

# Allianz Life Master Equity Fund



## Investment Objective

An open-ended investment fund which aims to provide medium to long term capital appreciation by investing in equities and equity-related securities.

## Investor Profile

The fund is suitable for investors who seek moderate to high capital appreciation, have moderate to high risk tolerance and have medium to long term investment horizon.

## Performance Indicator

	Master Equity Fund	Benchmark: FBM 100*
1 month	2.48%	4.51%
6 months	5.01%	3.10%
1 year	25.03%	12.74%
3 years	33.84%	6.79%
5 years	62.21%	10.05%
YTD	25.03%	12.74%
Since Inception (Annualised)	13.20%	4.42%

\* Source: Bloomberg

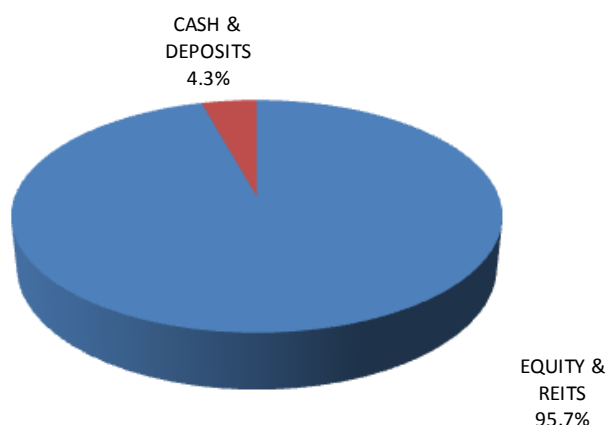
The above performance is calculated in Ringgit Malaysia on a NAV-to-NAV basis. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the investment-linked product. Past performance is not an indication of future performance.

## Key Fund Facts

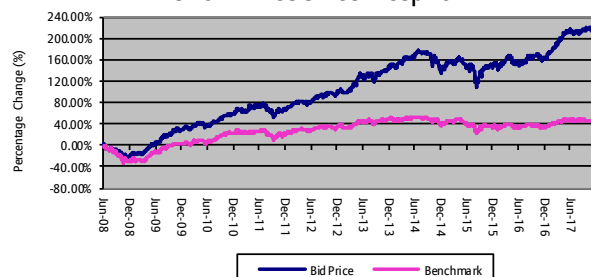
Fund Size	RM565.939 million
Risk Profile	Moderate to high
Launch Date	13 <sup>th</sup> June 2008
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit <sup>1</sup> - Bid (as at 29th December 2017)	3.267
Management Fee	0.00% p.a
Other Charges <sup>2</sup>	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)

Top Holdings (Equities)	% NAV
TENAGA NASIONAL BERHAD	10.34%
MALAYAN BANKING BERHAD	9.77%
CIMB BERHAD GROUP	7.01%
V S INDUSTRY BERHAD	4.67%
GENTING BERHAD	4.66%

## Disclaimer:

This fact sheet is prepared by Allianz Life Insurance Malaysia Berhad (Allianz) and is for information only. The performance of the Fund is not guaranteed and the value of the units and the income derived there from may increase or decrease. Past returns and any forecast is not necessarily a guide to future performance. Allianz does not warrant or make any representations that the Fund will guarantee profits, or not result in losses or the correctness, accuracy, reliability, or otherwise of this fact sheet. Allianz disclaims any and all liabilities against loss, damages, etc whether direct, indirect or consequential as a result of your reliance on this fact sheet.

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

With the long-awaited tax reforms finally passed late December and the 25bps rate hike in December FOMC meeting, US Treasury (UST) yield curve bear flattened with the 2y up 10bps to 1.9% and the 10y unchanged at 3.41%. The 2x10 spread narrowed substantially to 52bps as at Dec 2017, from 126bps a year ago. The latest FOMC minutes revealed that some Fed members voiced their concerns over inflation, as it may stay below the 2% objective longer than what they expected, but further gradual rate hike path is likely to persist, evidenced by a higher probability of rate hike rising to 81.4% indicated in Fed Fund futures trading. Fed officials are maintaining its view on interest rate normalization with 3 rounds of 25bps Fed hike increase in 2018. On top of that, the Fed raised the 2018 GDP projection to 2.2-2.6% from 2.0-2.3% done in Sep.

Over in Malaysia, MYR climbed more than 1% against the USD while Malaysian Government Securities (MGS) yields rallied in December, as foreign and trading sentiment surrounding Malaysian assets continue to improve. Most MGS benchmarks were down 6 to 8 bps while the 10y ended 2bps higher MoM at 3.90% due to weaker demand from December auction partially resulting from poor year end liquidity. While trade numbers were robust with exports and imports expanded by 18.9% and 20.9% Yoyo in Oct, inflation continued to ease for a second consecutive month to 3.4% in Nov, from 4.3% in Sep. The economic data releases made little impact to the bond market.

Riding on the Ringgit strength, foreign players were net buyers of domestic bonds in December. The appetite for domestic bonds started to turnaround since the announcement of 100% dynamic hedge measure in Apr 2017 and was boosted further by BNM's hawkish shift in Nov 2017. On a full year basis in 2017, local bonds still recorded MYR8b total outflows but were substantially narrower from MYR37.4b YTD outflows at the peak in Mar 2017. The foreign share of MGS rose to 45.1% in December which is the highest since Jan 2017.

## Bond Market Outlook

For 2018, we expect one rate hike by Bank Negara Malaysia with the Overnight Policy Rate (OPR) to rise from 3.00% to 3.25% possibly in 1H 2018. We reckon that MYR bonds will remain supported in the near term on foreign pent up demand on the back of stronger MYR assuming global bonds particularly UST remains stable in the near term. However, we think that mild selling pressure will eventually emerge heading into MPC meeting scheduled on 21 Jan amid rate hike anticipation.

Despite looming risks of Fed normalization and ongoing balance sheet reduction, the MYR sovereign curve remains supported by onshore real money investors where liquidity remains high. Nevertheless, we would remain cautious of possible bond market volatility arising from developments in the US and global surprises. Key factors would be the Fed's interest rate normalization process which may accelerate outflows from Emerging Markets. We are more inclined to accumulate bonds skewing towards high quality and liquid names.

## Equity Market Review

The growth momentum of the global equity market continued for its fourth straight month as reflected by the MSCI World Index which rose by +1.26% mom. It was led by US whose Dow Jones Index shot to an all-time high of 24719.22, +1.84% mom, as it maintained its upward monthly trajectory since March 2017. The US government successfully passed its tax code reform which would see cuts in corporate tax rates and was well received by the market. On the other hand, the European Stoxx 50 Index experienced a 1.85% mom decline as it was affected by several negative factors such as the strong Euro that impeded its major exporters, an unexpected weakening of the German business confidence as reflected by the slippage of the German Ifo Business Climate Index data, a reduction in UK economic growth forecast by the IMF on the back of Brexit fears as well as political uncertainties surrounding the Italian election. The Chinese Shanghai Composite Index also underwent a decline of 0.30% mom on the back of profit taking activities.

On the commodity front, Brent crude oil price entered its fourth consecutive month of uptrend following the OPEC decision in late Nov 2017 to extend its output cuts until the end of 2018 and also the outage of the Forties Pipeline System which is a major pipeline in the UK's North Sea oil operations. On the other hand, Crude Palm Oil (CPO) price continued its downward trend falling by 2.04% mom to RM2444/ MT. It was weighed down by the increase in palm oil import duties imposed by India in Nov 2017 and the overall higher palm oil production as well as inventory levels which were greater than market expectations.

In the ASEAN region, the Indonesian Jakarta Stock Index emerged as the top gainer with a growth of +6.78% mom. During the month under review, Fitch raised Indonesia's sovereign credit rating to BBB from BBB- citing that its economic and monetary policies have improved its economy's resilience against external shocks. Malaysia's FBMKLCI also rose by +4.60% mom as foreigners turned net buyers in Dec 2017 with RM0.96b worth of net inflows. On a full year basis, foreign investors were net buyers to the tune of RM10.3b in 2017 as against being net sellers of RM3.2b worth of equities in 2016. However, the market's strength was predominantly focusing on the large cap index stocks since the FBM Small Cap index only rose by +1.57% mom. Over the period under review, the RM strengthened against the USD by improving to RM4.0465: USD1.00 as compared to RM4.0910: USD1.00 in Nov 2017. Apart from that, the Stock Exchange of Thailand surged by +3.32% mom driven by both external and internal factors such as the approval of the abovementioned US tax reforms and local Long Term Fund (LTF) support. Meanwhile, the Bank of Thailand also raised both its forecasts for its 2017 and 2018 GDP growths by 0.3 ppt and 0.1 ppt respectively to 3.8%. Lastly, despite Singapore's strong Purchasing Managers Index (PMI) data release for Nov 2017 which was its strongest since Dec 2009, the Straits Times Index instead eased by 0.89% mom on profit taking activities.

## Equity Market Outlook

Against a backdrop of global monetary policy normalisation activities, we are cautiously optimistic on the Malaysian equity market. We opine that the strong pump priming activities via large projects such as the East Coast Rail Link, MRT and High Speed Rail, as well as the people-centric but measured Budget 2018 which is expected to ease our deficit to 2.8% of GDP and the expected gradual improvement of corporate earnings in 2018 coupled with the ongoing strengthening of the RM are all positive factors to help drive the market in 2018. However, our sanguine appraisal is tempered by potential global risks i.e. US rate hikes, balance sheet tapering in developed markets and other geopolitical risks. In addition, there could be market uncertainties precipitated by the impending GE14. Nonetheless, we will maintain our focus on a bottom-up approach to select fundamentally good investments for the longer term.

# 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)