June 2021

Allianz Life Global Artificial Intelligence Fund

Investment Objective

The Allianz Life Global Artificial Intelligence Fund (the “Fund”) feeds into Allianz Global Artificial Intelligence Fund- USD (“CIS”) and aims to provide long term capital growth by investing in global equity markets with a focus on the evolution of artificial intelligence.

Investor Profile

The Fund is designed for investors who pursue the objective of general capital formation/asset optimisation and/or above-average participation in price changes; have basic knowledge and/or experience of financial products; and are capable of bearing a financial loss. The Fund may not be suitable for investors who wish to withdraw their capital from the Fund within a short or medium timeframe.

Performance Indicator

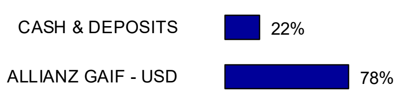
	YTD (Since Inception)
Allianz Life Global Artificial Intelligence Fund	1.60%
Benchmark	3.12%
Allianz Global Artificial Intelligence (USD)	7.97%

Ringgit depreciated 0.84% (YTD since inception).
Source: Bloomberg and https://sg.allianzgi.com/
The above performance of the Fund 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.

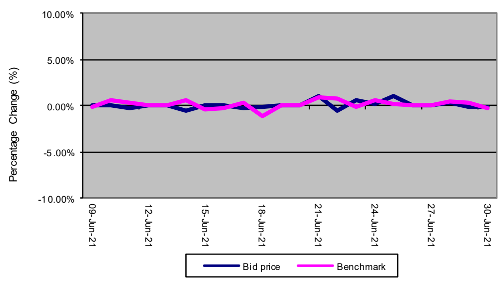
Facts on CIS

Name	Allianz Global Artificial Intelligence Fund- USD (“Allianz GAIF - USD”)
Type	Undertaking for Collective Investment in Transferable Securities
Fund Manager	Allianz Global Investors US
Fund Currency	USD

Portfolio Composition



Performance Since Inception



Key Fund Facts

Fund Size	RM2.703 million
Risk Profile	Moderate Investor
Launch Date	8th June 2021
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit[1] (as at 30th June 2021) - Bid	1.016
Management Fee	1.50% 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.

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Allianz Life Global Artificial Intelligence Fund

Manager's Comment (For Allianz Global Artificial Intelligence Fund- USD)

Market Commentary

- Global equities closed June with modest gains. Optimism that the economic recovery would remain robust initially drove stocks higher, but stocks lost some of these gains when the US Federal Reserve (Fed) indicated it may raise interest rates sooner than expected. The Fed's shift in policy sparked a reversal of the reflation trade, with growth stocks outperforming value ones. Technology companies returned to favour, while cyclical stocks, such as Materials and Industrials companies, retreated. Energy stocks also delivered solid gains as oil prices returned to levels last seen in the spring of 2019, but the Financials sector declined as bond yields moved lower.
- Information Technology and related stocks outperformed the broader market during the period. Software stocks were particularly robust with earnings reports and management guidance suggesting that the fundamental strength through the last year was sustainable, reflecting broader trends around businesses digitising their operations. Semiconductors initially faced headwinds given their cyclical orientation, but relative performance improved later in the period amid optimism regarding the US Congress passing an infrastructure spending plan. Mega-cap technology shares outperformed on increased investor comfort around the regulatory environment and generally robust operating environment.
- During the period, the Fund outperformed the custom benchmark (50% MSCI All Country World Index Net/50% MSCI World Information Technology Index Net).
- Contributors: Our position in Roku, a manufacturer of video streaming devices and a digital over-the-top TV operating system, was a top contributor. During the period, the company's shares gained on industry reports suggesting positive advertising trends and acquisition speculation. We expect near-term results to be noisy given prior year comparisons included robust growth that occurred during the early months of the pandemic. However, we believe the company stands to be a significant beneficiary of the powerful secular trends in video streaming and an increasing mix toward ad-supported formats.
- Our position in a biotechnology company was one of the top contributors. The company is best known for its creation of a highly effective vaccine for COVID-19 in which it leveraged artificial intelligence (AI) to increase the pace of therapy development. During the period, shares gained on a series of news reports with the most notable being that the company's COVID-19 vaccine produced an immune system response against the fast-spreading Delta variant. Additionally, the US government increased its order of the vaccine by 200 million doses as well as options to purchase other pipeline drugs. We maintain our constructive view on the company as we believe the core technology platform, which leverages AI, to be a unique asset enabling it to bring drugs to market faster and at higher rates of effectiveness than competitors.
- Detractors: Our position in a leading metals and mining company, Freeport-McMoRan, was one of the top detractors. The company's shares compressed along with the price of copper. The price of copper hit an all-time high last month but was down in June as commodities traders contemplated a rising US dollar and softening demand as the early pandemic recovery cools off. We maintain our constructive view on the company as Freeport-McMoRan has embraced data science and AI to drive greater operational efficiency within its various exploration and mining operations, which is allowing the company to drive revenue growth while yielding stronger shareholder results.
- Our position in a diversified industrials company, General Electric (GE), was also among the top detractors. Shares pared recent gains amid reports of reinstated travel restrictions amid increased COVID-19 cases in certain geographies, which is negative for the company's aircraft engine business. Meanwhile, the company increased a planned debt paydown, which was a mild positive. The company's debt position has been a longstanding concern for investors. We believe the company's improving balance sheet and leverage to a recovering economy lend themselves to an attractive risk/reward.
- Purchases and Sales: During the period, we exited our position in a global cruise line operator as the stock had discounted a considerable amount of good news with the company recovering its pre-pandemic enterprise value. At this point, we believe continued appreciation in the equity will depend on the company deleveraging its balance sheet by generating positive cash flows to service and pay down debt incurred through the pandemic. From an AI perspective, we remain encouraged by the company's use of advanced analytics and AI-related technologies, but we believe the issue of debt deleveraging will have greater consideration in the near to intermediate term.
- Similarly, we exited one of the major American airlines as we believe its shares now anticipate a strong recovery. The company had also taken on debt during the pandemic that will now need to be reduced as the company regains profitability. We are concerned that this could be a more complicated process than investors currently anticipate as industry competitive dynamics could become more unpredictable as other airlines have announced intentions to buy many more new planes.
- We redeployed the proceeds to a position in a digital solution company as the market and the company appear to have reached an inflection point with regards to the company's core e-signature offering with revenues and bookings accelerating in the most recent quarter. Additionally, we note that the company has considerably upgraded its product offering leveraging AI.
- We also purchased a skill-based mobile game platform that helps players discover mobile games and compete against other players. The company's technology platform allows developers to easily create real money, tournaments-based play and employs AI and machine learning algorithms to prevent cheating. The company's platform has seen a strong and growing base of gamers interested in skill (as opposed to chance) based competition. Its core gamers engage with its platform for more time per day than many social media platforms.

Allianz Life Global Artificial Intelligence Fund

Allianz

Manager's Comment (For Allianz Global Artificial Intelligence Fund- USD)

Market Commentary

- Overall, we believe the company offers a unique business model with strong operating profile and the potential for sustained high growth.
- Lastly, we initiated a position in a platform which matches the professional skills of freelancers with businesses interested in buying those services. The company has attracted nearly 4 million business buyers and over 2 million sellers to the platform. It has insights into the most in-demand skills, which informs category expansion and reinforces powerful network effects. The company is investing in AI to better match supply/demand across its platform and streamline tasks that are done on its marketplace. We find the business model compelling in that the company operates a marketplace business capable of delivering high levels of overall profitability while maintaining growth at a fast pace.

Market Outlook and Strategy

- For over a year, economies and markets around the world have persisted through a period of unprecedented uncertainty amid the spread of the COVID-19 pandemic. Governments and central banks have moved aggressively to stem the economic fallout by providing liquidity and financial support for consumers and affected industries. Equally impressive is the speed at which drug companies have developed and distributed vaccines that could put many countries on a path to normalcy by the end of 2021 through 2022. These factors have boosted markets with the additional effect of broadening participation among value-oriented shares which lagged in the several years period heading into the pandemic-induced recession and in the immediate aftermath.
- Contributing or at least coinciding with the equity market rotation, US interest rates have steadily recovered with progress against the virus and towards reopening the US and global economies. More recently, rate increases have stabilised as market participants have been more receptive to the view that inflationary pressures seen through the early phases of the recovery may prove transitory. In the same way that governments and central banks moved to stimulate their economies through the pandemic, it may be reasonable to expect they have the data and tools at hand to rein in excess inflation.
- Through the early recovery period, macroeconomic factors have had an outsized influence on market performance. We suspect that macro will continue to have a significant influence on markets over the near term as investors contemplate the trajectory and complexion of the global economic recovery and government and central banks adjust their policies in reaction to these developments. One of our objectives through this macro-driven period has been to balance our orientation toward growth companies with positions in more cyclically sensitive areas with compelling longer-term transformations underway.
- In this sense, we are finding that more companies are adopting cultures of innovation and leveraging AI to disrupt the status quo in their respective industries. The strategy of the Fund has anticipated this development from its inception, and the portfolio construction reflects a greater representation of innovative companies outside of the traditional Technology sector. At the same time, we continue to be excited about the opportunities available within the Technology sector as many companies are growing at a very rapid pace while delivering attractive profitability as well. We believe this sustained and compounding growth can yield strong shareholder value creation over time.
- AI Infrastructure: We expect healthy demand for the ongoing build-out of AI infrastructure in the coming years. As AI training progresses past the pilot stage, the next phase will be about the new types of processing and storage needed to deploy AI from the cloud to billions of edge devices. We continue to believe the global rollout of 5G will accelerate going forward, and the resulting higher bandwidth will enable the collection of more data from billions of mobile and Internet of Things (IoT) devices.
- Within AI Infrastructure, we maintain a constructive view on the semiconductor space. In line with the upswing in other pro-cyclical areas, semiconductors have performed well fundamentally and in terms of share price. Looking forward, demand across many areas of end demand remains strong and supply is relatively constrained. We think these dynamics should remain in place over the next several quarters and are supportive of further upside in semiconductor shares.
- AI Applications: We are seeing AI get embedded into an increasing number of software applications and systems to help make more intelligent decisions. AI is helping to drive higher levels of automation, better recommendations, faster decision-making, and significant cost savings. As AI continues to advance, we expect software and apps to offer even more personalised services, made possible through an increased understanding of user behaviour and search patterns, allowing companies to deliver more human-centric experiences in real-time. Smart assistants will begin to move from passive to proactive interactions by anticipating the user's needs rather than simply waiting for instructions. AI and machine learning will continue to automate mundane tasks and complicated analyses to free up employees to focus more time and attention on creative and strategic tasks. The recent introduction of quantum cloud computing could lead to significant breakthroughs in AI and machine learning in the coming years as researchers design new algorithms to exploit the exponentially faster computing power. We are just beginning to see AI become a part of more applications, which could potentially create an even bigger market opportunity than past IT transformation eras.

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Allianz Life Global Artificial Intelligence Fund

Manager's Comment (For Allianz Global Artificial Intelligence Fund- USD)

Market Outlook and Strategy

- AI-enabled Industries: We are seeing more companies begin to leverage AI to drive innovation. Many of our portfolio holdings in the Automotive, Consumer, Health Care, and Finance sectors are already seeing the early benefits from AI, which is allowing them to introduce unique products and services enabling them to outperform their industry peers. We expect to see more industries roll out AI projects across more of their operations to accelerate their digital transformation. We believe companies will continue to adopt AI technologies such as facial recognition for identification and fraud detection, autonomous vehicles and robots for transportation and logistics, robotic process automation (RPA) and virtual digital workers to automate repetitive office tasks, predictive maintenance powered by IoT to minimise maintenance costs and equipment down time, and augmented and virtual reality (AR/VR) to create engaging experiences and entertainment.
- Overall, we continue to believe we are at the very early stages of massive disruptive change brought about by advancement in AI and its deployment. We believe that these changes will drive meaningful growth for companies that are able to take advantage and drive disruption within their respective industries. While it is expected at times that markets may question the underpinnings of this growth, we believe the compounding effect from AI disruption will create long-term shareholder value. We believe that stock picking will be imperative to capturing the benefits of this opportunity, especially in an environment characterised by disruption and change.

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Investment Strategy & Approach

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.

- **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.

- **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.

- **Specific Security Risk** – The value of the assets in particular securities and money market instruments may be affected by company-specific factors, such as business situation, financial condition and corporate governance of the company. This risk may be minimized through diversification of investments in a wide scope of companies belonging to a multitude of sectors.

- **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.

- **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. The risk is managed by including liquidity factor into security selection and further mitigated by diversification.

- **Target Fund Risk** – As the Fund is a feeder fund, it will invest into a Target Fund which is being managed by a Target Fund Manager. While we would make every effort to ensure that the objectives of the Target Fund are appropriately aligned with those of ours, we do not have control over the Target Fund Manager's investment in terms of its approach, intelligence, operations and management. In the unlikely event of any mishandling of the Target Fund, the NAV of our Fund, which is investing predominantly into the Target Fund, could be similarly adversely affected.

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.