Allianz Life Equity Income Fund

Investment Objective

An open-ended investment fund which aims to provide medium to long term capital appreciation by investing in diversified equities and equity-related securities skewed towards potential dividend yielding equities, fixed income securities and money market instruments.

Investor Profile

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

Performance Indicator

	Equity Income Fund	Benchmark: 70% FBM 100 & 30% 12-month FD Rate*
1 month	-1.52%	-0.31%
6 months	3.28%	4.29%
1 year	7.53%	5.91%
3 years	16.90%	6.60%
5 years	34.75%	14.91%
YTD	1.08%	1.58%
Since Inception (Annualised)	8.31%	5.50%

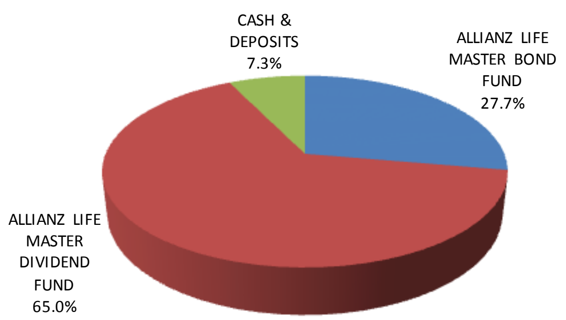
* Source: Bloomberg and Maybank.
The above performance is calculated in Ringgit Malaysia on a NAV-to-NAV basis with gross dividends reinvested. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the investment-linked product. Past performance is not an indication of future performance.

Key Fund Facts

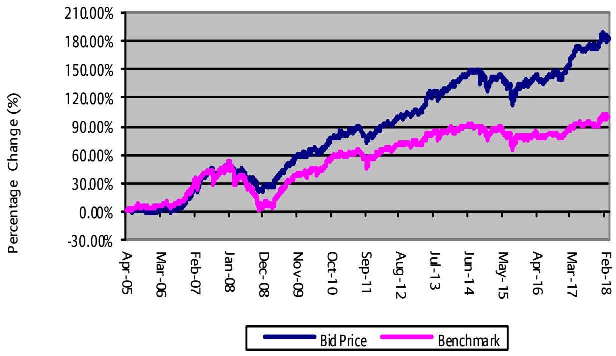
Fund Size	RM119.702 million
Risk Profile	Moderate
Launch Date	18th February 2005
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit[1] - Bid (as at 30th March 2018)	1.689
Management Fee	1.31% p.a
Other Charges[2]	Include but not limited to government tax, auditor fee, custodian fee, & transaction charge

1. 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.
2. Expenses directly related to and necessary in operating the Fund.

Portfolio Composition by Asset Type



Performance Since Inception



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March 2018

Market Review & Outlook

Allianz

Bond Market Review

For the month under review, US Treasury (UST) yields closed stronger in a curve flattening manner with the 2y up 2bps whilst the 5- 30y rallied, pushing yields down between 8-16bps. The 10y UST closed the month 12bps lower at 2.74%. UST stood on firmer footing as trade tariff remained the key highlight of the financial markets. After President Trump signed the executive order to impose tariffs on steel and aluminium imports, the Chinese government retaliated with tariffs aiming at US$3bn of US imports. On the policy front at the March 2018 FOMC meeting, the Fed raised rates by 25bps to 1.50-1.75% and hiked up the forecast for GDP from 2.5% to 2.7%, but maintained its inflation target for 2018 at 1.9%. Labour market data all pointed to a firm job market shown in the tremendous drop in initial jobless claims as the number of Americans filing for unemployment benefits fell to 215k for the week ended 23 March (lowest recorded reading since 1973).

The Malaysian Government Securities (MGS) yield curve bull flattened in tandem with UST with the 3y up 5bps and 5-20y down 5-12bps. The 10y MGS rallied 9bps to close at 3.94%. Bank Negara Malaysia kept rates steady at 3.25% at the March MPC and sounded positive on domestic factors but raised caution on possible financial market swings and prospects of trade friction. February CPI turned out lower than consensus at 1.4%, dragged by lower fuel in prices, in contrast to January's 2.7%.

Foreign funds turned net buyer in March with MYR2.9b inflows to domestic debt securities. Including –MYR0.1b outflows from equities, total portfolio flows was MYR2.8b for the month. The foreign share of MGS rose to 45.6% (Feb: 45.4%) while the foreign share of MGS+GII was slightly lower at 28.6% (Feb: 28.7%). Malaysia's external reserves surged by +USD4.1b MoM to USD107.8bat the end of March (Feb: USD103.7b), the highest since Feb 2015 with the increase partly attributed to the adjustments for FX revaluation changes.

Bond Market Outlook

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. Buying opportunities may emerge with investors looking for bargain levels from a relative higher yield perspective, buoyed by anticipation of no rush in further rate hike by BNM. The key factor would be the Fed's interest rate normalization process which may accelerate outflows from Emerging Markets. Nevertheless, we would remain cautious of possible bond market volatility arising globally. We are more inclined to accumulate bonds skewing towards high quality and liquid names.

Equity Market Review

Global equity markets continued to be afflicted by volatility in March 2018 as evinced by the MSCI World Index's fall of 2.42% mom and also broad declines across major markets. In the US, economic data released during the month under review showed that wage growth acceleration was only gradual which somewhat nullified earlier concerns that a high wage rate growth would spur excessive inflation. In addition, the US Federal Reserve raised rates by 25 bps as the FOMC Chairman signalled that economic activities had strengthened and had raised US 2018 GDP growth forecast to +2.7% yoy from +2.5% yoy. However, the Dow Jones Index fell by 3.70% mom in response to the initiation of tariffs on steel and aluminium imports as well as a 25% tariff on USD60b worth of Chinese imports. In retaliation, China announced tariffs on USD3b worth of US imports. The Chinese Shanghai Composite index also fell by 2.78% mom. While none of the said tariffs have been enacted and both countries could well engage in negotiations, the markets reacted negatively to the possibility of a trade war. Over in Europe, the Stoxx 50 Index also eased by 2.25% mom despite better consumer confidence and improving levels of unemployment.

During the month under review, Brent crude oil rebounded +6.8% mom to USD70.27/ bbl on t expectations that OPEC might extend its supply cuts into 2019 and of increasing geopolitical tensions in the Middle East. On the other hand, Crude Palm Oil (CPO) price declined 7.4% mom to RM2380/ MT due to the higher than expected increase in palm oil inventory and on expectations that production would pick up from March 2018. Furthermore, the RM had strengthened to RM3.8635/ USD1.00 from RM3.9170/ USD1.00 over the month.

The ASEAN markets were generally not spared from the retracement experienced by their global peers. The Jakarta Composite Index dropped 6.19% mom as foreign equity outflows intensified to USD1b during the month. The country also registered its third consecutive month of trade deficit and its March Purchasing Manager's Index fell to 50.7 as compared to 51.4 in the previous month. In Thailand, the Stock Exchange of Thailand Index eased 2.94% mom dragged by global trade uncertainty as exports made up more than 60% of its economy. Moreover, its financial sector also experienced some headwinds as most large banks had decided to cut online transaction fees creating a potential drag on non – interest incomes. Nonetheless, the Bank of Thailand's Monetary Policy Committee decided to keep its benchmark rate at 1.5% in March and expected its economy to expand further due to exports, tourism and public spending. Singapore's Straits Times Index was also dragged by the global sell – off and fell by 2.56% mom. Its non – oil domestic exports (NODX) also contracted 5.9% yoy in February 2018 against consensus forecast of a +4.8% yoy growth. However, its February Industrial Production Index rose by +8.9% yoy driven by the electronics sector. Lastly, the FBMKLCI outperformed its regional and global peers by rising +0.39% mom. Large market capitalisation companies outpaced the smaller ones as the FBM Small Cap Index fell instead by 11.15% mom. Foreign equity flows during the month under review was an outflow of RM53.9m as compared to the larger outflow of RM1.1b in Feb 2018. Nonetheless, on a YTD basis, there was still a healthy positive inflow of RM2.2b.

Equity Market Outlook

The recent US – China trade war risk and other global concerns such as the pace of US rate hikes and global central banks' monetary policy normalisations have led us to continue adopting cautious optimism for the Malaysian equity markets. In spite of this, we note that the foundation of our economic growth is supported by strong pump priming activities and recovery in commodity prices. Therefore, we will keep to our bottom – up strategy of selecting fundamentally good investments for the longer term.

March 2018

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)