October 2017

Allianz Life Master Dividend Fund

Allianz

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

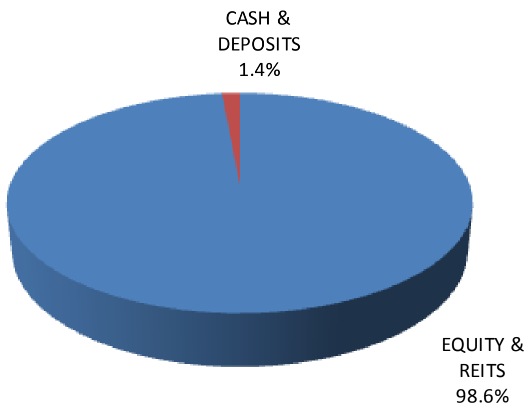
The fund is suitable for investors who are seeking moderate capital appreciation, seek stable income stream, have moderate risk tolerance and have medium to long term investment horizon.

Performance Indicator

	Master Dividend Fund	Benchmark: FBM 100*
1 month	1.64%	0.36%
6 months	2.91%	-0.21%
1 year	17.19%	6.46%
3 years	15.96%	-2.27%
5 years	56.83%	7.74%
YTD	21.21%	9.33%
Since Inception (Annualised)	12.30%	4.16%

* 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.

Portfolio Composition by Asset Type

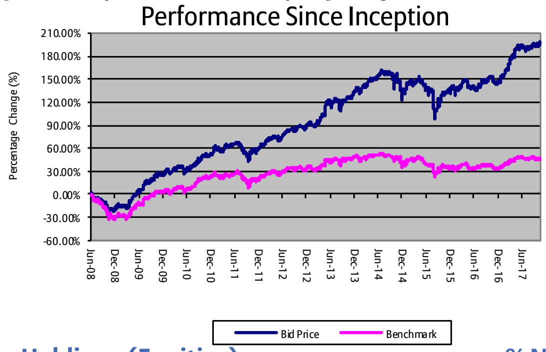


Key Fund Facts

Fund Size	RM74.153 million
Risk Profile	Moderate
Launch Date	13th June 2008
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit[1] - Bid (as at 31st October 2017)	2.972
Management Fee	0.00% 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.

Performance Since Inception



Top Holdings (Equities)

	% NAV
TENAGA NASIONAL BERHAD	9.47%
MALAYAN BANKING BERHAD	9.03%
CIMB BERHAD GROUP	6.05%
GENTING BERHAD	5.61%
V S INDUSTRY BERHAD	4.60%

Allianz Life Insurance Malaysia Berhad (104248-X)
Level 29, Menara Allianz Sentral , 203 , Jalan Tun Sambanthan, Kuala Lumpur Sentral , 50470 Kuala Lumpur.
Allianz Life Call Centre : 603-2264 1188
www. allianz.com.my

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Market Review & Outlook

Bond Market Review

October's highlight was on the optimism over the GOP tax plan which framework was agreed upon by both sections of Congress, and the Fed's succession race. On the latter, the Fed's succession race drove bouts of volatility as news reported President Trump's preference to hawkish Taylor then Powell, and the curve bear flattened as the odds of a December rate hike remained firm with a 90% probability rate. Together with the Fed's balance sheet reduction plan underway and portfolio run-offs, US Treasuries (UST) continued to record losses with the 2y UST up 12bps to a multi-year high of 1.60% since October 2008 while the 10y UST rose 5bps to 2.38%. Meanwhile, the Fed held its policy rate unchanged at the 1 Nov FOMC meeting. Policymakers' stance remains accommodative in order to support strengthening labor market and pickup in inflation towards the Fed's 2% objective.

On the local front, the initial renewed interest for MYR government bonds in September following the first net foreign inflows in four months did not spillover to the month of October. Latest data of foreign holdings in MGS+GII show a small decrease of RM2.2bn in Oct 2017, but commiserate with decline in outstanding MGS+GII of RM4.2bn during the month. In percentage terms against outstanding MGS+GII, holdings by foreigners fell slightly to 27.6% from 27.8% in Sep. The fear emanating out of US continued to affect emerging markets. As a consequence, the 30-year MGS was traded 18bps higher MoM following a disappointing reopening auction. During the month, MGS yields rose between 10-18bps across most tenures save for the 10-year benchmark MGS which closed 2bps lower at 3.90%.

Foreign reserves continue to climb higher (USD101.4bn as of mid-October), bolstering Malaysia's external defenses against volatility. The 2018 pre-election budget revealed the country's commitment towards fiscal consolidation, targeting a fiscal deficit amounting to 2.8% of GDP (2017E: 3.0%), partially driven by higher growth expectations. Meanwhile, the BNM Monetary Policy Committee maintained OPR at 3.00% at its November MPC meeting but shifted to a slightly hawkish tone, raising odds of an interest rate hike in 2018.

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. Overall sentiment remains guarded, but we think that MYR bonds should see some support with stabilizing UST. Meanwhile, the official growth forecast has been revised upwards to 5.2%-5.7% in 2017 (2016: 4.2%) supported by stable domestic demand and better exports. However, we expect one OPR hike in 2018 based on the recent MPC statement which turned hawkish. Therefore, while we are cautious of possible bond market volatility arising from internal and external surprises and geopolitical risk, we are more inclined to accumulate bonds skewing towards high quality and liquid names.

Equity Market Review

Global equity momentum continued to grow as most major markets recorded positive gains in Oct 2017 with the MSCI World Index rising by +1.81% mom. In the US, the Dow Jones Index surged +4.34% mom on the back of an encouraging results reporting season and a healthy macroeconomic backdrop which boasted improving industrial production and consumer sentiment indices. The job market in the US was also robust with unemployment dipping to 4.2% which was the lowest since 2001. Meanwhile, the Trump administration reiterated its pledge to reform taxes. Europe also enjoyed positive gains with the Stoxx50 Index rising by +2.20% mom despite the political uncertainty in Spain due to the Catalonian independence referendum. The European macroeconomic drive had resulted in rising Purchasing Managers' and consumer confidence indices. More importantly, the European Central Bank (ECB) halved their asset purchase program but extended their quantitative easing activities for another 9 months up till Sep 2018 which would continue to promote growth in the region. In China, the Shanghai Composite Index also went up by +1.33% mom as 3Q17 GDP growth was at a commendable +6.8% yoy and market sentiment was buoyed by the 19th National Party Congress.

Oil prices continued its upward trajectory as Brent price soared +6.7% mom to USD61.37/ bbl. There was a confluence of contributing factors such as Russia and Saudi Arabia supporting an extension of the oil production cut till the end of 2018 while global oil inventories were declining and the US Department of Energy Crude Oil Inventory also fell by 2.2% mom during Oct 2017. Crude Palm Oil (CPO) price climbed +2.9% mom to RM2791/ MT due to lower than expected CPO output.

On the ASEAN front, the strong global growth was generally positive for most emerging market equity markets. Singapore's Straits Times Index led its peers with a +4.79% mom surge on the back of a 3Q17 GDP growth of +4.6% yoy which surpassed its previous quarter's growth of +2.9% yoy as well as analysts' expectations. Thailand's Stock Exchange of Thailand Index grew by +2.88% mom as the Fiscal Policy Office raised its 2017 GDP growth forecast to +3.8% yoy from +3.6% yoy due to strong exports. In addition, the Bank of Thailand has expected year – end festivities to further strengthen economic growth prospects for the remainder of the year. Most festivities and events over the past year were toned down or cancelled due to the mourning period for the late Thai monarch, which was officially over in Oct 2017. The Indonesian Jakarta Composite Index managed to overcome the drag of its 6th consecutive month of net foreign equity outflow by going up +1.78% mom with the support of its domestic investors. During the month, the Indonesian president unveiled a budget that aimed to expand the economy by +5.4% yoy in 2018 which was an acceleration over the +5.2% yoy growth targeted for 2017. On the other hand in Malaysia, despite the positive Budget 2018, the outflows of foreign funds to the tune of approx. RM226.3m during the month under review had resulted in a 0.44% mom FBM KLCI decline. However, the weakness was predominantly in the large cap space which had greater foreign participation. Notwithstanding that, the broader market as evinced by the FBM EMAS Index rose by +0.5% mom.

Equity Market Outlook

While the Malaysian equity market experienced some net foreign outflows during October 2017, we remain heartened by the largely people – centric Budget 2018 which features an increased allocation for operating & development expenditure amounting to of RM280.3b, i.e. +7.5% yoy and also measures designed to rein in our deficit to 2.8% of GDP. We continue to be cautiously optimistic on the Malaysian equity market as it is underpinned by sound fundamentals and a strong GDP growth. Nonetheless, we remain watchful of any exogenous risks such as the impending US rate hikes, balance sheet tapering in developed markets and geopolitical risks. Therefore, we will continue to focus on our bottom-up approach in selecting good fundamental investment opportunities for the longer term.

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, counterparty 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)

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