

Allianz Life Master Dividend Fund



Investment Objective

An open-ended investment fund which aims to provide a steady income stream and medium to long term capital appreciation by investing in equity and equity-related securities skewed towards potential dividend yielding equities.

Investor Profile

The fund is suitable for investors who are seeking moderate capital appreciation, seek stable income stream, have moderate risk tolerance and have medium to long term investment horizon.

Performance Indicator

	Master Dividend Fund	Benchmark: FBM 100*
1 month	4.52%	2.10%
6 months	13.88%	6.69%
1 year	19.69%	8.16%
3 years	15.71%	-2.64%
5 years	66.84%	15.01%
YTD	17.78%	9.56%
Since Inception (Annualised)	12.69%	4.43%

* Source: Bloomberg

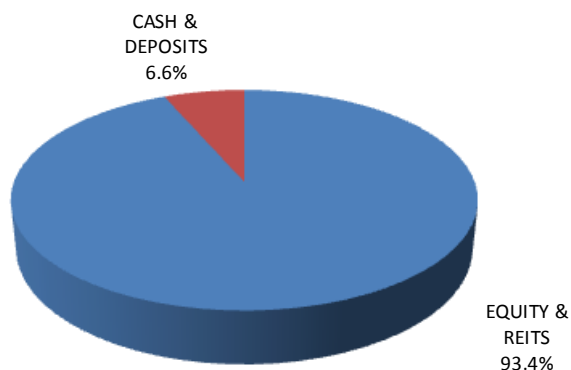
The above performance is calculated in Ringgit Malaysia on a NAV-to-NAV basis. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the investment-linked product. Past performance is not an indication of future performance.

Key Fund Facts

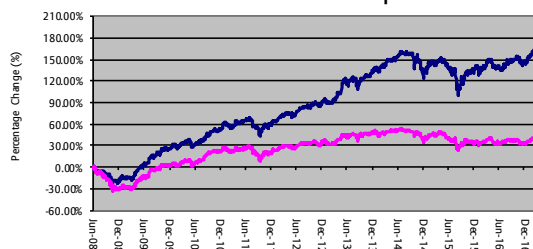
Fund Size	RM72.053 million
Risk Profile	Moderate
Launch Date	13 th June 2008
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit ¹ - Bid (as at 28th April 2017)	2.888
Management Fee	0.00% p.a
Other Charges ²	Include but not limited to government tax, auditor fee, custodian fee, & transaction charge

- The price 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. To ensure fair treatment to all unit holders, transaction costs of acquiring and disposing of assets of the Fund are recouped by making a dilution or transaction cost adjustment to the NAV per unit of the Fund. Allianz Life Insurance Malaysia Berhad retains the right to suspend issuance or redemption of units of the Fund under exceptional circumstances, e.g. temporary closure of any stock exchange, as disclosed in the fund brochure.
- Expenses directly related to and necessary in operating the Fund.

Portfolio Composition by Asset Type



Performance Since Inception



Top Holdings (Equities)

Equity	% NAV
MALAYAN BANKING BERHAD	8.08%
GENTING BERHAD	5.84%
MY EG SERVICES BERHAD	5.56%
TENAGA NASIONAL BERHAD	5.30%
CIMB BERHAD GROUP	5.21%

Disclaimer:

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Market Review & Outlook



Bond Market Review

UST yields closed stronger in April on the back of growing geopolitical tensions and the conclusion of the French elections. The yield curve shifted downwards and was 11bps lower across the belly to long end of the curve with the 10-year UST closing the month at 2.28%. The dampening of the Dollar was also due to Trump comment that the Dollar was getting too strong and that he preferred a low interest policy. In data, the March non-farm payroll was disappointing at +98k (+180k consensus) whilst the unemployment rate further declined to 4.5%, from 4.7% a month prior. Markets reacted to the 0.2% fall in the unemployment rate as not too long ago, former Fed chair Bernanke said that the Fed would begin hiking rates when the unemployment rate hit 6.5%. The positive reaction to the decline was due to the stance that the 4.5% rate is at or below the natural rate of unemployment and further declines would cause the Fed to turn more aggressive to stave off inflation taking hold. Headline CPI fell 0.3% mom in Mar versus zero change consensus.

The sharp drop in the Dollar saw Ringgit gaining sharply also driven by flows into the bond markets. The Ringgit firmed from 4.4252 end-Mar to 4.3390 end-Apr. Foreign participants in Malaysia were seen picking up bonds in the short to the middle part of the curve with bond market volumes doubling. The 3-year Malaysian Government Securities (MGS) was -23% to 3.21% and 10-year MGS -9bps to 4.05%. Foreign holdings of Ringgit bonds saw net positive inflow of +RM6.7b for the month of April, reversing flows back to a positive tone after 5 consecutive months of net outflow. In terms of MGS and GII, percentage of non-resident holdings stands at 39.7% (March: 38.5%) and 7.9% (March :7.9%) respectively. Meantime, market players were pretty receptive of the recent Bank Negara Malaysia announcement which unveiled a four-prong measure to 1) promote a fair and effective financial market, 2) improve liquidity in the bond market, 3) provide additional foreign exchange (FX) flexibility and 4) strengthen the financial market infrastructure. To improve liquidity, the central bank's allowed wider but regulated short-selling of Malaysian government bonds to all resident entities.

Bond Market Outlook

Going forward in 2017, we view further upside risk to bond yields due to Ringgit vulnerability and higher US bond yields to be limited given that the bond valuation has normalized since Trump election. While headline inflation is projected to be higher in 2017 on the back of higher oil prices, cost-driven inflation is not expected to have a significant impact on the broader price trends given the stable domestic demand conditions. Economic growth is expected to be sustained in 2017 (2016: 4.2%) supported by stable domestic demand and better external exports. Hence, domestic monetary policy which is likely to remain accommodative to support domestic growth activities could counter external growth risks arising from factors such as potential US trade protectionism, impending trigger of Article 50 in UK following Brexit, geopolitical risks in the Europe region due to multiple national elections and property bubble risks in China. Meanwhile, the much anticipated positive growth impact from Trump expected growth measures has yet to be delivered and proven. Therefore, while we are cautious on the bond market, we are more inclined to accumulate bonds skewing towards high quality and liquid names

Equity Market Review

Despite concerns over President Trump's ability to push ahead with his ambitious growth – centric agenda, global equity markets still managed to press on with its 6th consecutive month of uptrend. This was evinced by the MSCI World Index growing by 1.33% mom in April 17. Key factors for the buoyant markets were the easing of Eurozone geopolitical risk on the back of the success of pro – EU French Presidential candidate in the first election round and the markets' composed reaction towards the UK's official triggering of its exit from the EU. As such, the Stoxx 50 surged by 1.68% mom. While the US had yet to gain traction with their growth agenda, the Dow managed to grow in – line with the global backdrop by 1.34% mom. On the other hand, China's Shanghai Composite Index fell by 2.11% mom despite their positive economic data such as its 6.9% yoy 1Q17 GDP growth due mainly to concerns of potential government actions to restrain debt levels in the system.

Unlike global equities, commodities underperformed during the month under review. Brent oil price fell by 2.08% mom to USD51.73/ bbl as markets were concerned with OPEC's ability to moderate the oil production surplus in the longer term. This was evinced by the increasing oil production in the US which was up 1.02% mom and its relatively elevated oil inventory levels. In addition, crude palm oil price also dropped by 4.91% mom due to expectations of rising production and inventory levels.

On the ASEAN front, Indonesia's Jakarta Composite Index rose 2.10% mom to a new record of 5685.3. This was in response to the fact that Jakarta's gubernatorial election was concluded in a relatively smooth manner and that its central bank relaxed its Primary Reserve Requirement by 1.5 ppt to 5.0%. It also benefited from positive economic data such as its 15th consecutive month of trade balance surplus in Mar 17. Malaysia's KLCI also surged by 1.61% mom as it too profited from healthy export and Industrial Production Index growths. The MYR also strengthened to RM4.3410: USD1.00 from RM4.4255: USD1.00 a month ago. However, the Straits Times Index of Singapore only managed to remain relatively flat, inching up by 0.01% mom, supported by the discretionary and finance sectors. This was notwithstanding the fact the Monetary Authority of Singapore extending its dovish guidance and keeping its policies unchanged. In contrast, Thailand's Stock Exchange of Thailand Index tumbled 0.56% mom as it was dragged by concerns of rising non - performing loans at the commercial banks and a contraction in manufacturing production.

Equity Market Outlook

The Malaysian equity market has thus far enjoyed a 7.69% YTD return but we believe it could still face headwinds arising from US rate hikes, external growth risks and geopolitical risks which could cap equity valuations. Nonetheless, we are still positive on the Malaysian equity market over the longer term on account of its improving earnings growth momentum and a possible early general election. We expect the market to gain from the potential restructuring of government linked companies (GLCs) as well as pump priming activities such as LRT3, Gemas – JB double track and the East Coast Rail Line (ECRL) which will continue to fuel positive market sentiments. In light of the above, we will maintain our strategy of seeking out good long term investment opportunities whilst exploring the small – mid capitalisation space for increased alpha returns.

Investment Strategy & Approach



The investment approach would be a combination of 1) Top down analysis of the macroeconomic environment to determine asset allocation and sector exposure strategy and 2) Rigorous bottom up analysis which includes value analysis and financial analysis, to select individual stocks/credits to generate alpha return.

Investors should realize that there are risks of investing in the Funds as listed below:-

- **Market Risk** – The value of the Fund's investment assets may be affected by changes in economic fundamentals, interest rate movement, regulatory policy, political and industrial developments. These market factors may result in fluctuations in the value of the Fund's investment assets. This risk may be mitigated by ensuring a rigorous review of macroeconomic factors and asset allocation strategy.
- **Interest Rate Risk** – Interest rate risk arises when the value of the securities fluctuates due to interest rate movement. As prices of bonds move inversely with the interest rates, prices of bonds will decline when interest rate rise and vice-versa. Debt securities with longer maturity and lower coupon rate are more sensitive to interest rate changes. This risk may be mitigated by rigorous review of asset allocation and duration strategy.
- **Country/foreign investment risk** – This risk refers to the risks of investing in foreign markets. The value of the foreign investment assets directly or indirectly held by the Fund may be affected by country-specific factors, such as the country's economic fundamentals, social and political stability and regulatory policy. This risk may be mitigated by ensuring a rigorous review of macroeconomic factors and asset allocation strategy.
- **Sector Risk** – The value of the Fund's investment assets may be adversely affected by the changes in sector-specific factors, such as the business condition, industry outlook and demand/supply dynamic of the industry. This risk may be minimized through portfolio diversification and control on sector concentration risk.
- **Company specific Risk** – The value of the assets in particular of securities and money market instruments may be affected by company-specific factors, such as business situation, financial condition and corporate governance of the company.
- **Credit Risk** – The creditworthiness (solvency and willingness to pay) of the issuer of a fixed income security, counterparty to a derivative contract or money market instrument may subsequently fall. This usually leads to a decrease in the price of the asset greater than that caused by general market fluctuations. This risk is minimized through portfolio diversification, stringent credit selection and control on sector concentration risk.
- **Currency Risk** – For foreign investment, fluctuations in currency exchange rates may have an impact on the value of the Fund's investment assets. This risk may be minimized by engaging in foreign currency hedging.
- **Dividend Policy Risk** – This risk may occur when there is a significant deterioration in a company's business or if there is a change in management policy resulting in a reduction or removal of the company's dividend policy. Such risk is particularly relevant to a fund that focuses largely on dividend yielding stocks. This risk can be mitigated by investing mainly in companies with consistent historical record of paying dividends, companies operating in fairly stable industries or companies with strong cash flows.
- **Liquidity risk** – If an asset has insufficient liquidity, there is the risk that the asset cannot be sold or can only be sold at a significant discount to the purchase price. The lack of liquidity of an asset may cause its purchase price to increase significantly.
- **Risk of Non-Compliant with Shariah Requirements** – For Shariah-approved funds, there is the risk that the fund may hold securities which are Shariah non-compliant due to "Shariah-compliant securities" which are subsequently considered "Shariah non-compliant" and Investment in Shariah non-compliant securities.

Overall, on top of regulatory limits imposed by Bank Negara Malaysia, we have put in place tight internal investment limits for all asset class with oversight by risk officer to ensure that the Fund does not take on excessive risk, albeit we cannot guarantee the total elimination of risks associated with investing in the Fund.

Meanwhile, on the investment management of Master Funds, Master funds* are introduced to operate as a centralised investment vehicle for the Funds. It has its own NAV but it is not offered to the public. The objective of creating Master funds is to consolidate all different investment funds which have the same investment mandates and return objectives. Such consolidation aims to enhance the efficiency in investment management.

*(Allianz Life Master Equity Fund, Allianz Life Master Bond Fund, Allianz Life Master Dividend Fund, Allianz Life Master Dana Equiti and any other Allianz Life Master Funds)