

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.

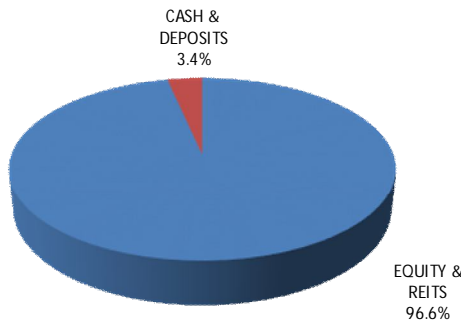
Performance Indicator

	Master Dividend Fund	Benchmark: FBM 100*
1 month	-2.89%	-2.14%
6 months	6.23%	7.81%
1 year	-11.74%	-6.15%
3 years	-25.37%	-14.72%
5 years	-3.10%	-7.32%
10 years	46.89%	2.10%
YTD	-12.57%	-6.14%
Since Inception (Annualised)	6.64%	1.82%

* 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

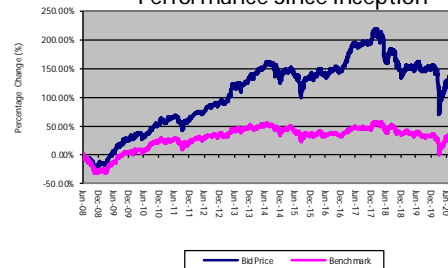


Key Fund Facts

Fund Size	RM83.104 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 October 2020)	2.218
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)

Top Holdings (Equities)	% NAV
TOP GLOVE CORPORATION BERHAD	10.90%
MALAYAN BANKING BERHAD	5.59%
TENAGA NASIONAL BERHAD	5.57%
DIALOG GROUP BERHAD	4.31%
BURSA MALAYSIA BERHAD	3.53%

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.

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 yield curve bear steepened in October as short to mid tenure UST yield increased by 2-10bps mom while long tenure UST yield increased about 20bps mom. The market expected federal spending for pandemic economic relief to increase regardless of the 3 November election outcome which more than offset the fear of a global rebound in Covid-19 cases and the delays in vaccine development. The 5-30y UST yields are at its highest level since June. The 2y-10y UST spread reached its YTD high while the 5y-30y spread is at its steepest since November'16.

MGS yield curve steepened in October as the short to mid tenure MGS rallied by 5-25bps mom while longer tenured MGS increased by 4-12bps mom. The 3y and 5y MGS yields declined by about 25bps mom each to an unprecedented low level of 1.75% and 2.00% on 30 October. Support came from both onshore and offshore investors as focus returned to risk-off assets amid the downside risk to growth following the spikes in local Covid-19 cases. As widely expected, BNM held the OPR unchanged at 1.75% at its final MPC meeting of 2020 on 3 November ahead of the Budget 2021 on 6 November. The decision was driven by global economy recovery which was led by manufacturing and export activities as well as improvement in domestic economic activities in recent months. To recap, YTD OPR was cut by a total of 125bps. Budget 2021 on 6 November saw the government set a budget deficit target of RM84.8b or -5.4% of GDP for 2021 versus RM86.5b or -6.0% of GDP in 2020. Meanwhile the fiscal deficit is expected to average 4.5% of GDP in 2021-2023 under the Medium Term Fiscal Framework. Development expenditure received a much higher allocation of RM69b (2020E: RM50b) or a 38% yoy jump. The development expenditure share of total expenditure is 23% which is the highest since 2010.

Foreign flows into debt securities increased to RM8.0b in October (September: RM0.5b) with net inflows over the past six consecutive months. It brings the YTD cumulative inflows to RM12.8b. The increase in foreign inflows likely due to dovish bets on MGS ahead of the BNM MPC meeting on 3 November. Foreign share of MGS and MGS+GII increased to 40.3% (September: 38.8%) and 24.5% (September: 23.8%) respectively. Foreign reserves fell slightly by -USD0.4b mom to USD104.6b as at end-October 2020, while the Ringgit strengthened slightly against the USD by 0.02% mom to 4.155 (September: 4.156)

Equity Market Review

During the month under review, the MSCI World Index fell by 3.6% mom ending its 5-months uptrend post rebound from Covid-19 impact. Similarly, the Dow Jones Index declined by 2.3% mom. On the US economic front, retail sales in September grew at a faster pace of 1.9% mom as compared to 0.6% mom in August. Its September industrial production fell 0.6% mom as compared to an increase of 0.4% in the previous month. Nonetheless, Markit US Composite PMI was flat at 54.3 in September as compared to 54.6 in August. The US Fed left the interest rate unchanged in October at 0.25% after a total of 150 bps cut year-to-date. Over in Europe, the Stoxx 50 Index tapered by 2.4% mom during the same period amid weaker economic data. Eurozone Markit Composite PMI fell further to 50.4 in September as compared to 51.9 in August. Its August retail sales rose by 4.4% mom, a reversal from a drop of 1.3% mom in the previous month. Growth in industrial production also slowed further to 0.7% in August as compared to 4.1% mom in July. Likewise, China's Shanghai Composite Index dropped by 5.2% mom in September 2020 despite strengthening economic data. China's September retail sales further recovered by 3.3% yoy as compared to 0.5% yoy in the previous month. Its September industrial production also rose by 6.9% as compared to 5.6% yoy in August. China's Composite PMI also improved to 55.3 in October from 55.1 in September. With economic improvements, China kept its 1-year and 5-year Loan Prime Rates stable for the 6th straight month. They have been unchanged since April 2020.

In October, Brent oil price fell by 8.5% mom to USD37.46/bbl as demand concerns prolonged due to Covid-19 and a built up in inventory in the US. Crude palm oil price rose by 11.3% mom to RM3,250/ MT as concerns over low inventory levels and supply disruptions due to ongoing labour issues and dry weather.

On the ASEAN front, equity markets closed the month under review with generally negative performances. Malaysia's FBMKLCI fell for the third consecutive month by 2.5% mom in October, closing at 1,467 points. Profit-taking was seen across all key sectors except healthcare, technology and utilities as investors fled to export-oriented sectors due to concerns over local political uncertainty and rising new Covid-19 cases in Malaysia. Year to the date, the FBMKLCI Index is down by 7.7%. Foreigners remained net sellers in October by RM688m, bringing YTD net foreign equity outflow to c.RM23.7b. From an economic standpoint, Malaysia's August industrial production slowed to 0.3% yoy from 1.2% yoy in the previous month. September manufacturing PMI also eased further to 49.0 compared to 49.3 in August. Indonesia's Jakarta Composite Index also declined by 7.0% mom despite its Markit manufacturing PMI falling to 47.2 in September compared to 50.8 in August. Singapore's Straits Times Index decreased by 2.6% mom despite stronger economic data. Singapore's industrial production increased by 10.1% mom in September as compared to 13.9% mom in August. Its retail sales also improved to a contraction of 5.7% yoy in August as compared to the 8.5% yoy decline in the previous month. September's non-oil domestic export fell 11.3% mom as compared to a 10.5% mom rise in August. Notwithstanding, the Stock Exchange of Thailand dropped by 5.6% mom despite Thailand's September Markit manufacturing PMI rose to 49.9 as compared to 49.7 in the previous month.

Market Review & Outlook

Bond Market Outlook & Strategy

Moving forward, we view market sentiment will likely be driven by the prospects of recovery from Covid-19 i.e. number of infection cases, vaccines development and macroeconomics data. In its latest World Economic Outlook report, the IMF has revised its 2020 global growth forecast to -4.4% and painted an outlook of a “long, uneven and uncertain” recovery. We currently await the release of the 2021 auction calendar as we are cautious on longer duration government bonds in Malaysia due to the expected larger gross MGS+GII supply for 2021. Meanwhile, the local market would continue to be supported by accommodative monetary policy and ample liquidity in the system. 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 Outlook

November 2020 will be an eventful month. A new US President could lead to changes in terms of policies and points of focus. Locally, following the Bank Negara Monetary Policy Committee meeting on 3rd November, the Overnight Policy Rate was kept unchanged at 1.75%. The Budget 2021 was deemed expansionary, with a budget deficit of 5.4% allocated to achieve GDP growth target of 6.5-7.5% and various fiscal support to the B40 and M40 households. There is also the 3Q20 GDP announcement, 3Q20 results season and parliamentary proceedings still to look forward to this month. With Covid-19 cases on the rise in Malaysia, the CMCO was extended to all but 3 states for 4 weeks (till 6 December). There is also heightened political uncertainty following the recent proposal by the government to invoke the Emergency Order which was rejected by the King.

On balance, we would continue to adopt a prudent yet sensible posture towards our market's longer term growth trajectory and would direct monies into fundamentally good investments. We will maintain our preference for sectors that exhibit more resilient growth. Nonetheless, we will be watchful to realign our investment direction as necessary to be in sync with the changes in the market environment. Moreover, we may, at times, assume a degree of trading bias to take advantage of any near term market volatility.

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)