

Equity Market Review & Outlook

REVIEW

- ▶ Global developed markets rallied the first half of the month as expectations for the US Federal Reserve to start tapering their asset buy-back program were high. However, markets were surprised by the statement from the US FOMC which indicated that whilst the Fed's assessment of the US outlook continued to improve as "economic activity has been expanding at a moderate pace", the Fed did not think the economy was strong enough for a stimulus withdrawal – hence the much awaited September QE tapering was a non-event. Interest in emerging markets rebounded post the US FOMC meeting, but investors globally were then preoccupied by the approaching deadlines for resolving the US federal spending and the issue of raising the debt ceiling which may result in a partial shutdown of some US government operations for the first time in 17 years.
- ▶ Malaysia rebounded from the sell-down in August in tandem with most regional markets, hitting above 1,800 points before profit taking set in. The month started off with the government announcing a 20 sens hike in prices of RON95 petrol and diesel, which should result in a subsidy saving of RM1.1bn for the last three months of 2013. However, the fuel subsidy cut is not enough to change Fitch Rating's negative outlook on Malaysia, but it is a step in the right direction. The KLCI ended the month at 1,768.6 points, gaining 2.38% mom or 41.0 points. The broader market outperformed the KLCI as the FBM Emas gained 321.1 points or 2.68% mom. FBM Small Cap index outperformed the KLCI gaining 5.59% during the month. Average value traded on Bursa in August decreased 15% mom to RM1.92bn.
- ▶ The sector indices on the local bourse closed higher for September, with the best performing sectors being Technology (9.24%) and Industrial Production (5.12%). The worst performing sectors were the Plantation (0.98%), and Financials (1.36%).

OUTLOOK

- ▶ All eyes will be on the US and how drawn out the US fiscal impasse will be and more importantly how close to the deadline (October 17th) will the increase to the US\$16.7 trillion debt ceiling be agreed on; as not meeting the deadline would mean a technical default. Although we expect some sort of resolution or compromise to be met, we expect global markets to see some volatility in near term. Over the longer term, markets will continue to second guess when the US Federal Reserve would start tapering their QE – and whilst the delay brought some respite to emerging markets, the delay in tapering also means the US economy is still not strong enough for the start of a withdrawal of monetary stimulus.
- ▶ Domestically, investors will be mindful of the upcoming UMNO elections (scheduled 19th October 2013), and more importantly the Budget 2014 (scheduled for 25 October 2013). The Budget 2014 needs to send a message that the Malaysian government is serious in tackling its fiscal deficit and has the political will to do so. As such we are expecting a preliminary announcement on the implementation timeline for GST, some clarity on infrastructure spending going forward and potentially more subsidy removal initiatives coupled with targeted cash handouts to alleviate the strain on the lower income group.
- ▶ Our strategy has not changed, and we remain cautious on the Malaysian equity market in the short term, largely due to the global macro concerns. However, we see any correction in the market as an opportunity to accumulate selective fundamentally strong stocks with attractive valuations.

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NEWS HIGHLIGHTS

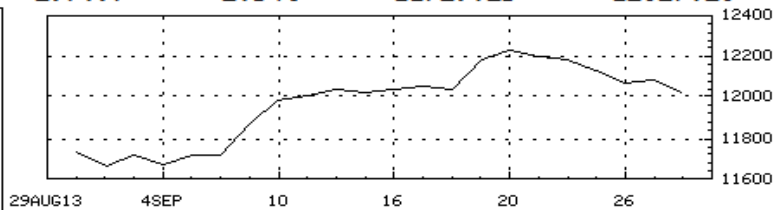
- ▶ The price of RON 95 and diesel increased by 20 sens to RM2.10/litre and RM2.00/litre respectively during the month. This reduction in subsidy could potentially save the government RM3.3bn per annum. The price of RON97 was also increased soon after by 15 sens to RM2.85/litre.
- ▶ Affin Holdings won the final round of bidding for the right to buy Hwang-DBS Malaysia's key businesses, beating rival AMMB Holdings.
- ▶ Axiata's Indonesian unit XL Axiata has entered into an agreement to acquire Indonesia based Axis Telekom for USD865m, conditional to getting the appropriate approvals, and retaining the spectrum that is currently held by Axis Telekom.
- ▶ Berjaya Sports Toto proposed a revised offer for sale of 190m STM units instead of 540m units, and a 2.1:1 distribution in specie of STM Trust units.

INDEX PERFORMANCE & MOVERS

RPT

Historical Equity Index Movers PAGE 1/ 4
 FBM100 Change Pct Chg Start Price End Price
 FTSE BURSA MAL TOP 100 +297.97 +2.54% 11729.23 12027.20

Index Member Information
 Additions: 0 Up: 72
 Deletions: 0 Down: 27
 Current: 100 Unch: 1
 Sort: Index Points
 Order: Descending
 9/2/2013 - 9/30/2013



LEADING MOVERS

LAGGING MOVERS

Security	End Price	Change	Index Pts	Security	End Price	Change	Index Pts
GENT MK	10.40	+1.07	+44.818	MAY MK	9.84	-.16	-13.014
PBK MK	17.74	+.68	+36.318	UMWH MK	11.82	-.76	-9.515
PTG MK	22.00	+1.86	+27.821	T MK	5.24	-.17	-8.161
CIMB MK	7.52	+.24	+22.100	FGV MK	4.20	-.17	-5.981
TNB MK	9.03	+.30	+17.772	IOI MK	5.36	-.04	-2.814
AXIATA MK	6.88	+.14	+13.181	KPJ MK	6.15	-.28	-1.923
PCHEM MK	6.85	+.23	+12.513	HLBK MK	13.98	-.12	-1.377
DIGI MK	4.86	+.16	+11.283	DLG MK	2.54	-.04	-1.364
YTLP MK	1.78	+.18	+11.148	TRCB MK	1.51	-.13	-1.267
MISC MK	5.12	+.40	+11.134	ASTRO MK	2.92	-.04	-1.180

+ Added during range, - Removed during range, * Added/Removed multiple times
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FUND COMMENTARY

SEPTEMBER 2013



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Indices	Last Price		MoM Changes	
	31-Aug-13	30-Sep-13	+/-	%
FBMKLCI	1727.6	1768.6	41.0	2.38%
FBMMES	4929.8	5537.2	607.4	12.32%
FBM100	11729.2	12027.2	298.0	2.54%
FBM70	13539.5	13963.5	423.9	3.13%
FBMSCAP	14447.9	15255.5	807.6	5.59%
FBMEMAS	11968.6	12289.7	321.1	2.68%
FBMFLG	10647.9	11493.9	846.1	7.95%
FBMSHA	12046.9	12364.9	318.0	2.64%
FBMHJRAH	13103.9	13401.8	297.9	2.27%
MSCI APxJ	435.1	459.3	24.2	5.57%

Source: Bloomberg