

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.

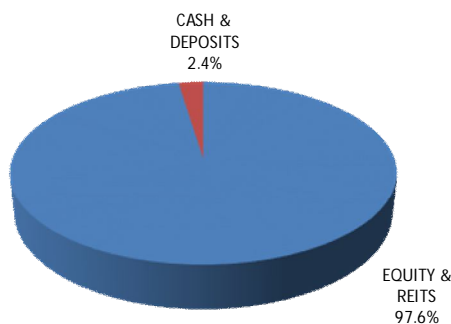
Performance Indicator

	Master Dividend Fund	Benchmark: FBM 100*
1 month	2.68%	6.57%
6 months	-13.90%	-5.46%
1 year	-14.62%	-9.93%
3 years	-25.92%	-15.57%
5 years	-11.40%	-12.48%
10 years	64.67%	18.26%
YTD	-15.49%	-7.21%
Since Inception (Annualised)	6.58%	1.79%

* 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

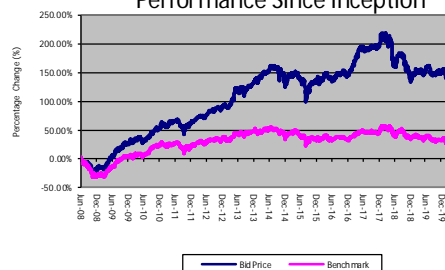


Key Fund Facts

Fund Size	RM64.182 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 May 2020)	2.144
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
TENAGA NASIONAL BERHAD	8.20%
MALAYAN BANKING BERHAD	7.76%
DIALOG GROUP BERHAD	6.17%
MY EG SERVICES BERHAD	4.50%
AXIATA GROUP BERHAD	4.12%

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 yields moved between -6bps to +12bps mom in a steepening manner as the shorter end of the yield curve rallied. The initial rally was fueled by concerns that the Fed may embark on a negative interest rate policy. In addition, the Fed's balance sheet expanded to a record \$6.72 trillion in the week ended May 6, following robust purchases of UST's and Mortgage Backed Securities (MBS) meant to help ensure financial market functioning amid the Covid -19 pandemic. Although risk appetites returned during the month with some selling pressure on the belly to longer end of the curve, investor sentiment remained cautious due to uncertainties surrounding the reopening of US economies and growing US-China animosity. The Federal Reserve minutes also revealed officials' discussion on adopting a clearer forward guidance on interest rate trajectory and provided reassurance that the central bank is ready to act more to support the economy. Unsurprisingly data were dismal, with 1Q GDP growth revised downwards from -4.8% to -5.0% QOQ in a second estimate, and the US initial jobless claims for last week of May at 1.8mil, bringing the 11-week total to more than 42mil. Unemployment rate rose to 14.7% in April with headline CPI inflation recording its largest fall since the Global Financial Crisis, alongside the concurrent drop in producer prices and prices of imported goods.

In line with market consensus, Bank Negara Malaysia (BNM) cut Overnight Policy Rate (OPR) by another 50bps to 2.00% at the 5 May 2020 Monetary Policy Committee (MPC) after the 25bps cut each in Jan 2020 and Mar 2020 MPC. Guidance in the Monetary Policy Statement is that the Central Bank is focused on enabling conditions for a sustainable economic recovery of the Malaysian economy. Post MPC, the MGS yields rallied 5-13bps on the short to belly of the curve, while the long end trended higher by 9-12bps. The 10-year MGS closed 5bps lower mom at 2.80%. On the economic front, Malaysia reported its weakest growth since 3Q2009 with 1Q2020 GDP coming in at +0.7% yoy, better than the market's expectations of -1.0%. After a steady expansion in the first two months of 2020, the overall economic activity fell sharply following the outbreak of Covid-19, and the measures taken to contain the spread of the virus in the form of the movement control order (MCO) on 18 March that disrupted the supply chain, dragged down demand and fueled unemployment. Headline inflation plunged 2.9% yoy in Apr'20, from -0.2% yoy in the previous month, to the lowest level since 2010. This came as the slump in global oil prices resulted in domestic fuel prices (RON95) plunging 31% yoy as of end-May amid depressed global oil demand and concerns over lack of storage availability. Meanwhile, the Ringgit had weakened to RM4.3465: USD1.00 from RM4.3022: USD1.00 a month ago.

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. While the MPC noted that global economic conditions have weakened significantly and will exert a large drag on the domestic economy, with labour market conditions expected to weaken considerably, 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 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

Since the declaration of Covid - 19 as a worldwide pandemic in March 2020, the rebound in equity markets which began in April 2020 had extended well into May 2020. Countries which had locked down their economy in their efforts to stem the adverse effects of the pandemic had begun to prepare for the removal of the lockdown measures and put in place recovery processes to expedite the return to economic normalcy. Consequently, the MSCI World Index enjoyed a +4.63% mom surge during the month under review. In US, the Dow Jones Index rose by +4.26% mom as it continued to disregard negative economic data such as the high April 2020 unemployment rate of 14.7% and ISM Manufacturing Purchasing Managers Index (PMI) reading being below 50 for April 2020 which signaled a contraction. The Federal Reserve meeting in May 2020 did not result in any material policy change but its chairman did allude that it would resist using negative rates to counteract the coronavirus recession. In Europe, the Stoxx 50 Index also rose by +4.18% as the European Commission put forward its proposal for a major recovery plan. It involved a post - pandemic recovery fund with EUR1.85tr utilizing both the long term EU budget from 2021 to 2027 and a special recovery fund. Parts of that fund would be made available to EU member countries as grants and/ or loans. On the other hand, China's Shanghai Composite Index fell by 0.27% mom driven by fears arising from China's move to tighten political control over Hong Kong which led to tensions between China and US. From an economic standpoint, both the Caixin China PMI Composite and Services Indices recorded contractions in April 2020.

In May 2020, Brent oil price rocketed by +39.8% mom to USD35.33/ bbl. Its strong climb being predicated on a curtailment of some upstream capacity, expectation of demand recovery as countries started to emerge from their economic lockdowns and OPEC+'s commitments to production cuts. Crude palm oil price also increased by +12.9% mom to RM2373/ MT as it rose in tandem with crude oil price recovery, improving demand from China, and additional funding being allocated by Indonesia to support its biodiesel mandate.

In ASEAN, equity markets generally rose, in sync with most of its global peers. Malaysia's FBMKLCI climbed +4.65% mom on expectations that the government would launch a short - term economic recovery plan at end May 2020 whilst extending the Conditional Movement Control Order (CMCO) to 9 June 2020. Foreign net equity outflow continued unabated at RM3.0b during the month under review bringing the YTD total to RM13.3b. The Ringgit had weakened to RM4.3465: USD1.00 from RM4.3022: USD1.00 a month ago. From an economic standpoint, Malaysia's 1Q20 GDP eased to +0.7% yoy due to domestic as well as global lockdown measures taken to contain the spread of the Covid - 19 virus. To cushion the economic impact of the said virus on businesses and households, Bank Negara Malaysia (BNM) cut its Overnight Policy Rate (OPR) by 50 bps to 2.00%. The Stock Exchange of Thailand rose by +3.16% mom despite 1Q20 GDP recording a contraction of 1.8% yoy as investors capitalized on the economic reopening of the country. The Thai government had also begun easing their restriction measures by shortening the curfew by an hour to 11pm - 3am, allowing malls to extend their operating hours and spas to operate with social distancing guidelines. The secretary general of the National Security Council believed that the opening would help stimulate the economy and ease some financial burdens. The Jakarta Composite Index edged up +0.79% mom despite 1Q20 GDP chalking a growth of +2.97% yoy, its weakest reading since end 2001, as household spending and investment growth slowed due to the Covid - 19 outbreak. Its Finance Ministry's Fiscal Policy Agency stated that the government would speed up the distribution of its social assistance in 2Q20 to ease the pressure on households and businesses. Lastly, Singapore's Straits Times Index dipped 4.32% mom while the Ministry of Trade and Industry (MTI) revised Singapore's 2020 GDP forecast downwards to -7.0 to -4.0%.

Equity Market Outlook

While still nascent, the gradual reopenings of the economies post Covid - 19 lockdown would pick up momentum globally as infection rates become contained. However, the prospect of a smooth economic recovery could be marred by the potential resurgence of US - China tensions and/ or the possibility of a second wave of virus infection.

On the domestic front, we are cautiously optimistic that the infection rates would be satisfactorily under control as the government is prudently transitioning into a Recovery Movement Control Order (RMCO) period till 31 August 2020 with appropriate standard operation procedures and also phased reopening of various parts of the economy. In addition, the government has launched a RM35b short term economic recovery plan (PENJANA) in June 2020 which incorporates a number of measures to spur private consumption. However, BNM noted that while the abovementioned CMCO could lead to a gradual improvement in economic activities, the outlook for growth would continue to be subject to a high degree of uncertainty, particularly with respect to developments surrounding the pandemic. Nonetheless, BNM added that the local financial sector was sound, with financial institutions operating with strong capital and liquidity buffers. Furthermore, it reiterated its commitment to monitor the outlook for domestic growth and inflation and if necessary, utilize its policy levers to ensure a sustainable economic recovery.

We maintain our prudent yet sensible posture towards the market's longer term growth trajectory and would continue to direct monies into fundamentally good investments. Having said that, we will be mindful to realign our investment direction as necessary to be in sync with the changes in the market environment.

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)