

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.

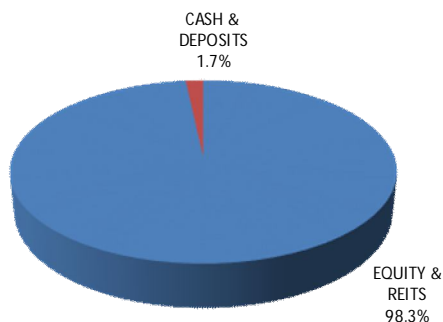
Performance Indicator

	Master Dividend Fund	Benchmark: FBM 100*
1 month	2.71%	1.58%
6 months	7.19%	1.64%
1 year	-1.45%	-1.07%
3 years	8.27%	3.50%
5 years	0.39%	-8.26%
10 years	145.15%	59.40%
YTD	7.19%	1.64%
Since Inception (Annualised)	8.95%	3.05%

* 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

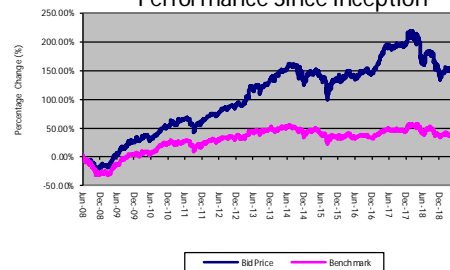


Key Fund Facts

Fund Size	RM69.375 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 30th June 2019)	2.579
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	10.54%
TENAGA NASIONAL BERHAD	10.33%
CIMB BERHAD GROUP	6.69%
DIALOG GROUP BERHAD	5.31%
GENTING BERHAD	5.04%

Disclaimer:

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Bond Market Review

Safe-haven bids continued to drive US Treasuries (UST) yield lower despite the Fed staying pat on interest rates in June's FOMC meeting, as the dovish language in itself was an indication of potential cuts in the coming months. Meanwhile, markets struggled to find directions as investors tried to comprehend conflicting trade headlines coming from President Trump himself and remained cautious ahead of 29 June high stake Trump-Xi meeting at the G20 Summit in Japan. The curve shifted lower as overall benchmark yields bull steepened. The 2y UST benchmark closed 16bps lower at a 2-year low of 1.76% levels whereas the 10y UST traded 11bps lower to close the month at 2.01%. Despite solid retail sales report and a rebound in industrial output, sentiment was fragile. Both NY Fed and Philly Fed manufacturing indexes recorded sharp declines. Meanwhile futures implied probability priced in 100% odds of the Fed cutting in July, comprising 76% odds for a 25bps cut and 24% for a 50bps cut.

Malaysia Government Securities continued to rally during the month under review in a bull-flattening manner with overall benchmark yields closing between 11-23bps lower. The bulk of the flows were centered in the longer end of the curve (above 10 years) with the 30y MGS declining 23bps to 4.31%, as real money investors and pension funds extended duration in pursuit of yield due to the shortage of corporate bond supply in the market. This was evident from the 20Y GII 9/39 auction which saw solid demand averaging 4.074% on a bid-to-cover ratio of 4.27x. Meanwhile, market players are weighing the possibility of BNM sanctioning an additional OPR rate cut on account of potential downside risks from ongoing uncertainties in the global and domestic environment. Foreign inflows returned in June totaling +MYR6.6b as the US Fed's dovish pivot drove yields down globally and a return of risk appetite for EM debts. Foreign share of MGS and MGS+GII rose to 36.9% (May: 35.8%) and 22.3% (May: 21.8%) respectively. Ringgit strengthened to RM4.132:USD1.00 as at end-June.

Bond Market Outlook

With increasing risk of global economic slow down and major central banks showing their willingness to maintain or even expand accommodative monetary policies, any significant downside movement to bond prices is likely to be capped. 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

In June 2019, global markets rebounded strongly with the MSCI World Index surging by +6.46% mom. The rally was spearheaded by the posturing of global central banks indicating further stimulus could be warranted. As such, the Dow Jones Index rose by +7.19% mom as sentiment had improved on the back of expectations that the Federal Reserve's willingness to reduce its benchmark borrowing rate increased. In addition, despite having no conclusive outcome, the meeting between President Trump and Xi at the G20 gathering resulted in the reopening of stalled trade talks and a pause in tariff escalation between the two economic powerhouses. US' economy still appeared resilient as shown by its May ISM Manufacturing Index which still recorded an expansion at 52.1. In Europe, the Stoxx 50 Index also rose by +5.89% mom as it was spurred by the European Central Bank's statement that monetary policy could be loosened and asset purchases stepped up should its goal of a sustained return of inflation fail to reach its target. Over in China, the Shanghai Stock Exchange Composite Index jumped +2.77% as the People's Bank of China's Governor Yi Gang was quoted as saying that he was willing to ease policy to protect the economy from the fall out the US – China trade dispute and that China had room to adjust its fiscal and monetary policy if tensions were to worsen. Furthermore, Chinese exports grew by +1.1% yoy in May 2019 after contracting in the previous month. Apart from that, it too benefitted from the abovementioned pause in the US – China trade war.

During the month under review, Brent oil recovered by +3.2% mom to USD66.55/ bbl due to heightened geopolitical tensions after oil tankers were attacked near the Strait of Hormuz. On the other hand, crude palm oil price fell by 8.1% mom to RM1865/ MT, driven by a strengthening MYR against USD, declining export shipments and expectations of increased supply from July 2019 onwards. Over the month, expectations of more Fed rate cuts resulted in the MYR strengthening against the USD to RM4.1320: USD1.00 from RM4.1900: USD1.00.

Like their global counterparts, the ASEAN equity markets also enjoyed similar upward trajectories during the month, fueled by expectations of the aforementioned potential rate cuts and de-escalation of the US – China trade war. The Stock Exchange of Thailand (SET) climbed +6.80% mom as it gained from an easing of political risk. The Thai Prime Minister Prayut Chan – O – Cha confirmed that the new government would be set up and ready by mid – July 2019 while the Bank of Thailand kept its benchmark policy rate at 1.75% for concern that the economy would expand at a slower pace than previously assessed. Singapore's Straits Times Index also performed well, jumping +6.54% mom, despite some signs of economic slowdown. Its May Industrial Production fell 2.4% yoy and 0.7% mom and its May electronic exports declined by 31% yoy. The Jakarta Composite Index rose by +2.41% mom as the Bank of Indonesia elected to keep its policy rate at 6% but lower its required reserve by 50 bps starting in July 2019 which would release IDR25tr (0.15% of GDP) of liquidity into the system. On the political front, the Indonesian courts upheld the re – election of President Jokowi by rejecting a petition by his challenger Prabowo Subianto. Last but not least, Malaysia's FBMKLCI edged up +1.29% mom as it enjoyed its first net foreign equity monthly inflow since Jan 2019 to the tune of RM136.9m. Malaysia's economic data releases during the month indicated that exports grew by +1.1% yoy in Apr 2019 while the Industrial Production Index grew +4.0% yoy in Apr 2019 led by an improvement in the mining sector.

Equity Market Outlook

We are heartened by the potential resumption in trade talks between US and China as well as the posturing of global central banks that they are all poised to act in a seemingly concerted manner to forestall any further deterioration in the economy should the trade war re – escalate. However, we are equally cognizant of the fact that delays in properly resolving the US – China trade tension could eventually cause further harm to the real economy. Locally, we are witnessing the steady albeit unhurried resumption and rollout of a number of economic stimulus measures with significant multiplier effects such as the LRT3, MRT2, Bandar Malaysia, Pan Borneo Sabah highway and East Coast Rail Link. As such, we remain cautiously optimistic on the market and will continue to identify as well as invest in fundamentally good long term investments. Thus, we continue to be vigilant and will realign our investment direction so as to be in step with any changes in 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)