

# 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	2.64%	1.76%
6 months	6.51%	1.26%
1 year	11.74%	3.87%
3 years	9.94%	-5.78%
5 years	56.93%	9.28%
YTD	7.08%	4.04%
Since Inception (Annualised)	12.53%	3.90%

\* Source: Bloomberg

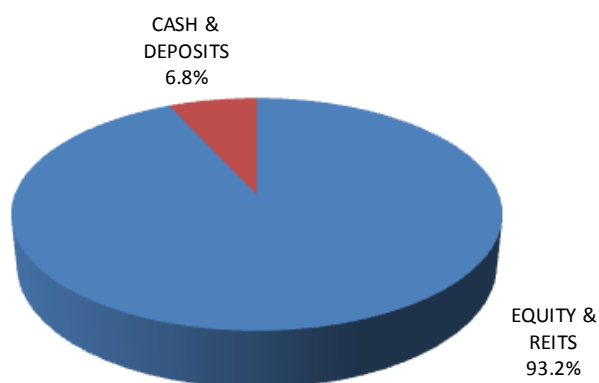
The above performance is calculated in Ringgit Malaysia on a NAV-to-NAV basis. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the investment-linked product. Past performance is not an indication of future performance.

## Key Fund Facts

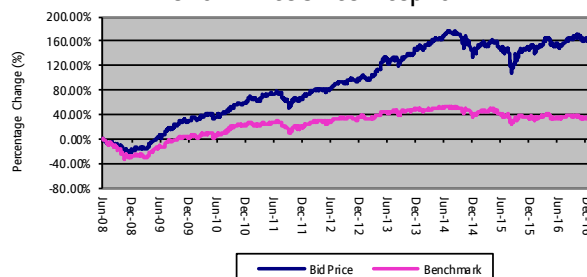
Fund Size	RM457.443 million
Risk Profile	Moderate to high
Launch Date	13 <sup>th</sup> June 2008
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit <sup>1</sup> - Bid (as at 28th February 2017)	2.798
Management Fee	0.00% p.a
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)

Equity	% NAV
MALAYAN BANKING BERHAD	8.89%
TENAGA NASIONAL BERHAD	8.44%
GENTING BERHAD	6.28%
SIME DARBY BERHAD	6.20%
CIMB BERHAD GROUP	5.69%

## 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

February saw another month of strong US economic data which fuelled hawkish comments by Fed members as well as Fed Chair Yellen despite the weak tone from the February FOMC minutes and the political uncertainties in Europe. Although President Trump offered little details on his fiscal plans, US equities markets continued to advance to record levels on hopes for pro-growth measures. Towards the end of the month, the Fed futures market implied probability of a March rate hike shot up to >90% from 32% at the beginning of the month. 10y UST rallied 6bps MoM to 2.39% whereas the 2y surged 6bp to 1.26%.

The Malaysian Government Securities (MGS) yield curve bear flattened amid hawkish Fed with the 5-year MGS up 5bps to 3.69% and 10-year MGS lower by 8bps to 4.04%. The MGS was supported in beginning of the month before the yields moved north after a series of hawkish Fed speak bolstered the expectations of a Fed rate hike in Mar, despite little indication from the FOMC Minutes. The hawkish sentiment on the US front supported the strength of the greenback, which weakened the MYR by 0.27% MoM to 4.4405/USD in end-Feb. Foreign outflows widened to MYR7.3b in Feb but it was mostly maturity-driven as there was MYR8.75b MGS maturity (likely highly held by foreigners) in the month. As a result, the foreign holdings of MYR bonds eased to RM204b versus previous RM211.7b (including short-term bills and corporate bonds/sukuk, lowered from 17.8% to 17.2%). Aside, Bank Negara Malaysia as expected, maintained the OPR rate at 3.0% on the MPC held on 2-Mar.

## 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

Global equity markets continued their uptrend as shown by the MSCI World Index which grew by 2.58% mom in February 2017. In the US, the Dow Jones Index rose strongly by 4.77% mom on the back of positive economic data such as an expanding Purchasing Managers' Index (PMI). In addition, the recent Congress testimony by the Federal Reserve chairwoman affirmed that US had been enjoying a strong labour market and rising inflationary pressures. She also alluded that the Fed could indeed consider raising rates at its March policy meeting should the US economy continue to strengthen as expected. The European Stoxx50 Index jumped 2.75% mom as it also benefited from positive Eurozone PMI and Industrial Production economic data. China also profited from the global equity market rally with its Shanghai Composite Index rising by 2.61% mom. It too experienced positive economic tailwinds as reflected by its PMI data as well as rising consumer price index which was in line with the global inflationary trend.

On the commodity front, Brent price took a breather and eased by 0.20% mom to USD55.59/ bbl. While the OPEC and non – OPEC planned production cut was successful in lifting oil prices, it was starting to face headwinds from the fast rising US oil supplies. The US Department of Energy total crude oil inventory reached a new all – time high as at end Feb 2017. Crude palm oil prices also retraced 10.28% mom due to forward expectation of rising production as well as inventory.

In the ASEAN region, Indonesia's Jakarta Composite Index surged 1.75% mom spurred by positive economic data which showed stronger exports and manufacturing PMI which became expansionary in Jan 2017. In addition, Moody also upgraded its outlook on Indonesia's government rating to positive from stable which could have further helped investor sentiments. Singapore's Straits Times Index also registered a 1.63% mom increase, buoyed by shipping/ oil & gas stocks in the industrial sector. Kuala Lumpur's KLCI was up 1.33% mom bolstered by increasing net foreign equity buying to the tune of RM1.1b, approx. +120.0% mom. The Malaysian economy also exhibited its robustness as export data as well as a 4Q16 GDP growth data were both above market expectations. The MYR eased slightly to RM4.4405: USD1 from RM4.4285: USD1 in the previous month. Unlike its regional peers, Thailand's Stock Exchange of Thailand Index reversed its uptrend and fell 1.13% mom dragged by profit taking activities and the lack of short term catalysts to drive the market in the near term.

## Equity Market Outlook

The Malaysian equity market has enjoyed a YTD lift in tandem with global equity markets. However, it is potentially susceptible to volatility triggered by headwinds from rising US rate, rising bond yields which cap equity valuations, geopolitical risks and external growth risks. Nonetheless, we remain positive on the Malaysian market over the longer term as we opine that its resilience is underpinned by positive earnings growth momentum, higher commodity prices, positive market sentiments and a possibly earlier general election. On balance, we will remain cautious while seeking good long term investment opportunities and at the same time, we will also intensify efforts in exploring investment opportunities in the small – mid capitalisation space in line with the government's direction to increase investments in this space.

# 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)