August 2019

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.

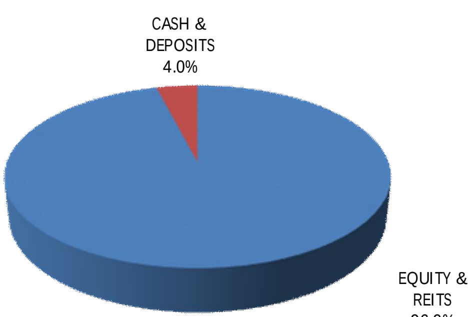
Performance Indicator

	Master Dividend Fund	Benchmark: FBM 100*
1 month	-3.23%	-1.96%
6 months	-1.62%	-4.34%
1 year	-11.69%	-10.66%
3 years	0.98%	-2.66%
5 years	-3.19%	-11.07%
10 years	116.28%	40.42%
YTD	3.28%	-2.21%
Since Inception (Annualised)	8.45%	2.65%

* 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

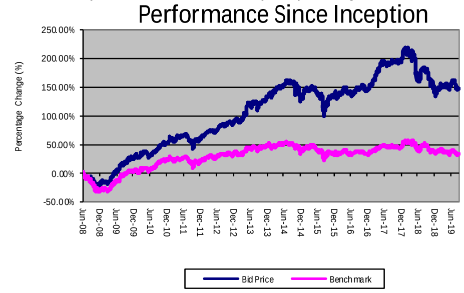


Key Fund Facts

Fund Size	RM71.314 million
Risk Profile	Moderate
Launch Date	13th 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 2019)	2.485
Management Fee	0.00% 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.

Performance Since Inception



Top Holdings (Equities)	% NAV
MALAYAN BANKING BERHAD	10.65%
TENAGA NASIONAL BERHAD	10.05%
CIMB BERHAD GROUP	6.32%
DIALOG GROUP BERHAD	5.51%
GENTING BERHAD	4.34%

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Market Review & Outlook

Allianz

Bond Market Review

According to Bloomberg Barclays UST index, UST posted the strongest monthly rally since December 2008 where the Fed slashed interest rate by 75bps to stabilise the economy following the Lehman Brothers' collapse. UST yield curve bull-flattened following concerns that US-China trade war will start to hurt the US economy. The 2y10y yield curve inverted up to 5bps on 27 Aug before recovering to 0.8bps inversion by month-end, which is a signal that has preceded every recession since the 1960s. The 30y UST fell 57bps MoM to below 2.00% for the first time in Aug to a low of 1.95% on 27 Aug. The fed fund futures currently indicate a 25bps cut in Sept and another 25bps by year-end. Treasury Secretary Mnuchin said that the issuance of ultra-long bond (50 to 100 years) is now under serious consideration. Record-low interest rates make this a favourable time for the Treasury to revisit a proposal that was shelved in the past.

Moving in tandem with UST, MGS also posted a strong rally in a bull-flattening manner with the short to mid tenure (3 to 15 years) yields down by 15-32bps MoM while the long tenure (20 and 30 years) yields fell by 40-42bps MoM as investors extended duration in search of higher yields. On 16 Aug, BNM announced further liberisation of the foreign exchange administration (FEA) Rules with new measures effective 30 Aug to improve market liquidity and support Malaysia's case for continued inclusion in the World Government Bond (WGBI) Index by FTSE Russell. The FTSE Rusell decision is scheduled to be out on 26 Sept. Meanwhile, Malaysia's 2Q GDP beat expectations with 4.9% yoy (consensus: 4.7% yoy) which was the highest growth in the last 5 quarters, driven by continuous strong private consumption and recovery in the commodity-based sectors.

In Malaysia, foreign funds turned net seller of local debt securities in August with a marginal outflow of RM0.1b after two months of inflows (July: +RM5.7b, June: +RM6.6b). Foreign share of MGS and MGS+GII thus fell to 37.7% (July: 38.3%) and 22.8% (July: 23.0%) respectively. On a YTD basis, foreign funds remained net buyer with an inflow of RM7.6b into MGS and RM7.0b into MGS+GII.

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. Locally, the key events to watch out will be BNM policy decision in September and WGBI index announcement. 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

In Aug 2019, the MSCI World Index experienced a correction of 2.24% mom. The market turmoil was sparked by a move by the President Trump where he announced his plan to impose a 10% tariff on USD300b worth of Chinese products on 1 Aug 2019 in response to China's purported failure to follow through on promises to purchase more agricultural products. This abrogated the temporary truce negotiated by the US and China at the May G20 meeting. The volatility was present throughout the month under review as the Chinese later retaliated with tariffs on approx. USD75b worth of US imports which then triggered President Trump to further raise the aforementioned planned tariff to 15%. The US' Dow Jones Index fell 1.72% mom despite the Federal Reserve's 25 bps interest rate cut at the end of July 2019. Its economy showed signs of being afflicted by the US – China trade war as the Aug flash US Purchasing Managers Index (PMI) recorded its first contraction (a reading below 50) since Sep 2009 at 49.9. The Eurozone's Stoxx 50 Index also dropped 1.16% mom with its key member such as Germany experiencing an economic contraction with its 2Q19 GDP growth at -0.1% qoq, and the Markit Eurozone Manufacturing PMI recording its 6 sequential month of contraction with a July 2019 reading of 46.5. Similarly, China's Shanghai Composite Index declined by 1.58% mom amidst the Chinese Renminbi easing to beyond RMB7: USD1.00. The People's Bank of China (PBOC) also implemented adjustments to the loan prime rate's formation mechanism to lower borrowing costs in an attempt to support its slowing economy.

During the month under review, Brent oil price dipped by 7.27% mom to USD60.43/ bbl. Its fall was caused by the demand uncertainty arising from the US – China trade war and concerns that sanctions on Iran might be eased after French President Macron announced that preparations were underway for a meeting between the US and Iranian leaderships to resolve its nuclear standoff. On the other hand, crude palm oil price continued to rise by +7.38% mom, spurred by declining inventory level and increased demand from India as well as China. The demand stemming from India was due to front loaded purchases before the implementation of a 5% import duty on refined palm oil which was to start in Sep 2019 while China was still experiencing the effects of reduced soybean crushing caused by the African swine fever.

The ASEAN equity markets too were not spared the global volatility caused by the US – China trade war. Indonesia's Jakarta Composite Index came down by 0.97% mom while its central bank cut interest rate by 25 bps to 5.50% in a 'preemptive move' to support growth amid rising global economic risks. The government also unveiled its 2020 budget which amounted to IDR2528.8 tr which was to achieve a GDP growth of +5.3% yoy. In comparison, Malaysia's FBM KLCI decreased by 1.39% mom despite its announcement that 2Q19 enjoyed a GDP growth of +4.9% yoy which was above expectations. Its market was hampered by a lackluster 2Q19 corporate earnings result season and experienced a net foreign equity outflow of RM2.60b, bringing the YTD net foreign equity outflow to RM7.34b. MYR also weakened to RM4.2055: USD1.00 from RM4.1265: USD1.00 a month ago. The Stock Exchange of Thailand also tumbled 3.33% mom even though the Thai Cabinet had approved a THB316b stimulus package. Lastly, Singapore's Straits Times Index plummeted 5.88% mom as economic data releases showed that Non – Oil Domestic Exports (NODX) fell by 11.2% yoy and Electronic Exports by 24.2% yoy in July 2019 while Retail Sales fell by 8.9% yoy in June 2019.

Equity Market Outlook

We remain vigilant over the US – China trade war. However, we are cognizant of the recent agreement between the two economic superpowers to meet in Washington in early Oct 2019 while working level preparations for the meeting are reportedly currently underway. In addition, we also note that a number of global central banks have already pledged policy support to bolster growth as necessary. On the local front, we await the rollout of several economic stimulus measures with significant multiplier effects such as the ECRL, Bandar Malaysia, LRT3 and MRT2. To that end, we remain cautiously optimistic on the market over the longer term and will stay our course in selecting fundamentally good investments. Nonetheless, we will also be watchful for the need to realign our investment direction as dictated by 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)