June 2018

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

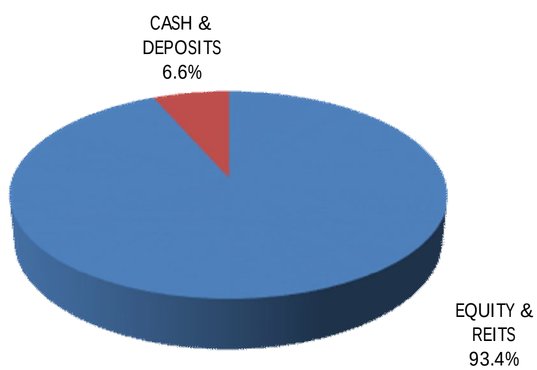
The fund is suitable for investors who are seeking moderate capital appreciation, seek stable income stream, have moderate risk tolerance and have medium to long term investment horizon.

Performance Indicator

	Master Dividend Fund	Benchmark: FBM 100*
1 month	-0.98%	-1.58%
6 months	-13.66%	-6.79%
1 year	-10.07%	-3.90%
3 years	11.36%	2.61%
5 years	19.12%	-2.31%
YTD	-13.66%	-6.79%
Since Inception (Annualised)	10.04%	3.47%

* 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

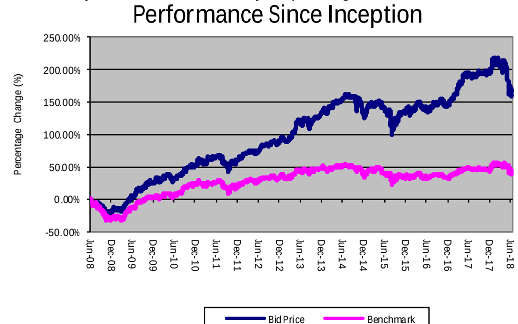


Key Fund Facts

Fund Size	RM63.206 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 30th June 2018)	2.617
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
MALAYAN BANKING BERHAD	10.85%
TENAGA NASIONAL BERHAD	10.40%
CIMB BERHAD GROUP	6.24%
GENTING BERHAD	6.07%
DIALOG GROUP BERHAD	4.57%

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Market Review & Outlook

Bond Market Review

For the month under review, US Treasury (UST) yields ended mixed. The curve bear flattened as short terms UST yields rose when the Fed raised rates for the second time this year by 25bps to 1.75%-2%. The 10y UST however, retraced from a high of 3.11% in May to end the month at 2.86% as flows shifted into safe haven USD assets due to escalating trade tensions between US and China.

The Malaysian Government Securities (MGS) yield curve bull steepened as the 3y MGS rallied 17bps to close the month at 3.62%. The belly of the curve to 15y MGS yields were up 2-4bps mom while the 20y and 30y MGS yields declined 4-5bps mom amidst thin liquidity. Foreign funds remained net sellers in June with an outflow of RM6.7b of Ringgit bonds although it was lower than the RM12.9b outflow in May. YTD outflows now stands at RM20.9b. Total foreign holdings declined to RM185.8b in June from RM192.5b in May, bringing foreign share of MGS to 40.1% (May: 41.9%) and GII to 4.8% (May: 5.1%).

The Ringgit weakened 1.5% mom to RM4.0385: USD1.00 as the USD strengthened following the hawkish Fed policy statement during the month. Foreign reserves remained healthy at USD108.5b in June 14 from USD109.4b in May 31. CPI meanwhile increased 0.4ppts mom to 1.8% for May 2018 largely due to the increase in transportation cost.

Bond Market Outlook

We expect market tone to remain cautious for the coming months post GE14, whilst the much-watched UST 10y movements will remain a key market influence with the pending US rate hike(s). Investors are expected to look out for further leads as interest in government securities is gradually seen to pick-up amid a stable USDMYR backdrop, buoyed by anticipation of no rush in further rate hike by BNM. We would remain cautious of possible bond market volatility arising from both local and global developments. We are more inclined to accumulate bonds skewing towards high quality and liquid names as yields trended higher.

Equity Market Review

After consecutively rising for the past two months, global equity market's trajectory reversed its trend, declining 0.17% mom in the MSCI World Index. In the US, the Dow Jones Index fell by 0.59% mom after the Federal Reserve raised interest rate by 25 bps in June 2018 and also signalled the likely scenario for another two further hikes in 2018. In Europe, the Stoxx50 index dipped 0.32% mom as the European Central Bank (ECB) announced that it would be phasing out the 3 year Eurozone quantitative easing programme by end 2018. The ECB President also stated that there would be no increase in the ECB's key lending rate until the summer of 2019. Over in Asia, China's Shanghai Composite Index collapsed by 8.01% mom despite the Chinese central bank easing the required reserves of commercial banks to boost lending and to restructure debt. This was a result of the escalating trade tensions between US and China.

In June 2018, Brent crude oil continued its upward momentum rising +2.4% mom to USD79.44/ bbl. The OPEC meeting late during the month resulted in a production increase of 1m bbl/ day but this would only bring the group's production back to the original agreed production rate. OPEC has been producing oil at below the targeted rate due to disruptions in Venezuela and Angola. On the other hand, crude palm oil (CPO) fell by 5.3% mom to RM2298/ MT due to aforementioned trade friction. In addition, CPO which tracked US soybean oil price also fell when China announced that it would be imposing a tariff on US soybean imports.

On the ASEAN front, the impact of higher US interest rates and trade war concerns had resulted in an outflow of monies from equity markets. The Stock Exchange of Thailand dropped 7.61% mom as foreign selling intensified to the tune of approx. USD1.5b during the month due to fears of the THB weakening. The THB had continued its depreciating trend and was THB33.037: USD1.00 as at end June 2018 versus THB32.066: USD1.00 as at end May 2018. Indonesia's Jakarta Composite Index also fell by 3.08% mom as the central bank of Indonesia raised its benchmark interest rate by 50 bps to 5.25% in an attempt to help stabilise the weakening IDR and also added that further tightening would be employed if necessary. In fact, the IDR weakened to IDR14,330: USD1.00 from IDR13,896: USD1.00 a month ago. The last time the IDR depreciated to above the IDR14,000 mark was in 2H15. Singapore too was not spared from the effects of the global trade war uncertainties as the Straits Times Index eased by 4.65% mom. Lastly, Malaysia's KLCI declined by 2.82% mom on the back of an exodus of foreign investors. The foreign net equity outflow was approx. RM4.9b during the month, which was comparable to that of May 2018. It is likely that the market was reacting to the uncertainties surrounding key mega – projects, as well as the change of several key heads of government linked corporations under the new government. The Ringgit depreciated to RM4.0385: USD1.00 from RM3.9798: USD1.00 a month ago.

Equity Market Outlook

Notwithstanding the ongoing rising Fed rates and normalizations of global central banks' monetary policies, the Malaysian equity market may still experience some near term volatility as the government embarks on new economic reforms and reviews of several mega – projects. At this juncture, we are constantly assessing our country's growth momentum based on the new directives of the Pakatan Harapan government as they unfold. However, we are heartened by Malaysia's robust economic fundamentals which are supported by healthy commodity prices and a nascent recovery in consumer spending. Therefore, we would continue our cautiously optimistic stance and maintain our bottom – up strategy of selecting fundamentally good investments 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)