

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.

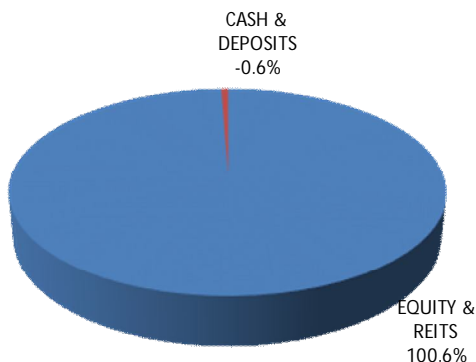
Performance Indicator

	Master Dividend Fund	Benchmark: FBM 100*
1 month	0.39%	0.86%
6 months	-10.75%	-3.07%
1 year	-3.79%	1.99%
3 years	34.06%	16.70%
5 years	31.19%	6.84%
YTD	-7.16%	-0.70%
Since Inception (Annualised)	10.65%	4.06%

* 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.

Portfolio Composition by Asset Type

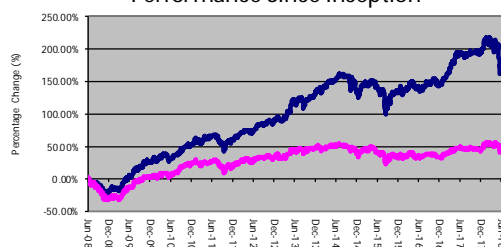


Key Fund Facts

Fund Size	RM67.979 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 August 2018)	2.814
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.

Performance Since Inception



Top Holdings (Equities)

Equity	% NAV
MALAYAN BANKING BERHAD	11.19%
TENAGA NASIONAL BERHAD	10.37%
CIMB BERHAD GROUP	6.49%
GENTING BERHAD	5.78%
IALOG GROUP BERHAD	4.77%

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.

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Market Review & Outlook



Bond Market Review

US Treasury (UST) yields trended lower in August amid concerns in emerging markets underscored by currency crisis in Turkey and Argentina as well as the lingering trade tensions between US and China. The 10y UST started the month at a high of 3.00% level but clawed back to reach a low of 2.81% on 24th Aug following the demand for safe haven USD assets. Focus is on the upcoming FOMC meeting on 25-26th Sept as healthy US macro prints continue to back consensus market expectation that Fed will hike rates two more times this year and deliver the biggest annual tightening in more than a decade.

Malaysian Government Securities (MGS) yields trended lower as well in August as the whole curve shifted lower by 4-11bps mom. Domestic bids continued to be strong while there were some foreign demands for durations especially in the 15-20y tenure. Foreign funds net selling resumed with RM2.4b of outflow in August after a brief recovery in July with RM4.0b inflow. YTD outflows now stands at RM19.3b. Foreign holdings of the MGS declined by RM0.6b mom to RM153.9b as foreign share holdings of the MGS narrowed to 40.0% from 40.5% in July.

On the macro front, the MYR weakened to RM4.109: USD1.00 along with other regional Asian currencies as the flight to quality USD assets supported the rebound in USD strength. 2Q GDP were below expectations at 4.5% yoy (consensus: 5.2% yoy). The GDP grew at the slowest pace in five quarters as private consumption went up while public investment went down. The weaker GDP subsequently resulted in BNM revising Malaysia's economic growth forecast for 2018 to 5% from an earlier estimate of 5.5%-6.0% in March.

Bond Market Outlook

We expect market tone to remain cautious for the coming months post GE14, whilst the much-watched UST 10y movements will remain a key market influence with the pending US rate hike(s). Investors are expected to look out for further leads as interest in Malaysian government securities is gradually seen to pick-up amid a relatively stable USDMYR backdrop, buoyed by anticipation of no rush in further rate hike by BNM. We would remain cautious of possible bond market volatility arising from both local and global developments. We are more inclined to accumulate bonds skewing towards high quality and liquid names as yields trended higher.

Equity Market Review

Global equity markets continued their uptrend with the MSCI World Index rising by +1.04% mom in Aug 2018. While several major equity markets were lacklustre during the month, the US equity market managed to remain buoyant. The Dow Jones Index rose by +2.16% mom, bolstered by healthy macroeconomic data, as the country enjoyed a strong 2Q18 GDP annualised growth of +4.2% qoq while initial jobless claims fell to 205k, its lowest since the 1970's. In addition, the Federal Reserve chose to keep rates stable during the month and reiterated their intention to continue raising rates in a gradual manner. On the other hand, China's Shanghai Composite Index fell 5.25% mom as there were brewing concerns on trade tensions between US – China. The US had threatened to impose a 25% tariff on another USD200b worth of Chinese imports just after a late August 25% tariff on USD16b worth of products which included automobiles, machinery and metals. However, China responded to the August tariff imposition with a commensurate tariff on a host of US products. In Europe, the Stoxx 50 Index also declined by 3.76% mom despite positive economic data such as 2Q18 annualised GDP growth of +2.2% yoy (flash est.) and the preliminary Eurozone Composite Purchasing Managers' Index (PMI) which continued to be in an expansionary phase edging up to 54.5 in August from 54.3 in July. Nevertheless, these were somewhat clouded by political apprehensions that Italy would elect to veto the EU's seven – year budget plan and withhold Italy's EU contribution should the bloc not review its migrant policies. Certain developments pertaining to the imposition of US tariffs on selected Turkish metals, coupled with the Turkish burgeoning current account deficit, resulted in the Turkish Lira being sold down to a monthly low of TRY6.5396: USD1.00 from TRY4.9140: USD1.00 a month ago, giving rise to some EM contagion fears. This resulted in the MSCI Emerging Market Index diverging from the greater MSCI World Index by falling 2.90% mom.

In August, Brent oil rebounded +4.3% mom to USD77.42/ bbl. It had benefitted from the potential reintroduction of US sanctions on Iran oil exports expected in 4Q18 and the declining US oil inventory, which had been falling since Apr 2018. Crude palm oil (CPO) also inched up by +3.2% mom to RM2200/ MT as Indonesia announced an expanded 20% biodiesel blending mandate to cover the non – subsidised sector.

In ASEAN, the Malaysian FBMKLCI continued its northward climb by posting a +1.98% mom gain despite a lacklustre 2Q18 reporting season and its 2Q18 GDP easing to +4.5% yoy as compared to +5.4% yoy in 1Q18. The MYR also weakened to RM4.1090: USD1.00 from RM4.0652: USD1.00 a month ago. However, it was rather encouraging that net foreign equity outflow in the month dissipated to approx. RM98.6m as compared to RM1.7b in the previous month. In Indonesia, the Jakarta Composite Index also rose by +1.38% mom despite suffering from a pressured Rupiah which depreciated to Rp14710: USD1.00 as at end Aug 2018, a level not seen since 1998. While its 2Q18 GDP growth was +5.27% yoy, the country's 2Q18 current account deficit rose to 3.0%, +0.8 ppt qoq, of GDP. As such, net foreign equity outflow persisted during the month to the tune of USD106m after a reprieve in July 2018. During the month, Bank Indonesia raised its policy rate by 25 bps to 5.50%, bringing the total raised over the past 3 months to 125 bps. The Stock Exchange of Thailand too saw an uptick of +1.16% mom. It was supported by higher oil prices and refinery margins which were beneficial to index heavyweights such as PTT and PTTEP. Conversely, Singapore's Straits Times Index fell by 3.20% mom, dragged by the abovementioned trade tensions as their GDP would be exposed since Singapore was considered an integral part of the Chinese global electronics supply chain.

Equity Market Outlook

We opine that Malaysia's intrinsic economic fundamentals are still decent as echoed by the recent BNM GDP growth estimate of +5.0% yoy for 2018. The recovery in commodity prices and a budding resumption in consumer spending are supportive of domestic growth. Nonetheless, we are cognizant of the uncertainties surrounding some potential economic reforms as well as the possible reviews of a number of mega – projects which may result in some market volatility in the near term. We believe more clarity can be obtained during the mid – term review of the 11th Malaysia Plan in Oct and from the Budget 2019 tabled in Nov 2018. In light of the above, we opt to take a longer term view of the market. We remain cautiously optimistic and will continue our bottom – up strategy of selecting fundamentally good long term investments.

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)