March 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

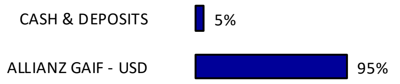
	1 month	3 months	6 months	Since Inception	YTD
Allianz Life Global Artificial Intelligence Fund	10.17%	-7.32%	-8.64%	-10.10%	-7.32%
Benchmark	2.61%	-7.71%	1.48%	4.79%	-7.71%
Allianz Global Artificial Intelligence (USD)	11.30%	-9.42%	-10.97%	-8.03%	-9.42%

Ringgit depreciated 0.69% (YTD) and depreciated 2.49% (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.

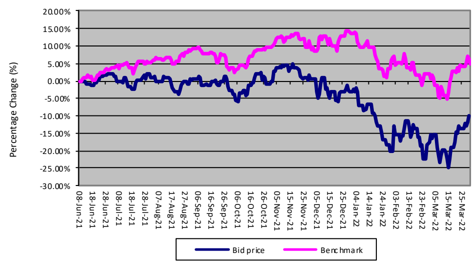
Facts on CIS

Name	Allianz Global Artificial Intelligence- USD ("Allianz GAIF - USD")
ISIN	LU1548497426
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	RM36.744 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 March 2022) - Bid	0.899
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.

Allianz Life Global Artificial Intelligence Fund

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

Market Commentary

- Global equities started March on a weak footing as investors were unnerved by the impact of the ongoing conflict between Russia and Ukraine, including a further surge in oil prices and news that President Vladimir Putin had placed Russia's nuclear forces on a heightened state of alert. However, sentiment improved in the second half of the month when oil prices came off their highs, Russia failed to default on its debt, and the US Federal Reserve (Fed) took steps to tackle rampant inflationary pressures. Tentative signs of progress in negotiations between Russia and Ukraine also added to the positive tone.
- Information Technology and related stocks outperformed the broader market during the period. The segments underperformed in the first half of March amid uncertainties related to monetary policy, surging energy and commodity prices, and Russia's invasion of Ukraine. In the latter part of the period, Technology and related shares bounce back led by mega-caps offering stability and attractive relative valuations. Software performance was mixed with cybersecurity shares outperforming in anticipation of elevated cyber spend amid rising geopolitical risks. Semiconductor stocks saw gains due to commentary suggesting strong demand conditions against tight supply. Shares of companies with above-average growth and valuation characteristics bounced from their recent lows as the volatility index receded from its recent spike higher.
- During the period, the Fund outperformed on a gross of fees in USD basis 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 surged during the period after the company officially opened its flagship European production facility in Berlin. Additionally, the company announced the board had accepted a proposal for a second stock split in two years prompting further share gains. We believe the near-term results could remain solid amid strong demand and ramping supply. We believe the world is now embracing EVs and the move towards 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 Plug Power was also among the top contributors. The company provides alternative energy technology focused on hydrogen fuel cell systems used for the industrial off-road market and the stationary power market. During the period, the Chinese government announced plans to invest in hydrogen fuel facilities. Meanwhile, several states in the US' northeast agreed to partner with Plug Power and other companies to build a regional hydrogen hub. We remain constructive on the long-term earnings power of the business reflecting the company's secular growth opportunity in the hydrogen fuel cell market and scalable technology solutions.
- Detractors: Our position in a cloud-based artificial intelligence (AI) lending platform was one of the top detractors. The company's lending solutions rely on advanced machine learning models to more accurately price and approve consumer credit applications. Shares came under pressure amid concerns that consumer credit conditions could weaken in the near-term and lead to reduced appetite from loan buyers. Some of these concerns were alleviated towards the end of the period as credit market volatility declined, but this remains a key area we are monitoring. We maintain a favourable long-term view and believe the company's AI-enabled lending platform has broad applicability across consumer credit categories and a variety of loan originator types.
- Our position in a software provider that enables secure connections between people and technology was also among the top detractors during the period. Shares came under pressure following the company's disclosure of a security breach that affected a small number of customers. While the financial impacts may be limited, we are concerned the reputational damage may disrupt sales momentum over the near term. While we are constructive over the long term given the company's leading position in identity management, we decided to reduce our position to reduce risk and are evaluating the balance of the holding.
- Purchases and Sales: During the period, we exited our small position in a security software vendor, following a US tech giant's announced intent to acquire the company in an all-cash deal.
- We also sold a money-centre bank, as we have been concerned regarding the potential exposure of the company to Russian sanctions and, more recently, to a well-publicised investor short position in nickel. While we have been impressed with the bank's level of investments in AI, we are concerned that the impact of these investments may be less impactful relative to other developments with the company.
- We also sold our small position in a design software maker as we have become increasingly concerned about the company facing renewed competitive pressures from emerging companies. Additionally, we are concerned that recent price increases could elicit a negative customer response as has been the case in the past.
- Finally, we exited our small position in a real estate brokerage company as it is exposed to the US residential real estate market, which is likely to see some slowing due to the recent rapid rise in mortgage rates. The company participates in the market in two ways, first as a broker and secondarily by purchasing homes and selling them after making improvements. It is in this second activity that we have greater concerns as the company could suffer outsized losses on its inventory of homes if the housing market contracts. Given the early stage of the Fed's rate hiking cycle, we expected our concerns would not lift in the near future and chose to exit the name.

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Market Commentary

- We redeployed the proceeds to a new position in a fast food chain operator. The company has been investing aggressively in AI to improve the customer experience. It has developed an app that allows customers to place orders in advance and establish loyalty programs. This app leverages AI to better personalise the experience for each consumer. Furthermore, the company is continuing to refine and deploy AI systems to speed throughout in its restaurants. We chose to start a position at this time as the recent events in Russia have caused shares to pull back to a level where we believe the reward-to-risk ratio is more compelling. In addition, we believe the overall business trends at the company remain robust.

Market Outlook and Strategy

- While there remains considerable uncertainty in the market, we believe developments during the period helped investors gain more clarity around some of the factors that have contributed to the year-to-date swoon. Among the most consequential developments during the month was the Fed's announcement of a 25 basis points hike and accompanying commentary regarding the future path of interest rates. From the Fed's actions and member commentary, it is clear their focus is on fighting inflation with employment a secondary concern. With today's tight labour conditions, we believe the US economy can withstand and continue to expand amid the tighter monetary policy expectations contemplated by markets at this point.
- Russia's full-scale attack on Ukraine has, unsurprisingly, triggered a sharp market reaction. While this is still a locally contained event, markets remain unnerved by the low visibility around the developments and the insecurity around how it will further unfold. With a longer-term perspective, our view is that a sustainable rise in energy prices (and probably also other commodities) is likely to dampen expectations of future economic growth. Partly this is through the demand side, due to weaker consumption, with rising energy bills leading to a significant impact on purchasing power. And through the supply side, potential disruptions to energy supplies, especially in Europe, could lead to a production slowdown. Ultimately this may also dampen pressure for interest rate rises, which have been among the main catalysts for the market reversal year-to-date.
- Having more clarity on the path of the Fed's monetary normalisation policy, the equity market rallied during the second half of March. This was particularly so in some of the most pressured areas such as Technology and other long-duration growth stocks. Over the near term, we expect markets to remain choppy but are more optimistic that these oversold pockets of the market may be stabilising as valuations come into historical support ranges. Growth fundamentals remain robust as enterprises are committing to multi-year digital transformation programmes. On the other hand, we are monitoring cyclical areas given their sensitivity to tightening financial conditions. We remain constructive on the consumer given the robust employment environment and see them continuing to shift spend towards services and away from goods.
- While we closely monitor the broader macro and geopolitical environment, we remain focused on investing in companies driving innovation and change. On a year-to-date basis, the market focus has been on interest rate policy, inflation, and terrible geopolitical circumstances that have caused equity markets to decline. The focus on these short-term concerns presently is understandable. However, as we look at the ascendency of some of the largest companies in the world over the past 25+ years, we believe the single largest driver of their success has been their ability to innovate, which they have done through technology bubbles, wars, global financial crises, and pandemics. We remain encouraged that the pace of technological innovation continues to advance at an accelerating pace driven by AI. As such, our focus remains on identifying the companies we believe can leverage the ongoing innovation cycle to drive long-term shareholder value for our investors.
- 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.

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Market Outlook and Strategy

- 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 stockpicking will be imperative to capturing the benefits of this opportunity, especially in an environment characterised by disruption and change.

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.

On top of regulatory limits imposed by Bank Negara Malaysia, Allianz Life have put in place tight internal investment limits for all asset classes to ensure that the Fund does not take on excessive risk, while recognizing there cannot be total elimination of risks associated with investing in the Fund. The following is a non-exhaustive list of key risk factors when investing into the Fund.

- **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.

- **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.

- **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.

- **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.

- **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.

- **Target Fund Subscription/Redemption Time Lapse Risk** – Due to the inherent unitisation and Target Fund subscription/redemption processing times, there could be a time lapse between the time monies are received by the Fund and the time the monies are subsequently invested into the Target Fund, vice versa for redemption. The risk of unnecessary subscription/redemption time lapse may be minimised by our best efforts in optimizing the process while adhering strictly to the stipulated asset allocation.