

September 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

| | 1 month | 3 months | YTD (Since Inception) |
|--|---------|----------|--------------------------|
| Allianz Life Global Artificial Intelligence Fund | -0.81% | -3.15% | -1.60% |
| Benchmark | -4.93% | 0.72% | 3.86% |
| Allianz Global Artificial Intelligence (USD) | -1.19% | -4.33% | 3.30% |

Ringgit depreciated 1.67% (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 |

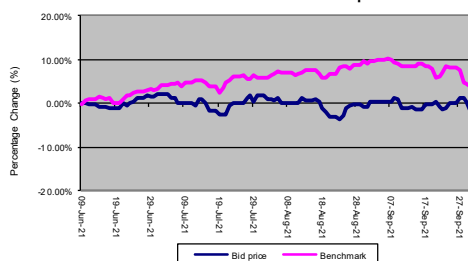
Key Fund Facts

| | |
|---|---|
| Fund Size | RM18.004 million |
| Risk Profile | Moderate Investor |
| Launch Date | 8 th June 2021 |
| Fund Currency | Ringgit Malaysia |
| Investment Manager | Allianz Life Insurance Malaysia Berhad |
| Pricing Frequency | Daily |
| Price per Unit ¹ (as at 30th September 2021) - Bid | 0.984 |
| Management Fee | 1.50% p.a |
| Other Charges ² | Include but not limited to government tax, auditor fee, custodian fee, & transaction charge |

Portfolio Composition

| | |
|--------------------|-----|
| CASH & DEPOSITS | 6% |
| ALLIANZ GAIF - USD | 94% |

Performance Since Inception



- 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.

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Allianz Life Global Artificial Intelligence Fund



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

Market Commentary

- Global equity markets mostly retreated over September. While US Federal Reserve (Fed) chair Jerome Powell's dovish comments at the Jackson Hole annual gathering of central bankers initially provided some support, sentiment later deteriorated as growth and inflation concerns gained the upper hand and the prospect of higher interest rates loomed into view. Additionally, markets were shaken by fears that a leading Chinese homebuilder would default on its debt, the effects of which would be felt well beyond China itself. Almost all sectors declined over September, with value stocks outperforming growth ones given the prospect of higher rates. Energy was a rare bright spot as oil and natural gas prices rallied. In contrast, Materials stocks were among the weakest performers as industrial metals prices were negatively affected by expectations of lower Chinese demand.
- Information Technology and related stocks underperformed the broader market during the period. At a high level, shares of tech and related companies struggled amid the rotation away from growth toward value and reopening-levered shares. Communication Services stocks lagged with shares of a social media conglomerate under outsized pressure due to renewed focus around platform safety. Software was mixed with investors taking profits in strong year-to-date performers while positive investor day commentary and channel checks boosted stocks like Salesforce.com. Semiconductors were among the best performing groups inside Technology amid the ongoing supply chain challenges meeting surging demand conditions.
- During the period, the Fund gross of fees in USD outperformed the custom benchmark (50% MSCI All Country World Index/50% MSCI World Information Technology Index).
- **Contributors:** Our position in electric vehicle (EV) maker, Tesla, was one of the top contributors. Shares gained on reports suggesting upside to consensus estimates for Q3 vehicle deliveries. Additionally, the company began a broader release of its full self-driving (FSD) capabilities toward the end of the month and will progressively expand access to the feature. We believe the near-term results could remain solid amid strong demand and effective management of supply chain disruptions. We believe the world is now embracing EVs and the move toward sustainable transport has reached an inflection point. We also believe that Tesla is positioned to lead this transition as it embraces continued rapid innovation.
- Our position in a biotechnology company, which has an antibody discovery platform, was also among the top contributors. Its full-stack, artificial intelligence-powered (AI-powered) drug discovery platform searches and analyses the database of natural immune systems to find antibodies that can be developed as drugs. Shares gained during the period after the company announced the authorisation of its antibody therapy as a prevention measure against COVID-19 which was an expanded use case from early infection or exposure cases. We remain constructive on the shares as the company has dozens of programmes in varying stages of development, some of which could be significant drivers in the future.
- **Detractors:** Our position in Roku, a manufacturer of video streaming devices and a digital over-the-top TV operating system, was a top detractor. Following last month's expectations miss on active customer accounts and total streaming hours, shares came under additional pressure on news that Amazon will launch a line of connected TVs. We expect near-term results to be noisy given prior year growth comparisons and more competition to be attracted to the rapid growth in the connected TV market. However, we believe the company stands to be a significant beneficiary of the powerful secular trends in video streaming and an increasing mix towards ad-supported formats.
- Our position in a leading metals and mining company was also among the top detractors. The company's shares compressed along with the price of copper which hit an all-time high in May this year. Demand for base metals has waned as the global economy has advanced beyond the early recovery stages and more recently on concerns regarding China's curtailment of industrial production and real estate development. We trimmed our position slightly to reduce risk but maintain our constructive view on the company as it has embraced AI to drive greater operational efficiency within its various exploration and mining operations.
- **Purchases and Sales:** During the period, we re-initiated a position in a rideshare and food delivery services provider, as shares of the company have come in considerably since we exited the position earlier this year. We are restarting the position as we believe the share price now more than reflects our earlier concerns regarding driver classifications and competition for labour. We believe the company has taken actions more recently to address these issues while also making investment back into the business to re-accelerate growth. As such, we believe the company's business is near a positive inflection where it can deliver both robust growth and improving profits.

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Allianz Life Global Artificial Intelligence Fund



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

Market Outlook and Strategy

- Over the past month, financial markets have experienced some volatility due to a confluence of factors. On the economic front, ongoing labour shortages, supply chain disruptions, and spiking energy costs are contributing to perceptions that recently elevated inflation measures will prove more persistent and are showing early signs of affecting company financials. At the same time, COVID-19 case counts appear to be rolling over following the Delta variant surge which seems to coincide with consumers' increasing willingness to reengage in activities outside the home.
- Meanwhile, central banks have moved to rein in some of the liquidity provided over the past year and a half as their economies seem on firmer footing. While the Fed remains accommodative, the latest messaging suggests that taper of quantitative easing will begin in late 2021 and perhaps pull forward the timing of interest rate hikes. Pandemic-related fiscal support is fading at a time when investors are contemplating rising tax schemes along with investments to support the transition to a net zero emissions economy.
- We believe the recent market volatility comes as investors contemplate an economic environment in which growth moderates amid monetary and fiscal tightening while input prices remain elevated thus weighing on profit margins. The manifestations in the markets have been a sharp rise in interest rates prompting a shift away from longer duration growth areas towards shorter duration areas with pricing power.
- We expect volatility to remain elevated over the near term as the numerous developments affecting global markets take shape. As we look to the balance of the year, we expect companies to report depressed profit margins over the near term due to higher input prices but look for improvements through the course of 2022. We continue to see strong consumer and enterprise demand and see evidence that spending behaviours and expectations are adjusting to currently elevated prices. Looking into the latter part of 2022 and beyond, we continue to expect a moderate growth and inflation environment which should benefit many of our core growth holdings.
- We continue to take a balanced approach in portfolio construction between identifying AI-related companies that are making the necessary investments for long-term profitability and those aggressively investing for disruptive growth. In this sense, the portfolio maintains exposure to both secular and cyclical growth opportunities benefitting from AI. Over the long run, we continue to believe that we are witnessing the compounding impacts of a strengthening innovation cycle led by AI that will favour companies able to achieve above-average growth.
- 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.
- 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.