

# 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                      | 1.89%                | 1.88%               |
| 6 months                     | -1.63%               | -4.45%              |
| 1 year                       | 5.44%                | -2.88%              |
| 3 years                      | 3.47%                | -0.67%              |
| 5 years                      | 8.14%                | -5.91%              |
| 10 years                     | 98.51%               | 28.67%              |
| YTD                          | 5.44%                | -2.88%              |
| Since Inception (Annualised) | 8.39%                | 2.51%               |

\* Source: Bloomberg

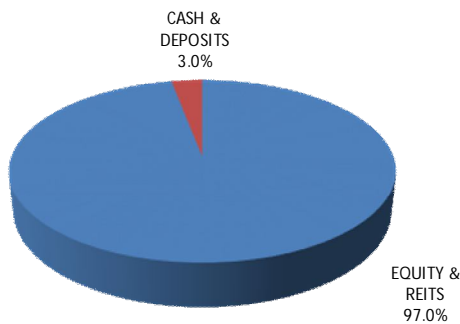
The above performance is calculated in Ringgit Malaysia on a NAV-to-NAV basis. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the investment-linked product. Past performance is not an indication of future performance.

## Key Fund Facts

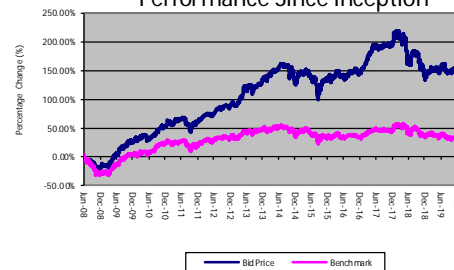
|  |   |
|--|---|
| Fund Size  | RM78.074 million  |
| Risk Profile   | Moderate  |
| Launch Date  | 13 <sup>th</sup> June 2008  |
| Fund Currency  | Ringgit Malaysia  |
| Investment Manager   | Allianz Life Insurance Malaysia Berhad  |
| Pricing Frequency  | Daily   |
| Price per Unit <sup>1</sup> - Bid (as at 31st December 2019) | 2.537   |
| Management Fee   | 0.00% p.a   |
| Other Charges <sup>2</sup>                                   | 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  | 9.67% |
| TENAGA NASIONAL BERHAD  | 8.43% |
| CIMB BERHAD GROUP       | 6.13% |
| DIALOG GROUP BERHAD     | 5.19% |
| GENTING BERHAD          | 4.00% |

## 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.

**Bond Market Review**

UST posted a loss in December with the Bloomberg Barclays UST index declining by 0.56% mom as strong US economic data, record high US equities performance and good progress in US-China trade talk offset expectations that Fed may keep rate unchanged in 2020. UST closed the year with a 6.86% yoy gain which was the strongest yearly return since 2011. As expected, Fed left the interest rate unchanged in December's FOMC while indicating that rates may stay on hold next year amid the persistently low inflation. The decision to keep rates unchanged was unanimous compared to several dissents in earlier meetings. The halt concludes the year in which the Fed cut rates by three times to bring fed fund rate to a target range of 1.50%-1.75%. US 3Q19 GDP grew a moderate 2.1% yoy (survey: 2.1% yoy, 2Q19: 2.0% yoy), supported by strong consumer spending. US Nov'19 CPI meanwhile rose 0.3% yoy (survey: 0.2% yoy, Oct'19: 0.4% yoy).

The MGS yield curve ended 3-12bps lower mom with the 10y MGS closing the year at 3.296%. EM Asia countries like Malaysia saw inflows given the rise in the negative-yielding debts globally and easing global growth. Reopening auctions dominated the announced auction calendar for 2020 as most benchmarks will be reopened from existing bonds. There will only be 4 new benchmarks compared to 12 in 2019. This major shift will help improve bond liquidity ahead of the FTSE Russell's decision in March 2020 as it will increase the liquidity of off-the-run bonds and the average tranche size for the bonds. Malaysia's Nov'19 CPI fell to a six-month low of 0.9% yoy (survey and Oct'19: 1.1% yoy) largely due to weaker F&B and transport prices. Malaysia Oct'19 IPI meanwhile grew only 0.3% yoy (survey: 1.6% yoy, Sep'19: 1.7% yoy), the slowest since Feb'13 as mining activities contracted 5.8% yoy due to weakness in global trade.

Malaysia local debt securities recorded another month of strong inflow amounting to +RM8.1b in Dec (Nov: +RM8.0b) bringing total inflows for 2019 to +RM19.9b (2018: -RM21.9b). Foreign share of MGS+GII stood at 25.2% (Nov: 24.2%) and 41.6% (Nov: 40.5%) for MGS. Malaysia's external reserves increased by +USD0.3b mom to USD103.6b as of end-Dec.

**Bond Market Outlook & Strategy**

Markets remain exposed to slowing global growth, synchronized global central banks easing, and continued uncertainties surrounding the US-China trade deal. Meanwhile, FTSE Russell prolonged uncertainty by retaining Malaysia on its watch list for potential downgrade could pose some upward pressure on yields if the decision is unfavorable. We would continue to remain cautious of possible bond market volatility arising from ongoing uncertainties in both local and global developments. We maintain our strategy to accumulate bonds skewing towards good quality names, while we extend some duration in liquid papers at fair valuations.

**Equity Market Review**

During the month under review, the MSCI World Index continued its uptrend with a 2.89% mom rise as both US and China suspended planned tariffs initially scheduled for mid - Dec 2019. This development was important for the implementation of the eagerly awaited 'Phase One' deal between the two economic superpowers which could herald the start of the trade war de-escalation. In US, the Dow Jones Index rose by 1.74% mom as economic activities gained traction as evinced by the Nov 19 Markit US Manufacturing Purchasing Managers' Index (PMI) which recorded an expansion at 52.6. In addition, the Federal Open Market Committee (FOMC) elected to hold its rate at 1.75% and went on to suggest that it could remain where it was for a period of time as the committee judged that the current monetary stance was appropriate to support its economic activities, labour market and inflation objectives. Similarly, China's Shanghai Composite Index surged 6.20% mom as the removal of the 15 Dec US tariff hike helped to provide investors with a modicum of respite. From an economic standpoint, China enjoyed both expansionary Dec 2019 Manufacturing and Non - Manufacturing PMIs of 50.2 and 53.5 respectively.

Brent oil price went up by 5.7% mom in Dec to USD66.00/ bbl on the back of the OPEC and its allies' decision to extend their collective oil production cut by another 0.5m bbl/ day, bringing the total production cut to 1.7m bbl/ day, up till Mar 2020. Crude palm oil price also climbed by 16.1% mom due to a sharp drop in production as a result of dry weather and the impact of haze in Sep as well as strong demand from China.

Over at the ASEAN front, equity markets close the month under review with mixed performances. Malaysia's FBMKLCI ascended by 1.73% mom despite a net foreign equity outflow of RM1.2b, -21.4% mom. This also brought Malaysia's 2019 net foreign equity outflow to RM11.1b, -4.6% yoy and its second straight year of consecutive net outflow. From an economic standpoint, Malaysia was recovering as reflected by its improving Nov 2019 Manufacturing PMI which was still contracting at 49.5 but at its 14 - month high. Nonetheless, with renewed hopes of a global trade recovery due to the potential de - escalation of the US - China trade war, it was encouraging that the RM had begun to strengthen to RM4.0910: USD1.00 from RM4.1778: USD1.00 a month ago. Indonesia's Jakarta Composite Index also surged 4.79% mom as Bank Indonesia held its 7 - day reverse repurchase rate at 5.00% and its Governor pledged to lift the economy, support consumption as well as exports. Singapore's Straits Times Index edged up by 0.91% mom despite Nov Electronic Exports and Non - Oil Domestic Exports declining by 23.3% yoy and 5.9% yoy respectively. On the other hand, the Stock Exchange of Thailand dropped by 0.68% mom as it had experienced deterioration in its manufacturing space as demonstrated by its Nov Market PMI Manufacturing which fell to 49.3, its first contraction since Feb 2019.

**Equity Market Outlook**

We continue to exhibit cautious optimism that the "Phase One Trade Deal" between US - China would kick off the process of trade war de-escalation and usher in global trade recovery. Having said that, we acquiesce that its process is fluid and would remain watchful for any signs of deterioration. Locally, we opine that the Budget 2020 will bring much needed support to the consumer, property and infrastructure segments to help bolster our economic growth. Therefore, we remain fairly sanguine about the market's long term trajectory and will continue to channel monies into fundamentally good investments. Apart from that, we will also realign our investment direction as necessary to be in sync with the changing market environment.

# 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)