

# Principal Risks

## July 2023

The content of this document is supplementary to the Monthly Fund Factsheets for the following funds:

Allianz Life Master Bond Fund ("MBF")  
Allianz Life Master Equity Fund ("MEF")  
Allianz Life Master Dividend Fund ("MDF")  
Allianz Life Master Dana Ekuiti ("MDE")  
Allianz Life Master ASEAN Plus Fund ("AMAF")  
Allianz Life Managed Fund ("MF")  
Allianz Life Equity Fund ("EF")  
Allianz Life Dynamic Growth Fund ("DGF")  
Allianz Life Equity Income Fund ("EIF")  
Allianz Life Bond Fund ("BF")  
Allianz Life Dana Padu ("DP")  
Allianz Life ASEAN Plus Fund ("AAF")  
Allianz Life Amanah Dana Ikhlas ("ADI")  
Allianz Life Global High Payout Fund ("GHPF")  
Allianz Life Asia Multi-IncomePLUS Fund ("AMIF")  
Allianz Life All China Equity Fund ("ACEF")  
Allianz Life Global Artificial Intelligence Fund ("GAIF")  
Allianz Life Oriental Income Fund ("OIF")  
Allianz Life Total Return Asian Equity Fund ("TRAE")  
Allianz Life Global Income Fund ("GIF")  
Allianz Life Thematica Fund ("TF")  
Allianz Life Elite Income Fund ("LEIF")  
Allianz Life All China Equity Fund (USD) ("ACEF (USD)")  
Allianz Life Global Artificial Intelligence Fund (USD) ("GAIF (USD)")  
Allianz Life Oriental Income Fund (USD) ("OIF (USD)")  
Allianz Life Thematica Fund (USD) ("TF (USD)")  
Allianz Life Elite Income Fund (USD) ("LEIF (USD)")

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 recognising 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 regular and rigorous reviews of macroeconomic factors and asset allocation strategy.

**Interest Rate Risk** – Interest rate risk arises when the value of the debt instrument fluctuates due to interest rate movement. When interest rate rises, the debt instrument prices generally decline and this may lower the market value of the investment. The reverse may apply when interest rate falls. Debt instruments with longer maturities and lower coupon rates are more sensitive to interest rate changes. This risk may be mitigated by regular and rigorous reviews 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 regular and rigorous reviews of macroeconomic, socio – politic and regulatory factors as well as adopting an appropriate asset allocation strategy.

**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. For example, an investment in foreign markets may be impacted by the rules and restrictions of the respective foreign market including investment restrictions, limitations on foreign ownership or holdings, which may have an adverse impact on its performance and/or its liquidity. Investments in foreign markets are also exposed to foreign exchange rate risk and there can be no assurance that the exchange rates will not fluctuate widely. Any restrictions on repatriation of the invested capital and net profits may impact on the Fund's ability to meet redemption requests from the Policy Owner. In extreme circumstances, the Fund may incur significant loss due to limited investment capabilities or may not be able to fully implement or pursue its investment objectives or strategies, due to investment restrictions, illiquidity of the foreign market, and delay or disruption in execution of trades or in settlement of trades. This risk may be mitigated by ensuring regular and rigorous reviews of macroeconomic, socio – politic and regulatory factors as well as adopting an appropriate investment strategy.

**Country and Region Fund Risk** – Country and region Funds have a limited investment universe which results in limited risk diversification compared to broadly invested funds. The smaller the respective country or region is the more limited the investment universe and the more limited the risk diversification might be. This risk may be mitigated by ensuring regular and rigorous reviews of macroeconomic, socio – politic and regulatory factors as well as adopting an appropriate investment 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.

**Theme Fund Risk** – Sector and theme funds have a limited investment universe which results in limited risk diversification compared to broadly invested funds. The more specific the respective sector and/or theme is, the more limited the investment universe and the more limited the risk diversification might be. A limited risk diversification can increase the impact of the development of individual securities acquired for the respective Fund. This risk may be mitigated by ensuring regular and rigorous reviews of themes as well as adopting an appropriate investment 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 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.

**Credit and Default Risk** – This relates to the creditworthiness of the issuers of the debt and money market instruments as well as their abilities to make timely payments of interest and principal. Any adverse situations faced by the issuer may impact the value of the Fund as well as the liquidity of the debt instrument

or money market instrument. This risk is managed through appropriate portfolio diversification, stringent credit selection and control on sector as well as credit 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.

**Derivatives Risk** – The use of certain derivatives which may include leverage could result in the Fund and/or Target Fund having a more volatile or magnified exposure to the underlying assets and an increased exposure to counterparty risk. Other risks include the derivatives may be misvalued or having varying valuations, the derivatives not perfectly hedging the underlying risk intended to be hedged and the derivatives being difficult to sell or unwind, where the Fund and/or Target Fund may not be able to liquidate a position at an appropriate time or price. This risk can be mitigated by using the Commitment Approach, absolute Value-at-Risk approach, or other approaches.

**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.

**Risk of Non-Compliance with Shariah Requirements** – For Shariah-approved funds, there is the risk that the Fund may hold securities which are Shariah non-compliant due to:

- 1) "Shariah-compliant securities" which are subsequently considered "Shariah non-compliant"; or
- 2) Investment in Shariah non-compliant securities.

This risk may be mitigated by pre-trade Shariah Compliant checks conducted whenever the Fund invests into securities, regular monitoring of our portfolio's investments to identify if any investments may be in danger of losing their Shariah compliant status, and regular reviews of the Fund's compliance with the list of securities approved by the Shariah Advisory Council of the Securities Commission.

**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.

**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 times 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 optimising the process while adhering strictly to the stipulated asset allocation.

Exceptional circumstances:

**Temporary Suspension of Dealing in the Fund Risk** – The Fund may be at risk of having a temporary suspension of the calculation of NAV of the Fund and resulting suspension of dealing in the Fund upon occurrence of any of the following:



Target Fund Subscription/ Redemption Time Lapse Risk	-	-	-	-	-	-	-	-	-	-	-
Temporary Suspension of Dealing in the Fund Risk	-	-	-	-	-	-	-	-	-	-	-

	AAF	ADI	GHPF	AMIF	ACEF	GAIF	OIF	TRAE	GIF	TF	LEIF
Market Risk	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Interest Rate Risk	-	✓	-	✓	-	-	✓	-	✓	-	✓
Foreign Investment Risk	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓
Country and Region Fund Risk	-	-	-	-	-	-	-	-	-	-	-
Currency Risk	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓
Theme Fund Risk	-	-	-	-	-	-	-	-	-	-	-
Sector Risk	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Company Specific Risk	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Credit and Default Risk	-	✓	-	✓	-	-	✓	-	✓	-	✓
Liquidity Risk	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Derivatives Risk	-	-	-	-	-	-	-	-	-	-	-
Dividend Policy Risk	-	-	✓	-	-	-	-	-	-	-	-
Risk of Non-Compliance with Syariah Requirements	-	✓	-	-	-	-	-	-	-	-	-
Target Fund Risk	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Target Fund Subscription/ Redemption Time Lapse Risk	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Temporary Suspension of Dealing in the Fund Risk	-	-	-	-	-	-	-	-	-	-	-

	ACEF (USD)	GAIF (USD)	OIF (USD)	TF (USD)	LEIF (USD)
Market Risk	✓	✓	✓	✓	✓
Interest Rate Risk	-	-	✓	-	✓
Foreign Investment Risk	✓	✓	✓	✓	✓
Country and Region Fund Risk	✓	✓	✓	✓	✓
Currency Risk	✓	✓	✓	✓	✓
Theme Fund Risk	-	✓	-	✓	-
Sector Risk	✓	✓	✓	✓	✓
Company Specific Risk	✓	✓	✓	✓	✓
Credit and Default Risk	-	-	✓	-	✓
Liquidity Risk	✓	✓	✓	✓	✓
Derivatives Risk	✓	✓	✓	✓	✓
Dividend Policy Risk	-	-	-	-	-
Risk of Non-Compliance with Syariah Requirements	-	-	-	-	-
Target Fund Risk	✓	✓	✓	✓	✓
Target Fund Subscription/ Redemption Time Lapse Risk	✓	✓	✓	✓	✓
Temporary Suspension of Dealing in the Fund Risk	✓	✓	✓	✓	✓