

# Allianz Life 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

	Equity Fund	Benchmark: FBM 100*
1 month	0.99%	0.71%
6 months	-2.75%	-3.08%
1 year	-2.56%	-4.37%
3 years	-4.53%	-3.26%
5 years	-5.59%	-11.19%
10 years	74.27%	31.75%
YTD	2.83%	-2.86%
Since Inception (Annualised)	8.63%	3.78%

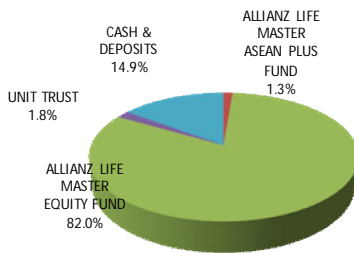
\* Source: Bloomberg.  
The above performance is calculated in Ringgit Malaysia on a NAV-to-NAV basis. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the investment-linked product. Past performance is not an indication of future performance.

## Key Fund Facts

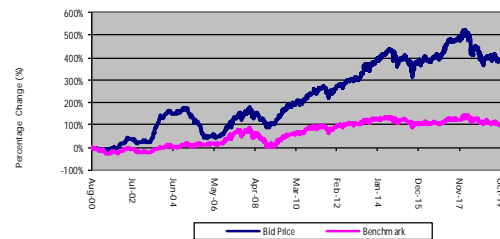
Fund Size	RM306.269 million
Risk Profile	Moderate to high
Launch Date	18 <sup>th</sup> July 2000
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit <sup>1</sup> - Bid (as at 31st October 2019)	4.911
Management Fee	1.42% p.a
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



## Disclaimer:

The Allianz Life Equity Fund is a unit-linked fund offered by Allianz Life Insurance Malaysia Berhad (Allianz). This fact sheet is prepared by 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. Before deciding to invest in the Allianz Life Equity Fund, you should carefully consider your investment objectives, level of experience, and risk appetite. 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. You should be aware of all the risks associated with fluctuations in a unit-linked fund and are advised to seek the advice of your financial consultant before making any investment.

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.

### Bond Market Review

UST posted a small gain in October as the Bloomberg Barclays UST index increased less than 0.1% mom to extend its YTD gain to 7.8%. Yield curve steepened as short-end yields declined on expectations that Fed will keep interest rate low while longer-end yields increased on Brexit development and Treasury Department's consideration to add 20y and/or 50y bonds. Fed cut rates by 25bps for the third time this year on 31st Oct and signaled a pause in further cuts unless the economic outlook changes materially. Fed Chair Powell's comment that "a really significant move up in inflation" is the precondition to raising rate further solidified expectations that rate may stay low for a longer time. US hiring was unexpectedly resilient in October as nonfarm payrolls rose by 128k (estimate: 85k), validating Fed's signal of a pause from interest rate cuts. Unemployment rate ticked slightly higher to 3.6% from 3.5% in Sept but was still near the 50 years' low.

The MGS yield curve inched higher in a steepening manner following renewed optimism over US-China trade developments. The short-to-middle tenure yields increased up to 9bps mom while the longer tenure yields increased as much as 29bps mom. In Budget 2020 announced on 11th Oct, the government announced a budget deficit target of 3.2% for 2020. It is wider than previous target of 3.0% but remains on a consolidation path from 3.4% in 2019. Government expects GDP to expand by 4.8% yoy in 2020 from 4.7% in 2019. In the last Monetary Policy Committee (MPC) meeting for 2019 on 4-5 Nov 2019, Bank Negara Malaysia (BNM) maintained the Overnight Policy Rate (OPR) at 3.00% as largely expected by economists surveyed by Bloomberg. BNM expects Malaysia's growth to stay within BNM's 2019 projection of 4.3% to 4.8% yoy and sustained going into 2020, but subject to further downside risks from worsening trade tensions, uncertainties in the global economic and financial conditions as well as weakness in commodity-related sectors. BNM expects inflation to average higher but remain modest due to restructuring of consumption tax policies, removal of RON95 ceiling price amid the relatively subdued outlook on crude oil price, and measures in place to contain food prices.

Malaysia local debt securities posted a mild net foreign outflow of -RM0.5b in Oct but YTD 10M19 cumulative flows remained positive at +RM3.8b. Foreign share of MGS+GII stood at 23.0% (Sep: 22.9%) and 37.9% (Sept: 37.5%) for MGS. Malaysia's external reserves increased by +USD0.2b mom to USD103.2b as of end-Oct.

### Bond Market Outlook & Strategy

With increasing risk of global economic slowdown and major central banks showing their willingness to maintain or even expand accommodative monetary policies, any significant downside movement to bond prices is likely to be capped. We would continue to remain cautious of possible bond market volatility arising from ongoing uncertainties in both local and global developments. We maintain our strategy to accumulate bonds skewing towards good quality names, while we extend some duration in liquid papers at fair valuations.

### Equity Market Review

During the month under review, the MSCI World Index continued its uptrend by surging +2.45% mom amid easing global uncertainties. The Dow Jones Index rose by +0.48% mom after President Trump declared a potential "Phase One Trade Deal" in its long-drawn trade war with China. Nonetheless, the impacts of the trade war on its economy continued to be felt as evinced by its Sep ISM Manufacturing Index reading of 47.8, which was its second month of contraction. To counteract the weaknesses in manufacturing and any other undesirable effects arising from the trade war, the Federal Reserve (Fed) cut interest rates by another 25 bps for the third time in 2019 to 1.75%. However, the Fed also made it known that the 'mid-cycle adjustment' was complete and that its monetary policy should be sufficient to ensure moderate economic growth and inflation. The Fed chair further opined that only a significant acceleration in inflation would make the Fed consider revising its rate upwards. In Europe, the Stoxx 50 Index also went up +0.98% despite the slowdown brought about by the aforementioned trade war. On the other hand, the Markit Eurozone Manufacturing Purchasing Managers' Index fell to 45.7 in Sep 2019, its lowest point since its Dec 2017 peak. Over in China, the Shanghai Composite Index grew by +0.82% mom as it too benefitted from the potentially positive turn of events regarding the trade war. In Oct 2019, China revealed that its 3Q19 GDP growth was +6.0% yoy, as compared to +6.2% yoy in the previous quarter. The People's Bank of China (PBOC) maintained its Loan Prime Rate (LPR), a new benchmark for its interest rate policy. However, PBOC did enact a broad required reserve ratio cut in Sep 2019 with a second cut which would release liquidity over two phases, over Oct – Nov 2019.

In October, Brent oil price eased slightly by 0.9% mom to USD60.23/ bbl. Positive US – China trade war overtures and heightened geopolitical tensions caused by a missile attack in the Red Sea had failed to fully mitigate the fears of softening demand and the rising US Dept of Energy crude inventory buildup. On the other hand, crude palm oil (CPO) price rebounded strongly by +17.6% mom to RM2444.00/ MT. It was supported by expectations of weak CPO output in 2020 due to the 3Q19 drought, Indonesia implementing B30 in 2020, and an upward movement in soybean prices (an alternative to CPO) caused by the Chinese purchases.

The ASEAN equity markets too enjoyed the improvement in global sentiment. Singapore's Straits Times Index soared by +3.52% mom despite reporting weak economic data during the month, such as Aug 2019 retail sales contracting by 4.10% yoy, 3Q19 GDP of +0.1% yoy versus consensus' expectation of +0.2% yoy, and the Sep 2019 Purchasing Managers Index (PMI) being still contractionary at 49.5. The Jakarta Composite Index recorded a +0.96% mom jump as the Bank of Indonesia cut its key interest rate for the fourth straight month by 25 bps to 5% in order to stimulate its economy which was dragged by the waning global outlook. Malaysia's FBMKLCI also climbed +0.89% mom as its government rolled out its Budget 2020 which was accompanied by robust GDP projections of +4.7% yoy and +4.8% yoy for 2019 and 2020 respectively. During the month, net foreign equity outflow was RM484.6m as compared to a RM559.0m net outflow in Sep 2019. In addition, the Ringgit strengthened slightly to RM4.1782: USD1.00 from RM4.1877: USD1.00 a month ago. Lastly, the Stock Exchange of Thailand declined by 2.18% mom. On 25 Oct 2019, the US government announced the removal of USD1.3b in trade preferences for Thailand under the Generalized System of Preferences (GSP) which will take effect on 25 Apr 2020. Moody described this as a credit – negative due to Thailand's export – oriented economy..

### Equity Market Outlook

We are cautiously optimistic on the potential "Phase One Trade Deal" in the US – China trade war and hope that it would pave the way for an eventual resolution. Nonetheless, until it is signed, we will remain vigilant for any negative development which might delay or disrupt the deal. On the domestic front, we are fairly sanguine with the Budget 2020 which carries much needed consumer, property and infrastructure stimuli to help boost the economy. As such, we remain somewhat optimistic on the market over the longer term and will continue to channel money into fundamentally good investments. Apart from that, we will also realign our investment direction as necessary to be in sync with the changing market environment.

# 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)