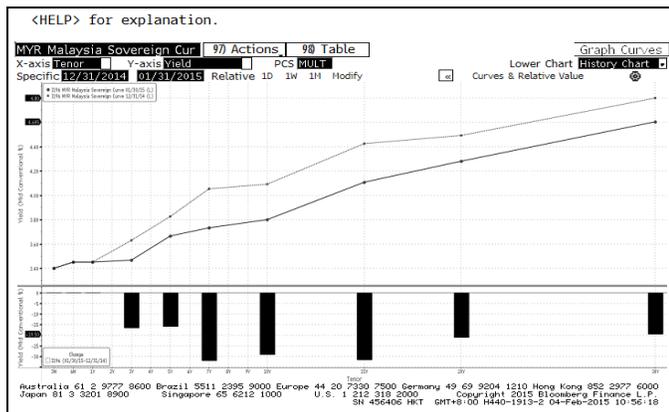
Fixed Income Review and Outlook

Market Review

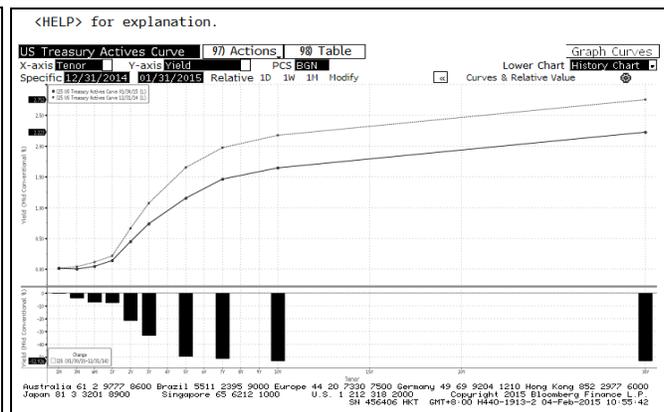
In the month of January, Malaysian Government bonds were relatively volatile. Following the OPEC's decision to retain its output target, the global crude oil prices continued to tumble up to the lowest point at USD44.45 per barrel (Ref: Nymex Crude Oil) in January, resulting Ringgit to be weakened by 3.6% to USD/MYR 3.6295. On 20 January, the Government released a revised Budget 2015 to reflect the falling oil prices where the fiscal revenue is projected based on crude oil price at USD55 per barrel instead of USD100 per barrel. As a result, the fiscal deficit is expected to increase from 3.0% to 3.2% for 2015 while GDP growth cut from 5.0%~6.0% to 4.5%~5.5% after revision. Post announcement, bond market was seen some buying interest but soon turned to bearish tone after Fitch issued a statement that they would 'more likely than not' downgrade Malaysia's sovereign rating within the next 12-18 months.

On 22 January, ECB announced a new Quantitative Easing (QE) program for releasing EUR60 billion a month into the economy between March-2015 and September-2016. The program could create flood of fresh cash across the global markets, especially the Emerging Markets. Later part of the month, bond market rallied following the spill-over effect of the ECB's QE. On 28 January, BNM continued to keep the OPR unchanged at 3.25%, within market expectation. The decision sounded more cautious on the external outlook but supporting the economic growth on a steady path. Although the falling price of global crude oil could damage the local market, inflation is expected to be lower than earlier expected as lower energy prices will partly offset other domestic cost pressures. After all, we expect the OPR to remain status quo until next development.

There were 3 auctions being tendered in the month. The RM2.5bn of reopening 15-year MGS 4/30 was tendered at an average yield of 4.697% with a bid-to-cover ratio of 2.368x. Demand for the auction was better-than-expected with local real money showing keen interest during the auction as well as in secondary trading where the yield was traded at 4.59% by end of the day. The new issue of 7.5-year GII 7/22 came at size of RM4.0bn, which garnered a bid-to-cover ratio of 2.530x and at an average yield of 4.194%. Post auction, selling pressure was seen on this bond mainly driven by the local players as the yield came back up to close slightly higher at 4.20%. Lastly, the reopening 3-year MGS 10/17 saw strong demand of RM3.0bn from both onshore and offshore players with a bid-to-cover ratio of 2.595x and an average yield of 3.542%.



Source: Bloomberg



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Market Outlook & Strategy

We would continue to monitor closely the movements of MGS as it has been relatively volatile due to the Ringgit's performance, concerns on Malaysia's fiscal deficit position and international rating agencies outlook of Malaysia. We would suggest on accumulating bonds should there be a significant sell-off in the bond market as we do not foresee further changes in the Overnight Policy Rate (OPR) in the near term (or at least for the next 3 to 6months of 2015) on the back of subdue inflationary pressures due to easing oil prices.