

# 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.

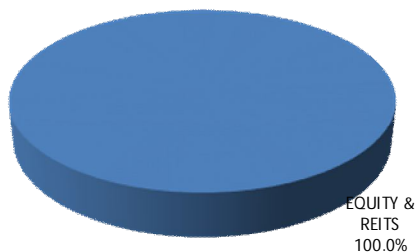
## Performance Indicator

	Master Dividend Fund	Benchmark: FBM 100*
1 month	7.88%	8.08%
6 months	-2.32%	5.14%
1 year	-8.26%	-1.40%
3 years	-18.84%	-7.72%
5 years	-0.13%	-2.73%
10 years	70.11%	21.85%
YTD	-7.13%	1.26%
Since Inception (Annualised)	7.31%	2.50%

\* Source: Bursa.

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

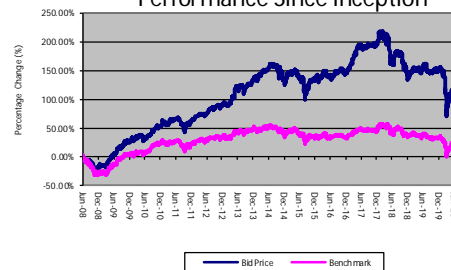


## Key Fund Facts

Fund Size	RM85.357 million
Risk Profile	Moderate
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 31st July 2020)	2.356
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.

## Performance Since Inception



## Top Holdings (Equities)

TOP HOLDINGS (EQUITIES)	% NAV
TOP GLOVE CORPORATION BERHAD	9.54%
TENAGA NASIONAL BERHAD	6.27%
MALAYAN BANKING BERHAD	5.97%
KOSSAN RUBBER INDUSTRIES	4.49%
IALOG GROUP BERHAD	4.19%

## 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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**Bond Market Review**

UST yield curve bull flattened in July as short to mid tenure UST rallied by 4-13bps mom while long tenure UST rallied by 22bps mom. The rally came amidst economic weakness from Covid-19 which led to the biggest contraction in US GDP on record. Although the data released was not as bad as earlier feared i.e. consensus: -34.5%, 2Q 2020 US GDP declined at an annualised rate of 32.9% or a 9.5% qoq decline. This is the steepest annualised drop in quarterly records since 1947 and highlights how badly the Covid-19 pandemic has affected businesses across America and left millions of Americans jobless. On 31 July, Fitch revised US outlook to negative from stable due to the high debts and deficits made worse by the Covid-19 pandemic. As widely expected, Fed kept the interest rate unchanged again in July and reiterated that economic recovery will depend on the path of the virus.

MGS yield curve bull flattened as well in July as short to mid tenure MGS rallied by 31-41bps mom while long tenure MGS rallied by 42-47bps mom. Talks that Bank Negara Malaysia (BNM) may cut Overnight Policy Rate (OPR) again in the next Monetary Policy Committee (MPC) meeting on 10 Sept led to the rally that shrugged off earlier market concerns about the increasing bond supply and rating outlook downgrade by both S&P Global and Fitch. Meanwhile the government proposed to raise the debt-to-GDP ratio to 60% from the current statutory limit of 55% in the Temporary Measures Bill on Covid-19 that was tabled in the Parliament on 6 August. As of end-June, Malaysia's outstanding debt-to-GDP is 53.2% while as at end-2019, the ratio stood at 48.7%. The bill will also see the establishment of a Covid-19 Fund amounting to RM45b.

Foreign funds bought a total of RM7.7b of MGS in July (June: +RM7.8b). With this, the outflows earlier in the year reversed to a YTD inflow of +RM0.7b. Foreign share of MGS and MGS+GII increased to 38.2% (June: 37.3%) and 23.5% (June: 23.0%) respectively. Foreign reserves meanwhile rose by USD0.8b mom to USD104.2b as at end-July.

**Bond Market Outlook & Strategy**

The severity of the economic damage is still unclear due to uncertainty over the duration, intensity and the overall impact of the Covid-19 outbreak, and also the reemergence of US-China trade tension. The July MPC noted that downside risks to the global outlook remain, especially if a resurgence of the pandemic necessitates the reintroduction of containment measures. The MPC added that policy levers will be used "as appropriate" to create enabling conditions for a sustainable economic recovery. Meanwhile, the positive interest-rate differentials and higher real rates will likely attract real money investors like pension funds and lifers into the EM sovereign debt space and support the local market. We would continue to remain cautious of possible bond market volatility as corporate earnings come under pressure and credit spreads widen. We maintain our strategy to accumulate bonds at favorable valuations skewing towards good quality names, but will only extend duration in liquid papers at fair valuations.

**Equity Market Review**

During the month under review, global equity markets continued to move higher in July despite continued increase in daily new COVID-19 cases globally. The MSCI World Index rose 4.7% mom while the Dow Jones Index increased by 2.4% mom. The dollar closed the month weaker with the Dollar index (DXY) down by 4.2% due to various factors such as lower growth outlook, low interest rates in the US and a rise in quantitative easing by the Federal Reserve. Over in the EU, governments reached a breakthrough agreement over new fiscal stimulus which will release an unprecedented EUR750bn with funds to be distributed among countries and sectors most impacted by the pandemic. The Stoxx 50 Index fell by 1.9% mom despite Eurozone May retail sales rising 17.8% mom, following a 11.7% drop the previous month. In China, the Shanghai Composite Index rose 10.9% mom as equities rallied amidst upbeat tech earnings releases, better than expected economic data, declining dollar and progress on vaccine development. However, China markets took sharp turn in mid-July despite better-than-expected China 2Q20 GDP of 3.2% vs consensus expectations of 2.4% which triggered concerns over policy tightening. China's July composite PMI fell slightly to 54.1 compared to 54.2 in June. Industrial production for June registered a higher growth of 4.8% yoy as compared to 4.4% yoy in the previous month.

In July, oil prices continued to move higher, albeit at a slower pace with Brent and WTI up by 4.7% and 2.5% mom respectively. CPO prices saw a strong surge of +16.9% in July on expectations of limited supply despite headwinds on demand disruption.

All ASEAN markets except Malaysia and Indonesia declined in July. MSCI ASEAN rose 1.2% led by Malaysia with FBM KLCI (+6.9%) and Indonesia (+5.0%) while the other regional indices registered negative returns for July. Locally, BNM cut the OPR by another 25bp to the lowest-ever level of 1.75%. Another loan moratorium for targeted assistance was announced by the Prime Minister where banks will extend the loan moratorium to targeted vulnerable groups when the current loan moratorium expires on 30 Sep. The political scene locally also continued to evolve and remained fluid. The month ended with the dissolution of the Sabah state assembly paving the way for fresh elections for the state. With the local COVID-19 cases hitting a double digit mark post easing of the Movement Control Order (MCO), the Malaysian government could impose further restrictions should the situation worsen. From an economic standpoint, Malaysia's May industrial production fell 22.1% yoy, but better than the 32% yoy drop in April. Nonetheless, June manufacturing PMI recovered to 51.0 as compared to 45.6 in May. Indonesia's Jakarta Composite Index rose 5.0% mom. Its Markit manufacturing PMI rose sharply to 39.1 in June as compared to 28.6 in May. Singapore's Straits Times Index fell 2.3% mom as retail sales contracted by 21.5% mom in May. Nonetheless, improvements can be seen by its stronger June PMI at 48 as compared to 46.8 in the previous month. The Stock Exchange of Thailand declined by 0.8% mom despite Thailand's June Markit manufacturing PMI rising to 43.5 as compared to 41.6 in the previous month.

**Equity Market Outlook**

Despite signs of improving economic data, equities are expected to remain volatile as the market grapples with rising COVID-19 infections globally, which could force governments to re-impose limits on activities. Further escalation of US-China geopolitical tensions ahead of the US presidential elections could also continue to weigh on sentiment. Nevertheless, asset prices could remain buoyed as policymakers remain supportive with aggressive fiscal support and liquidity programs. The local market will shift its focus to the upcoming 2Q20 results which is expected to commence August onwards.

We will still adopt a prudent yet sensible posture towards our market's longer term growth trajectory and would direct monies into fundamentally good investments but continue to remain selective and prefer sectors that see more resilient growth. Furthermore, we will be mindful to realign our investment direction as necessary to be in sync with the changes in the market environment. In addition, we may assume a degree of trading bias to take advantage of any market volatility in the near term.

# 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 (solventy 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)