

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	0.21%	-0.36%
6 months	19.39%	10.12%
1 year	21.39%	10.19%
3 years	15.53%	-3.02%
5 years	65.94%	13.86%
YTD	18.03%	9.17%
Since Inception (Annualised)	12.58%	4.34%

* Source: Bloomberg

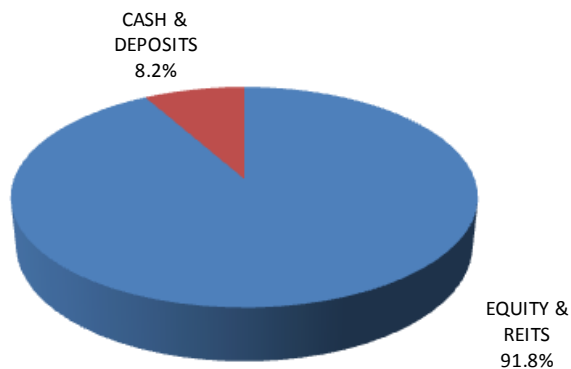
The above performance is calculated in Ringgit Malaysia on a NAV-to-NAV basis. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the investment-linked product. Past performance is not an indication of future performance.

Key Fund Facts

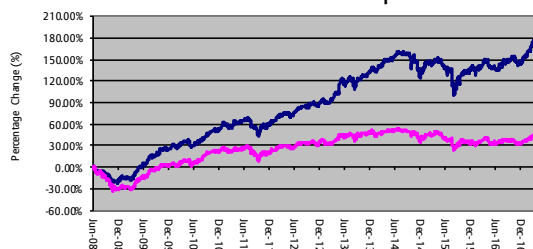
Fund Size	RM72.21 million
Risk Profile	Moderate
Launch Date	13 th June 2008
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit ¹ - Bid (as at 31st May 2017)	2.894
Management Fee	0.00% p.a
Other Charges ²	Include but not limited 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	8.35%
CIMB BERHAD GROUP	6.32%
GENTING BERHAD	5.90%
TENAGA NASIONAL BERHAD	5.23%
MY EG SERVICES BERHAD	4.73%

Disclaimer:

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Market Review & Outlook



Bond Market Review

UST gained for a third consecutive month in May on the back of escalating political trouble arising from Trump presidency and dismal economic data. Treasuries also drew support during the month from weakness in crude oil prices, which traded at YTD low of below USD47/barrel in early May. Yield curve shifted downwards and was 8bps lower across the belly to long end of the curve with the 10-year UST closing the month at 2.20%. Minutes from the FOMC meeting on 3rd May showed the committee remains comfortable to increase the interest rate benchmark in June despite the recent economic weakness. Probability of a June rate hike subsequently soared to 90% from 60% as the committee downplayed the significance of the softer non-farm payroll and 1Q GDP print by suggesting that the weakness is likely to be transitory. Headline CPI was up 0.2% mom in April which was in-line with expectations.

The Malaysian bond market rallied for the second month as the yield curve bull flattened with the 3y MGS up 8bps mom while the 10y MGS yields was down 18bps mom. The 10y MGS breached 4.0% for the first time this year beginning May and has since remained below that level. Foreign inflows accelerated in May with an inflow of RM10.1b (Apr: RM6.8b) after Bank Negara Malaysia's (BNM) second series of foreign exchange (FX) initiatives, among which include raising dynamic hedge ratio to 100%, becomes effective from 2 May onwards. On a YTD basis, foreign inflows remains negative but has narrowed to -RM20.6b from -RM37.4b in March. Foreign share of MGS and Government Investment Issue (GII) now rose to 27.5% from 26.5% in April. Economic data released during the month were healthy. The Malaysia Nikkei PMI rose to 50.7 in April (March: 49.5) which breached the 50-point for the first time since Mar 2015. 1Q2017 GDP was up 5.6% yoy due to the broad based rise in domestic demand while April CPI declined 0.3% mom on lower transport prices.

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

The old adage of "sell in May and go away" was disregarded as global equity markets witnessed its 7th month of continuous uptrend, with MSCI World Index hitting a record high at 1,914.59 before settling at 1,911.74, with a gain of 1.78% mom. The victory of pro-Europe centrist, Emmanuel Macron in France's presidential elections ironed out the uncertainty in the region. Nonetheless, gains were pared in second half with Stoxx 50 down 0.14% mom. US market also ended on an upbeat note, with Dow Jones gaining 0.33% mom on the back of strong job data (unemployment rate was 4.4% as compared to 4.5% in prior month) and good sets of corporate earnings reports. On the other hand, China's Shanghai Composite Index fell by 1.19% mom as concern of rising leverage in China continued to linger which led to a downgrade of China's government bond from Aa3 to A1 by Moody's. Economic data including manufacturing, services, production and trades reported was also weaker than expected.

On the ASEAN front, Singapore continued to perform relatively well with an increase of 1.11% mom, aided by small upward adjustment of the actual 1Q GDP growth from 2.5% to 2.7%, and strong performance in the financial sector. Indonesia's Jakarta Composite Index rose 0.93% mom, following the credit rating upgrade by S&P from BB+ to BBB- with a stable outlook. In contrast, Thailand's Stock Exchange of Thailand Index plunged 0.30% mom as corporate earnings in 1Q17 were generally disappointing coupled with weak domestic consumption as a result of slowdown in fiscal spending. Locally, FBMKLCI saw some profit taking activities in May, with the index down 0.12% mom, after five months of outperformances. Foreign funds continued to flow in at RM1.47bn in May albeit at a slower pace. The cumulative year-to-date foreign fund inflow has surpassed RM10bn mark at RM10.14bn. Ringgit also strengthened by 1.4% to RM4.281/USD.

Commodities were generally weak in May, particularly oil prices where Brent oil continued to dip further by 2.75% mom to US\$50.31/bbl as US continued to pump more oil into the market. The OPEC's decision to continue with the current production cut of 1.8m bpd did not cheer the market as consensus was instead expecting a deeper cut. Crude palm oil price rebounded by 2.04% mom to RM2,749/tonne as production recovery was slower than expected and inventory remained tight.

Equity Market Outlook

European economic growth indicators continue to signal recovery in the region with subsiding geopolitical risk while China's remains relatively flattish as the impact of financial deleveraging efforts by PBOC has been limited. We believe the market direction is highly depended on how politics in the US shapes up. Locally, we believe the consolidation is temporary and we remain positive on Malaysian equity market over the longer term on a healthier economic backdrop coupled with improving corporate earnings and stronger Ringgit. We continue to ride on the themes of pump priming in the infrastructure universe, restructuring of government linked companies (GLCs) and potential early general election. With that, we 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)