

Allianz Life Master Dividend Fund



Investment Objective

An open-ended investment fund which aims to provide a steady income stream and medium to long term capital appreciation by investing in equity and equity-related securities skewed towards potential dividend yielding equities.

Investor Profile

The fund is suitable for investors who are seeking moderate capital appreciation, seek stable income stream, have moderate risk tolerance and have medium to long term investment horizon.

Performance Indicator

	Master Dividend Fund	Benchmark: FBM 100*
1 month	0.76%	0.71%
6 months	11.77%	5.50%
1 year	18.85%	6.83%
3 years	13.95%	-2.39%
5 years	58.28%	9.94%
YTD	19.29%	9.76%
Since Inception (Annualised)	12.35%	4.28%

* Source: Bloomberg

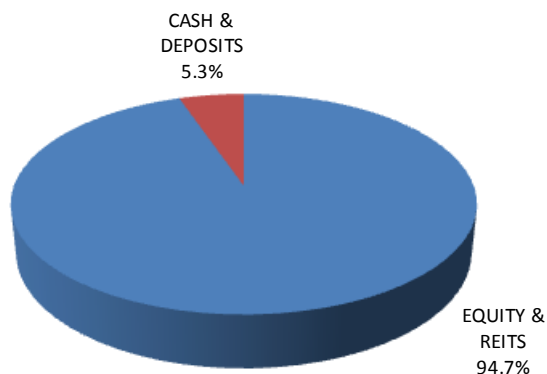
The above performance is calculated in Ringgit Malaysia on a NAV-to-NAV basis. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the investment-linked product. Past performance is not an indication of future performance.

Key Fund Facts

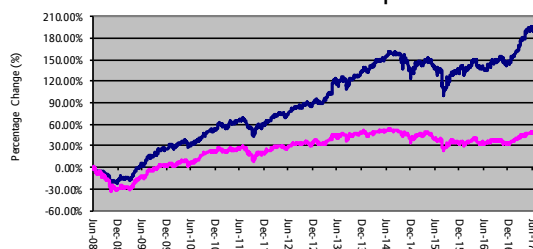
Fund Size	RM72.991 million
Risk Profile	Moderate
Launch Date	13 th June 2008
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit ¹ - Bid (as at 30th August 2017)	2.925
Management Fee	0.00% p.a
Other Charges ²	Include but not limited to government tax, auditor fee, custodian fee, & transaction charge

- 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.

Portfolio Composition by Asset Type



Performance Since Inception



Top Holdings (Equities)

Equity	% NAV
MALAYAN BANKING BERHAD	9.38%
CIMB BERHAD GROUP	6.92%
GENTING BERHAD	6.11%
TENAGA NASIONAL BERHAD	4.86%
MY EG SERVICES BERHAD	4.66%

Disclaimer:

This fact sheet is prepared by Allianz Life Insurance Malaysia Berhad (Allianz) and is for information only. The performance of the Fund is not guaranteed and the value of the units and the income derived there from may increase or decrease. Past returns and any forecast is not necessarily a guide to future performance. Allianz does not warrant or make any representations that the Fund will guarantee profits, or not result in losses or the correctness, accuracy, reliability, or otherwise of this fact sheet. Allianz disclaims any and all liabilities against loss, damages, etc whether direct, indirect or consequential as a result of your reliance on this fact sheet.

While reasonable care has been taken to ensure the accuracy and completeness of this presentation as at the date of publication, Allianz accepts no responsibility for any errors or omissions. Allianz assumes no obligation to update any information contained herein.

Market Review & Outlook



Bond Market Review

The United States Treasury (UST) curve flattened as yields drifted lower with the 2y UST down 2bps to 1.33% and 10y UST down 18bps to 2.12%. The bond market reacted to the softer inflationary pressures and recent Fed-speak which were more on the dovish side. At this juncture, Fed Fund futures trading is pricing in 28.5% probability of a Fed hike at the Dec FOMC (down from 38.0% a month ago). Risk-off sentiments were also driven by geopolitical risks with North Korea's threat coupled with potential risk of US government shutdown if Congress fails to lift debt limit upon end-Sep deadline. Meantime, hawkish expectations from the Jackson Hole conference came to naught as both Yellen and Draghi offered little information on the direction of monetary policy.

Over in Malaysia, 3y Malaysian Government Securities (MGS) yields climbed 5bps to 3.36% m-o-m as the benchmark security switched to a higher duration paper from the new 3y MGS auction, while 10y yields fell 10bps over the same period, in line with flatter curves globally. While foreign investors remained cautious in July, August saw increased foreign interest buying in MGS and players extending duration. Economic data were positive for interest in bonds as foreign reserves climbed above USD100bn, underpinned by a robust 2Q17 GDP print (5.8% y-o-y; consensus: 5.4%) and manageable inflation (3.2% y-o-y; consensus: 3.4%). The foreign share of MGS+GII ended marginally lower at 26.4% (July: 26.5%) due to the RM10bn GII maturity in Aug.

Bond Market Outlook

We view that upside risk to bond yields due to Ringgit vulnerability and higher US bond yields to be limited given that the bond valuation has normalized since Trump election and Bank Negara Malaysia had taken certain measures to stabilize the MYR. Meanwhile, consensus economic growth forecast has been revised upwards to 5% in 2017 (2016: 4.2%) supported by stable domestic demand and better external exports. With the resilient domestic growth, contained inflation outlook as well as steady financial markets is expected to reinforce views for OPR to stay unchanged for the remaining months of 2017. Also, for the upcoming MGS maturities, MYR12.6b in Sep and MYR12.2b in Oct, while some outflows are still possible, we don't expect large maturity-driven outflows as some outflows been "brought forward" during the selloffs between Nov 2016 and Mar 2017. Therefore, while we are cautious of the bond market and the geopolitical risk, we are more inclined to accumulate bonds skewing towards high quality and liquid names.

Equity Market Review

After 9 consecutive months of uptrend, global equity markets consolidated in August, with MSCI World Index easing 0.07% mom. In the US, the Dow Jones Index rose by 0.26% mom on the back of a robust economy which saw its 2Q17 GDP growth edge up to +3.0% while unemployment continued to drop since its YTD peak in Mar 2017. On the other hand, US CPI came in at 1.7%, which was below consensus' expectation and could lower the possibility of a US rate hike in the near term. The European market, as evinced by the Stoxx50 Index, declined by 0.81% mom. This was despite the strong economic data coming out of the Eurozone which enjoyed a 2Q17 GDP growth of +2.3% yoy, its highest since 2011. However, inflation was 1.5%, still below the European Central Bank's (ECB) policy target of 2.0%. The ECB ruled out ceasing its quantitative easing in the near term and was concerned that a strong euro would impose a drag on their exports as well as growths. Over in China, the Shanghai Composite Index bucked global trends and continued its rise by surging +2.68% mom. The positive performance was fuelled by its strong 2Q17 GDP growth of +6.9% yoy with expansions in both its manufacturing as well as non-manufacturing Purchasing Managers' Indexes (PMIs).

During the month under review, commodity prices were fairly stable with Brent oil price easing 0.5% mom to USD52.38/ bbl. Oil price was dampened by the increased August oil production in the US and the temporary shut downs of a number of US oil refineries due to hurricanes. Crude palm oil (CPO) gained +0.3% mom to RM2680/ MT as it tracked the rise in soy oil price that rose after the EU had removed anti-dumping duties on Argentina biodiesel causing rising demand for soy oil. In addition, CPO production was not expected to grow meaningfully during August 2017.

In ASEAN, Thailand's SET Index was the best performer, rising +2.54% mom, as it was driven by energy and petrochemical stocks. Apart from that, the political outlook in Thailand also improved after the ex-PM failed to appear at the Supreme Court's Criminal Division for Holders of Political Positions, thus reducing the likelihood of political challenges. Malaysia's FBMKLCI went up +0.75% mom due to a strong +5.8% yoy 2Q17 GDP growth while July's headline inflation moderated to +3.2% yoy, -0.4 ppt mom. The MYR too strengthened to RM4.2710: USD1 from RM4.2813: USD1 a month ago. Apart from that, Indonesia's Jakarta Composite Index also edged up by 0.40% mom despite it being in its fourth consecutive month of net foreign outflows. On the other hand, Singapore's Straits Times Index reversed its outperformance in the previous month by falling 1.57% mom, dragged by its telecommunications sector which suffered 2Q17 earnings disappointments.

Equity Market Outlook

We are cautiously optimistic on the Malaysian equity market over the longer term as its growth foundation is built on improving earnings growth momentum, increasing foreign direct investments from China, potential government linked companies' (GLC) restructuring, more pump priming activities such as the LRT3, new highway concessions, the Gemas-JB double track as well as the East Coast Rail Line. However, we remain mindful of the potential headwinds that lie ahead in 2H17 which include possible US rate hikes, delays in Trump's pro-growth policies and geopolitical uncertainties such as that in the Korean peninsula. In this market environment, we opt to continue with our strategy of identifying good long term investment opportunities and small-medium capitalisation companies which may have good earnings catalysts.

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.

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.
- **Interest Rate Risk** – Interest rate risk arises when the value of the securities fluctuates due to interest rate movement. As prices of bonds move inversely with the interest rates, prices of bonds will decline when interest rate rise and vice-versa. Debt securities with longer maturity and lower coupon rate are more sensitive to interest rate changes. This risk may be mitigated by rigorous review 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 a rigorous review of macroeconomic factors and asset allocation 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 minimized through portfolio diversification and control on sector concentration risk.
- **Company specific Risk** – The value of the assets in particular of securities and money market instruments may be affected by company-specific factors, such as business situation, financial condition and corporate governance of the company.
- **Credit Risk** – The creditworthiness (solvency and willingness to pay) of the issuer of a fixed income security, counter party to a derivative contract or money market instrument may subsequently fall. This usually leads to a decrease in the price of the asset greater than that caused by general market fluctuations. This risk is minimized through portfolio diversification, stringent credit selection and control on sector concentration risk.
- **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.
- **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.
- **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.
- **Risk of Non-Compliant with Shariah Requirements** – For Shariah-approved funds, there is the risk that the fund may hold securities which are Shariah non-compliant due to "Shariah-compliant securities" which are subsequently considered "Shariah non-compliant" and Investment in Shariah non-compliant securities.

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.

Meanwhile, on the investment management of Master Funds, Master funds* are introduced to operate as a centralised investment vehicle for the Funds. It has its own NAV but it is not offered to the public. The objective of creating Master funds is to consolidate all different investment funds which have the same investment mandates and return objectives. Such consolidation aims to enhance the efficiency in investment management.

*(Allianz Life Master Equity Fund, Allianz Life Master Bond Fund, Allianz Life Master Dividend Fund, Allianz Life Master Dana Equiti and any other Allianz Life Master Funds)