

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	5.58%	3.14%
6 months	11.32%	5.44%
1 year	10.87%	3.34%
3 years	11.59%	-3.62%
5 years	58.79%	10.83%
YTD	12.68%	7.31%
Since Inception (Annualised)	12.24%	4.22%

* Source: Bloomberg

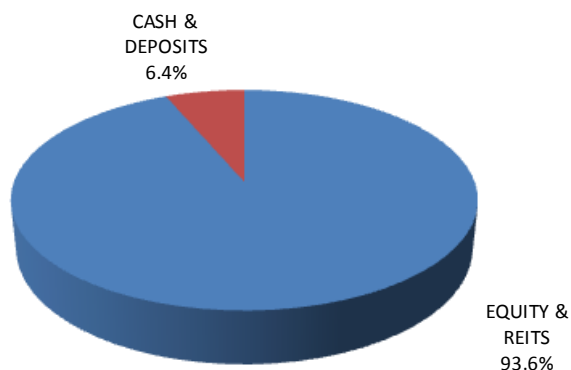
The above performance is calculated in Ringgit Malaysia on a NAV-to-NAV basis. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the investment-linked product. Past performance is not an indication of future performance.

Key Fund Facts

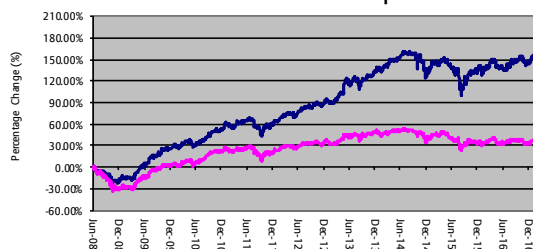
Fund Size	RM68.946 million
Risk Profile	Moderate
Launch Date	13 th June 2008
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit ¹ - Bid (as at 31st March 2017)	2.763
Management Fee	0.00% p.a
Other Charges ²	Include but not limited 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	7.86%
GENTING BERHAD	6.25%
TENAGA NASIONAL BERHAD	5.47%
CIMB BERHAD GROUP	5.28%
MY EG SERVICES BERHAD	5.26%

Disclaimer:

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While reasonable care has been taken to ensure the accuracy and completeness of this presentation as at the date of publication, Allianz accepts no responsibility for any errors or omissions. Allianz assumes no obligation to update any information contained herein.

Market Review & Outlook



Bond Market Review

UST yields were largely unchanged MoM after the Fed hike rates by 25bps to range of 0.75-1.00% in the Mar FOMC meeting. Yields were traded at YTD highs during the month with the 10y UST up more than 20bps from end-Feb to 2.63% before ending the month at 2.39%. The sell-off was sparked by comments made by the Fed's officials and strong employment data which drove growing acceptance that FOMC will raise rates. Yields turned after FOMC maintained its 2017 and 2018 forecasts for the Fed funds target. Meanwhile, there was higher policy risks expected from the US front after Trump cancelled his healthcare bill after failing to win congressional approval for its healthcare reform, hence raising the question on the newly inaugurated president's ability to deliver his numerous fiscal promises.

On the local front, Bank Negara Malaysia (BNM) in its Annual Report 2016 highlighted that the Malaysian economy is expected to expand by 4.3% - 4.8% in 2017 (2016 forecast: 4.0%-5.0%). Growth will be driven by sustained domestic demand and improvement in exports. BNM also expects headline CPI to accelerate to 3.0-4.0% in 2017 (+2.1% in 2016), exceeding MOF projection of 2.0-3.0%. Sustaining expectation of higher prices, the CPI shot up to an eight-year high of 4.5% yoy in Feb 2017, exceeding consensus view of 3.9%. Although the Malaysian Government Securities (MGS) posted gains after BNM kept OPR unchanged at 3% and FOMC carried out its first rate hike for the year, the gains were eventually reversed by end-Mar amid inflationary concerns. The MGS yield curve bear flattened with the 3y MGS up 12bps MoM to 3.44% while the 10y MGS rose 8bps MoM to 4.14%. Foreign holdings in MGS continued to decline in March by RM23.0b to RM135.8b or 38.5% of outstanding MGS versus 44.7% the month before. The reduction was partly due to recent RM10.5b maturity for the MGS 3/17 tranche. Nonetheless, the local bond market remained resilient on the back of continued support from onshore real money, taking cue from the recently concluded MGS/GII tenders which continue to register healthy bid-to-cover ratios.

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 with average real bond yields of at least 1%.

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

Although global equity markets continued its 5th consecutive month of uptrend in March, the "Trump rally" lost its lustre, with MSCI World Index gaining only 0.82% mom, as investors turned cautious on Trump's ability to get through his ambitious agenda of tax reforms, deregulation and infrastructure spending after his defeat over the healthcare bill. US equity experienced a pullback towards the month end with Dow Jones Index - 0.72% mom. Economic data released was mixed with softer business activity growth. Nonetheless, Fed raised its key interest rate by 0.25ppt to 0.75-1.00%, indicating optimism in US' economic growth. On the other hand, Euro zone posted the best monthly gain in March, with the Stoxx50 Index jumping 5.46% mom on the back of solid economic data. Its PMI rose to 56.7 in March, from 56.0 in February, beating analysts' expectation of a drop to 55.8. In China, Shanghai Composite Index was down by 0.59% mom. Premier Li Keqiang announced their target GDP growth for 2017 at 6.5% (GDP growth of 6.7% in 2016), which was a 25-year low.

Commodities did not fare well in March, with Brent oil price -4.96% mom to US\$52.83/bbl as rising US oil supplies and rig count capped the optimism from the OPEC and non-OPEC production cuts. The International Energy Agency reported that OPEC achieved 94% of compliance while other major producers were less diligent with Russia achieving only 40% compliance. The weakness in crude palm oil (CPO) prices also continued (-6.31% mom) in March as the lower soybean oil prices on the back of ample supply capped the upside of CPO prices.

In ASEAN, Indonesia's Jakarta Composite Index surged 3.37% mom to all-time record high of 5568.1 as the tax amnesty programme was successfully concluded. Foreigner's interest returned with net buying of US\$759m in March after 6 consecutive months of net selling. Foreign investors also bought heavily in Malaysia's equity market, with YTD net buying of RM5.8bn (as of 31 March 2017) which led to KLCI gaining 2.73% mom. The two good quarters of GDP growth recovery has also started to positively affect corporate earnings. Ringgit also strengthened by 0.3% against USD to RM4.42/USD. Singapore also outperformed, with Straits Times Index +2.54% mom on the back of encouraging economic data, more accommodative policies and undemanding valuations. Lastly, Thailand's Stock Exchange of Thailand Index rebounded +1.00% mom as the Bank of Thailand raised its forecast for 2017 economic growth to 3.4% from 3.2%.

Equity Market Outlook

While FBMKLCI registered handsome gain of 6.79% YTD, we believe that the market is exposed to potential volatility with headwinds from further US rate hikes, sustainability of commodity prices, and external growth risks. On a positive note, corporate earnings growth has started to rebound after many quarters of disappointment. We opine Ringgit to stay firm in near term with potential higher conversion from the export proceeds. The potential award of key projects such as LRT3, East Coast Rail Line (ECRL) and Gemas-JB double tracking, on-going restructuring of government-linked companies (GLC), and possibly early election could continue to maintain the positive sentiment enjoyed by the market. While we continue to seek good long term investment opportunities, we will also intensify efforts in exploring investment opportunities in the small-mid capitalisation space including those which are able to ride on the thematic play mentioned above.

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)