

Allianz Life Master Equity Fund



Investment Objective

An open-ended investment fund which aims to provide medium to long term capital appreciation by investing in equities and equity-related securities.

Investor Profile

The fund is suitable for investors who seek moderate to high capital appreciation, have moderate to high risk tolerance and have medium to long term investment horizon.

Performance Indicator

	Master Equity Fund	Benchmark: FBM 100*
1 month	0.33%	0.02%
6 months	3.56%	5.06%
1 year	7.83%	4.84%
3 years	29.27%	5.17%
5 years	54.57%	10.25%
YTD	1.53%	1.89%
Since Inception (Annualised)	12.90%	4.47%

* Source: Bloomberg

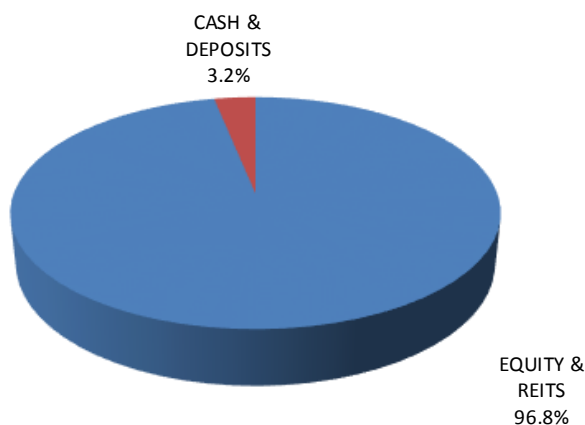
The above performance is calculated in Ringgit Malaysia on a NAV-to-NAV basis. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the investment-linked product. Past performance is not an indication of future performance.

Key Fund Facts

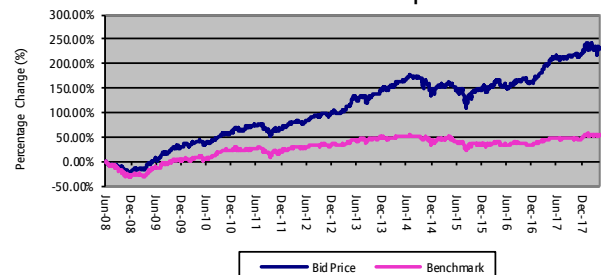
Fund Size	RM588.724 million
Risk Profile	Moderate to high
Launch Date	13 th June 2008
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit ¹ - Bid (as at 30th April 2018)	3.317
Management Fee	0.00% p.a
Other Charges ²	Include 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)

Top Holdings (Equities)	% NAV
MALAYAN BANKING BERHAD	10.46%
TENAGA NASIONAL BERHAD	10.33%
CIMB BERHAD GROUP	6.83%
PUBLIC BANK BHD	4.89%
GENTING BERHAD	4.32%

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

For the month under review, US Treasury (UST) yields were up 12-24bps across the curve as benchmark yields reached multiyear highs. 2y UST touched 2.50% (highest since Sept'08), 5y US - 2.85% (highest since Aug'09) and 10y - 3.03% (highest since Sept'14). The UST 10y exceeded 3% for the first time since Jan'14 on 24th April but has since retraced to end the month at 2.95%. The Fed left interest rates unchanged on 3rd May and the policy statement was unsurprising with the Fed acknowledging that inflation is moving towards its 2% target while sticking to its usual policy stance, signaling 'further gradual increases'. The US manufacturing and non-manufacturing sector expanded at a slower pace but remained robust. Mortgage applications dipped due to higher interest rates.

The Malaysian Government Securities (MGS) yields were up 10-24bps as well across the curve, in tandem with the weaker UST and Ringgit. March inflation was lower than expected at 1.3% yoy (consensus: 1.6%) which is the lowest since July'16 when it was at 1.1% yoy as the lower transport cost helped to offset higher food prices and non-alcoholic beverages.

Foreign funds turned net seller in April with an outflow of RM4.7b in domestic debt securities versus an inflow of RM2.9b in March. Total foreign ownership declined by RM4.7b mom to RM205.4b while foreign share of MGS reduced by 3.1ppts mom to 44.3%. Although the Ringgit weakened by 1.5% mom to 3.9235, Malaysia's external reserves increased by USD1.7b mom to USD109.5b in April mainly due to positive trade flows from the mandatory conversion of 75% of export proceeds.

Bond Market Outlook

Despite looming risks of Fed normalization and ongoing balance sheet reduction, the MYR sovereign curve remains supported by onshore real money investors where liquidity remains high. On the local front, we expect the market tone to turn cautious ahead of May's GE14. Buying opportunities may emerge with investors looking for bargain levels from a relative higher yield perspective, buoyed by anticipation of no rush in further rate hike by BNM. Other key factor would be the Fed's interest rate normalization process which may accelerate outflows from Emerging Markets. Nevertheless, we would remain cautious of possible bond market volatility arising from both locally and globally. We are more inclined to accumulate bonds skewing towards high quality and liquid names.

Equity Market Review

After easing last month, the global equity markets staged a rebound in April 2018 as reflected by the MSCI World Index's rise of +1.02% mom. The Dow Jones Index also recorded a rise of +0.25% mom. The US continued to exhibit signs of economic robustness with the annualised 1Q18 GDP growth of +2.9% yoy and the April ISM Manufacturing PMI remaining expansionary at 57.3. However, market optimism was slightly tempered by concerns that the rapid growth would lead to faster – than – expected inflationary pressures that could induce the Fed to take a more aggressive rate hike stance. In Europe, the Stoxx 50 Index surged +5.21% mom as the ECB elected to keep interest rates unchanged and also reiterated its willingness to extend its non – standard monetary policy measures beyond the Sep 2018 deadline if necessary. On the other hand, despite China reporting a commendable annualised 1Q18 GDP growth of +6.8% yoy, the Shanghai Composite Index fell by 2.73% mom. This could have been attributed to March exports contracting by 9.8% yoy and also the concerns of a potential trade war risk escalation between US and China, which first surfaced in late March 2018.

In April, Brent crude oil continued its uptrend and rose by +7.0% mom to USD75.17/ bbl as markets weighed the possibility of renewed US sanctions on Iranian oil production, which could be decided in mid May 2018. Conversely, crude palm oil (CPO) price dropped 2.4% mom to RM2324/ MT due to expectations of higher inventory during the peak 3Q output period.

The ASEAN markets generally rose in tandem with the broader global market. Singapore's Straits Times Index was the leader with a +5.42% mom jump to its 10 year high. Its annualised Flash 1Q18 GDP growth was +4.3% yoy and its March 2018 industrial production grew by +5.9% yoy. Malaysia's FBMKLCI continued its previous month's uptrend by rising +0.37% mom. Net foreign equity inflow during the month under review was approx. RM1.5b. This was also the month that the Malaysian Parliament was dissolved to pave way for the General Elections in May 2018. However, the RM weakened to RM3.9235: USD1.00 from RM3.8635: USD1.00 from a month ago and the Feb exports recorded a contraction of 2.0% yoy, the first since Oct 2016. The Stock Exchange of Thailand climbed +0.22% mom amid continued foreign investment outflow to the tune of USD680m (YTD USD2.5b). The market's uptrend was also weighed down by the banking sector which experienced increased competition due to the loss of non – interest income earnings growth with the removal of online transaction fees and asset yield pressures. Lastly, Indonesia's Jakarta Stock Exchange fell by 3.14% mom as foreign selling continued unabated with an April outflow of USD709m (YTD USD2.4b) as the currency continued to slide to IDR13,913: USD1.00 from IDR13,728: USD1.00 in March 2018.

Equity Market Outlook

The recently concluded GE14 has witnessed the installation of a new Pakatan Harapan government. This could mean that the market may experience some short term volatility as the new government implements their economic as well as political reforms which should benefit the country over the longer term. As such, we could be embarking on some portfolio rebalancing as we reassess the country's economic trajectory based on the Pakatan Harapan's manifesto and their upcoming plans. Nonetheless, we do note that the Malaysian economic backdrop remains robust amid recovering commodity prices and several strong pump priming activities already in place. We would adopt cautious optimism in the light of rising Fed rates and global central banks' monetary policy normalizations. In summation, we would 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)