

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.

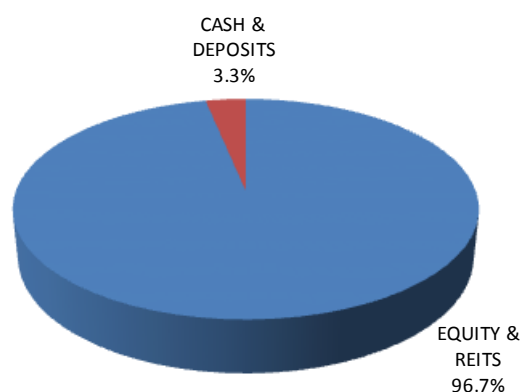
Performance Indicator

	Master Dividend Fund	Benchmark: FBM 100*
1 month	-0.03%	-0.75%
6 months	5.83%	1.52%
1 year	17.81%	7.04%
3 years	13.29%	-2.53%
5 years	58.14%	9.74%
YTD	19.25%	8.94%
Since Inception (Annualised)	12.23%	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

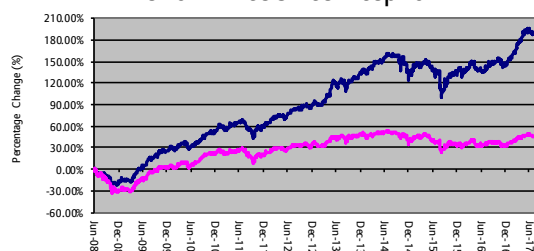


Key Fund Facts

Fund Size	RM72.964 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 29th September 2017)	2.924
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.

Performance Since Inception



Top Holdings (Equities)

Equity	% NAV
MALAYAN BANKING BERHAD	9.46%
CIMB BERHAD GROUP	6.30%
GENTING BERHAD	6.00%
TENAGA NASIONAL BERHAD	5.98%
MY EG SERVICES BERHAD	4.53%

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.

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Market Review & Outlook



Bond Market Review

The United States Treasury (UST) yield curve steepened as the 2y UST rose 16bps to a multi-year high of 1.49% since October 2008 while the 10y UST rose 22bps to 2.33%. The higher yields were largely driven by President Trump's deficit-inflating tax reform plans together with the higher UK and German yields during the month. FOMC meeting on Sept 20th bolstered expectations for another Fed rate increase in December with the Fed Fund futures now pricing in a 70% probability rate hike from 33.8% at end-August. Meanwhile the Fed's plan to start its balance sheet reduction in October remained on track. GDP and CPI data surprised positively as 2Q17 GDP final revision came in higher at an annual rate of 3.1% from 3.0% while the Aug CPI rose 0.4% mom (consensus: 0.3%) which ended a five-month streak of weaker-than-expected readings.

The Malaysian Government Securities (MGS) yield movements were relatively mild compared to the UST as the 3y MGS went up 3bps to 3.39% whereas the 10y MGS went up 3bps to 3.92%. Earlier gains were erased as bond prices weakened late in the month, tracking losses in global bonds reacting to the renewed anticipation of Dec hike by Fed. At the Monetary Policy Committee (MPC) meeting on 7th Sept, Bank Negara Malaysia continues to maintain the OPR at 3.0% as economic growth continued to be healthy while inflation remains contained. Headline inflation increased 3.7% yoy in Aug (consensus: 3.4%) largely due to higher transportation cost from higher fuel price. IPI growth was stronger-than-expected at 6.1% yoy (consensus: 5.1%) as manufacturing and electricity output picks up. After three consecutive months of net sell, foreign funds finally turned net buyers in Sept with an inflows of RM9.3b with foreign holdings of total debt securities lifted back up to the RM200b mark (Aug: RM191b) while foreign holdings in MGS climbed up to 42.8% (Aug: 40.3%).

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 maturity of MYR12.2b in Oct, while some outflows are still possible, we do not 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 easing in August, the MSCI World Index rose by 2.08% mom in September as investors shifted focus back to the global economic upturn, from the less-than-expected impact brought about by Hurricane Irma and the subsiding geopolitical tension between US and North Korea. The main highlight in the US was Trump's proposal of major corporate tax cuts from 35% to 20% to bolster economic growth. The Dow Jones Index gained 2.08% mom despite the anticipation of a further rate hike in December and reversal of stimulus in October. The European market, as evinced by the Stoxx50 Index, climbed 5.07% mom as economic data continued to surprise on the upside. The PMI gauge for European manufacturing sector saw an improvement to 57.4 in September from 56.6 in August. In China, the Shanghai Composite Index retraced marginally by 0.35% mom as China's sovereign credit rating was cut by S&P for the first time since 1999, to A+ from AA-, citing the risks from soaring debt. The PBoC also announced some property tightening measures to curb the rising house prices.

Oil prices soared to their highest for more than two years after major oil producers signalled global supply – demand rebalancing while Turkey threatened to block oil flows from Iraq's Kurdistan region towards its port. Brent oil surged 9.85% mom in September to USD57.54/bbl. On the agricultural front, crude palm oil (CPO) price shot up to as high as RM2,892/MT before it settled lower at RM2,719/MT, +1.46% mom, tracking the weakness in soy oil market (soy oil price fell 6.17% mom) and coupled with weakening demand from top consumers, China as well as India.

In ASEAN, Thailand's SET Index continued to outperform by rising 3.53% mom and hitting a record high of 1,673, after the Bank of Thailand's Monetary Policy Committee (MPC) raised its economic growth forecast for 2017 to 3.8% from 3.5% following the good tractions seen in exports and tourism. Indonesia's Jakarta Composite Index also edged up by 0.63% mom despite continued net foreign outflows for five consecutive months with the exodus intensifying to \$844m in September. On the other hand, Singapore's Straits Times Index fell by 1.75% mom with all sectors across registering losses, amid concern on slow productivity growth. Locally, Malaysia's FBKLCI closed 0.99% mom lower on the back of less encouraging corporate earnings in the second quarter, led by plantation, healthcare, oil and gas and auto sector. Nonetheless, Malaysia Nikkei PMI grew to 50.4, driven by higher exports.

Equity Market Outlook

Foreign investors continued its net selling of Malaysian equities (approx. RM0.7b) in September which led to a lower year-to-date (YTD) cumulative net buy of RM9.6bn. However, this was in-line with the other ASEAN markets with the exceptions of Philippines and Thailand. We remain cautiously optimistic on the Malaysian equity market over longer term backed by the country's strong GDP growth, better corporate earnings and more contract newsflow ahead which would continue to provide vibrancy to the market. We also expect the upcoming Budget 2018 (due to be tabled on 27 Oct 2017) to provide further spending on infrastructure as well as additional relief for the low income group. Nonetheless, we remain mindful of the external headwinds such as potential cuts and restructuring of tax in US, US rate hikes and geopolitical risk at the Korean peninsula, which in turn may trigger further repatriation of foreign funds. Hence we continue to focus on our bottom-up approach in selecting good fundamental investment opportunities.

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)