January 2022

Allianz Life Global Artificial Intelligence Fund

Investment Objective

The Allianz Life Global Artificial Intelligence Fund (the "Fund") feeds into Allianz Global Artificial Intelligence- 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.

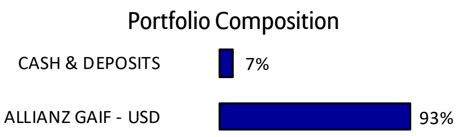
Performance Indicator

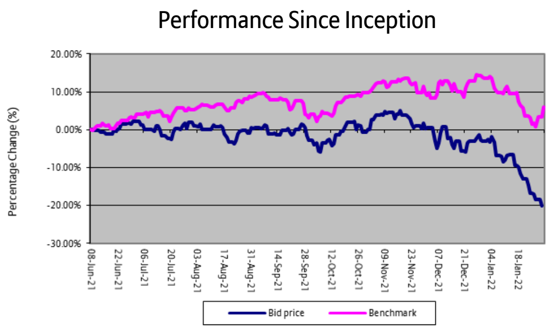
	1 month	3 months	6 months	YTD	Since Inception
Allianz Life Global Artificial Intelligence Fund	-17.63%	-19.54%	-21.59%	-17.63%	-20.10%
Benchmark	-6.69%	-3.50%	0.67%	-6.69%	5.95%
Allianz Global Artificial Intelligence (USD)	-20.36%	-23.30%	-23.86%	-20.36%	-19.14%

Ringgit depreciated 0.34% (YTD) and depreciated 2.55% (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- 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	RM25.992 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 31st January 2022) - Bid	0.799
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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Manager's Comment (For Allianz Global Artificial Intelligence- USD)

Market Commentary

- Global equities tumbled over January, driven by a sharp fall in US stocks. "New technology" companies suffered a sharp correction after the US Federal Reserve (Fed) suggested that rampant inflation may mean it needs to raise rates more quickly than previously expected. US consumer prices rose at a year-on-year rate of 7.0% in December, the fastest pace of increase in almost 40 years. Rising geopolitical risks also knocked risk assets, sparked by fears that Russia was about to invade Ukraine. Performance at a sector level was bifurcated. Energy stocks soared as oil prices rallied to levels last seen in 2014, but the Information Technology and Consumer Discretionary sectors saw steep declines as investors rotated from highly valued growth companies to value stocks.
- Information Technology and related stocks underperformed the broader market during the period. Within Technology, there was broad-based selling of the sector with semiconductors coming under the most pressure following several months of sector-relative outperformance. The predominant theme across the rest of the sector was a general selling of growth and high-valuation and preference for value. The defensiveness of mega-cap tech and communications segments held better than small- and mid-cap companies during the month.
- During the period, the Fund underperformed on a gross of fees in USD basis the custom benchmark (50% MSCI All Country World Index/50% MSCI World Information Technology Index).
- Detractors: Our position in a social networking platform operator was one of the top detractors. Shares came under pressure during the high growth tech sell-off as well as on concerns that near-term results might fall below expectations. During the company's last earnings call, management cautioned that a tech giant's anti-tracking changes in its operating system along with supply chain constraints might be headwinds to results. We believe the headwinds that the company is facing are transitory in nature rather than structural. We remain constructive on the long-term opportunities for the company to grow its audience and innovate on both its user experience and ad platforms.
- Our position in a manufacturer of video streaming devices and a digital over-the-top TV operating system was also among the top detractors. Like the above-mentioned social networking platform operator, shares fell in sympathy with high growth tech companies. Additionally, the underwhelming guidance of a subscription streaming service and production company for current quarter subscriber adds further pressured shares. We expect near-term results to be noisy given prior year growth comparisons and ongoing supply chain disruptions. 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.
- Contributors: Our position in oil and gas technology and services provider, Schlumberger, was one of the top contributors. Shares surged ahead of the company's Q4 results which exceeded analysts' expectations. The management also offered a bullish outlook for the coming year that looks for solid growth in oil and gas industry spend amid surging demand and supportive energy prices. We remain impressed by the company's digital business, which now represents nearly 15% of revenue and was over 30% of the overall company's profits in 2021. Separately, we are constructive on the company's plans to expand beyond the traditional exploration and production (E&P) sector to leverage its expertise into the alternative energy domain.
- Our position in farm equipment maker, Deere & Co., was also among the top contributors. During the period, the company unveiled an industry-first autonomous tractor which removes the need for an operator and has minimal remote monitoring requirements. The company and industry specialists have suggested implementation of these technologies could help farmers address labour shortages as well as improve productivity. We see this announcement as another meaningful step forward for Deere and another example of its leadership position in automation and precision agriculture. We continue to believe the company's adoption of artificial intelligence (AI) can accelerate revenue growth while contributing to the stickiness of their platform.
- Purchases and Sales: During the period, we exited several smaller positions where we had lower conviction and redeployed the proceeds to higher conviction areas. Among these actions, we sold a mobile chipset maker as we had some concerns about the pace of uptake of 5G phones in China. We also exited a cloud communications platform, where we have reduced confidence that the investment the company is making today will yield operating leverage soon. We sold an automotive components maker, given our concerns that the gross margin trajectory may deteriorate over time. We sold an e-signature solutions provider on our belief that recent sales execution issues will take time to fix. We also sold our small position in a data analytics platform provider, given our view that the company may face challenges in ramping new contracts amid tech worker labour shortages. Finally, we sold two semiconductor-related holdings, due to lack of catalysts and to make room for other opportunities.
- We purchased a cloud-based platform for networking, performance, and security services. While the company has delivered solid growth across its portfolio of products and has a large addressable market in each of its segments, we believe the company's serverless compute platform is particularly intriguing. In April of last year, the company partnered with a graphics processing unit company to bring AI development and deployment to its platform. While we identified this partnership as a potential positive catalyst at the time, we believed it would take time to benefit the company. We initiated a starter position at this time as shares have corrected and the company has continued to grow and execute at a rapid pace.

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

Market Outlook and Strategy

- We continue to see a strong economic backdrop with record job openings, healthy consumer balance sheets, and lean business inventories. With the market digesting shifts in monetary policy, input and labour constraints, ongoing pandemic, and geopolitical risks, we expect equity market volatility could remain elevated in the near term. We expect supply chain constraints to improve as the year progresses and labour participation to expand as COVID-induced restrictions ease in impacted industries. Alleviation of these labour and supply bottlenecks should mitigate the urgency for central banks to act beyond what is contemplated in current market expectations. This next phase of the business cycle is typically a favourable environment for the equity market given broadening economic activity and potential for upward earnings revisions, while valuation may compress modestly.
- Shares of companies with long-duration growth profiles have borne the brunt of the downside volatility recently as the market applies a higher discount rate to their future earnings power. The valuations on many of these companies are approaching more normalised levels, while revenue and earnings estimates have moderated from higher levels earlier in 2021. We have exited some high-growth holdings where the investment thesis has deteriorated and have raised the bar for new additions preferring those with a clearer path to profitability.
- Meanwhile, recent earnings reports from several enterprise technology companies suggest that corporate customers continue to aggressively transition their infrastructure to the cloud. While some areas of technology face normalisation headwinds as shelter-in-place behaviours revert, we see cloud infrastructure as having relatively durable and good visibility on growth amid other uncertainties in the environment. We strive to maintain balanced exposure among growth, valuation, and quality, but above all, continue to focus on innovation. AI investments remain a top priority for companies across many industries and sectors as they look for ways to enhance their competitive positioning and growth prospects.
- 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.

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 regular and rigorous reviews of macroeconomic factors and asset allocation 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 regular and rigorous reviews of macroeconomic, socio – politic and regulatory factors as well as adopting an appropriate asset allocation strategy.

- **Currency Risk** – For foreign investments, fluctuations in currency exchange rates may have an impact on the value of the Fund's investment assets. This risk may be managed by engaging in foreign currency hedging.

- **Company Specific Risk** – The asset values of securities may be affected by company-specific factors, some of which include volatile business situations, adverse financial conditions and poor corporate governance. This risk may be contained through appropriate portfolio diversification, prudent investment selection and better control on investment concentration risks.

- **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 managed 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. Appropriate portfolio diversification, control on investment concentration limits taking into account liquidity constraints and regular monitoring could help mitigate the said risk.

- **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. This risk may be mitigated by our constant monitoring of the Target Fund, which is requisite to ensuring that the Target Fund's objective, risk profile and characteristics are in line with ours. Please also refer to the Target Fund's prospectus for more detailed and comprehensive information on Target Fund specific risks.

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.

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