

# 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	-1.68%	-0.16%
6 months	1.58%	-0.26%
1 year	-4.99%	-4.15%
3 years	5.33%	3.30%
5 years	0.24%	-9.09%
10 years	148.61%	61.59%
YTD	4.36%	0.06%
Since Inception (Annualised)	8.76%	2.93%

\* Source: Bloomberg

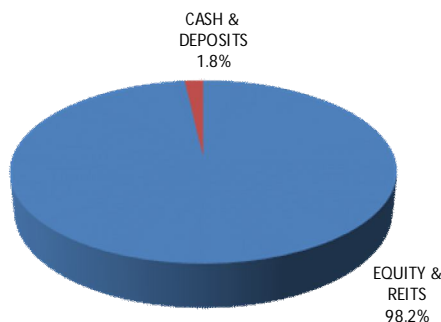
The above performance is calculated in Ringgit Malaysia on a NAV-to-NAV basis. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the investment-linked product. Past performance is not an indication of future performance.

## Key Fund Facts

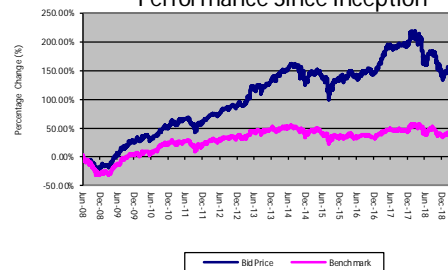
Fund Size	RM63.891 million
Risk Profile	Moderate
Launch Date	13 <sup>th</sup> June 2008
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit <sup>1</sup> - Bid (as at 31st May 2019)	2.511
Management Fee	0.00% p.a
Other Charges <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)

Company Name	% NAV
MALAYAN BANKING BERHAD	10.90%
TENAGA NASIONAL BERHAD	8.94%
CIMB BERHAD GROUP	7.11%
DIALOG GROUP BERHAD	5.87%
GENTING BERHAD	5.16%

## 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**

US Treasury (UST) gained in May as yields rallied 35-38bps across the curve with the 10y UST closing the month at 2.12% as the economic data released continued to signal a slowdown. An inversion in the yield curve was seen in May as the 2 year UST ended the month at 1.92%, -0.35 ppt mom whereas the 5 year UST was 1.91%, -0.37 ppt mom. In addition, FOMC remarks turned dovish as Powell signaled in early-June that the Fed was open for a rate cut should the US trade war escalations and slowing global growth impose a drag on US' economy. Therefore, the market had priced in two rate cuts in 2HCY19 on the back of the continuous fall in UST rates, sluggish job growth and unresolved trade war. ISM manufacturing for April declined to its lowest level since 2016 at 52.8% (survey: 55.0%) from 55.3% in March as new orders, employment and production declined. US GDP for 1QFY19 declined slightly to 3.1% qoq from 3.2% qoq in 4QFY18 but was above the consensus estimate of 3.0% qoq. US non-farm payroll in May missed consensus estimate of +180k mom at only +75k mom with the US unemployment rate remaining at a 50-year low of 3.6%.

MGS yields rallied 1-10bps across the curve as the market recovered from FTSE Russell's announcement in April that it may exclude Malaysian debt from its index. To address the downside risks to global growth arising from unresolved trade tensions and weaknesses in major economies, BNM took a pre-emptive 25bps OPR cut to 3.00% at its MPC meeting on 7 May. Meanwhile, inflation is expected to be stable for 2019 in the absence of demand pressure and supportive policy measures (retail fuel price ceiling and consumption tax change). Foreign outflows eased to -RM4.2b in May from -RM9.8b in April, bringing YTD outflow of -RM8.9b. Thus, MGS foreign holdings declined to 35.8% in May, the lowest level since November 2011 (Apr: 37.1%).

**Bond Market Outlook**

With increasing signs 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 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**

For the month under review, the MSCI World Index bucked its four-months upward streak to record a decline of -6.1% mom. Similarly, the Dow Jones Index retraced by -6.7% mom as the US raised tariff rate on about USD200b of Chinese imports from 10% to 25%. Furthermore, the Trump administration indicated that they might raise tariffs on all remaining imports from China. Additionally, the Trump administration announced that it would also impose tariffs of 5% on all goods imported from Mexico starting 10 June and that the tariff rate would increase over time. On the economic front, US April retail sales, which coinciding with tax season, fell -0.2% mom which was below expectations after a strong March of +1.6% mom. During the same period, the Stoxx 50 Index fell by -6.7% mom. The Euro area industrial production continued to decline by -0.3% mom in March after a drop of -0.2% mom in February. April composite PMI was better than expected at 51.5 although it declined 0.1 ppt on a mom basis. Improvements were seen in Germany and France but offset by declines in Italy and Spain. 1Q19 EU GDP growth held steady from the previous quarter, coming in at +1.2% yoy. Likewise, China's Shanghai Composite Index reduced by -5.8% mom. April industrial profit slumped by -3.7% yoy as compared to +13.9% in March. May PMI was also slightly weaker at 53.3 as compared to 53.4 in April, due to weaker trade activity. In a bid to increase liquidity, the PBOC announced detailed implementation plans of the targeted RRR cut for rural commercial banks at the end of May. The cut will bring the RRR for rural commercial banks to 8% by mid of July, releasing about RMB280b in liquidity. China's FX reserves fell USD3.8b to USD3.095t mainly due to net capital outflows, after five months of consecutive monthly gains.

In May, Brent oil price posted its first monthly decline since December 2018 by declining -11.4% mom to USD64.49/bbl, as fears of slowing demand due to rising trade tensions between US and China offset tightening supply driven by geopolitical tensions in Iran, Libya and Venezuela. Crude palm oil price rebounded from April to gain by +2.4% mom to RM2,030/ MT on the back of expectations of lower inventory levels in the coming months.

During the month under review, the ASEAN equity markets' performance was mixed. Alongside its global peers, Singapore's Straits Times Index retraced by -8.3% mom, as Singapore is one of the most exposed countries to any slowdown in global trade. The index was mainly dragged by the Financials and Consumer Staples sectors while Communication services was the only sector that posted a positive return. From an economic standpoint, Singapore's PMI contracted by 0.5 ppt to 50.3 in April from a month ago. Also, 1Q19 GDP was slightly weaker at 1.2% as compared to 1.3% in the previous quarter. Meanwhile, Indonesia's Jakarta Composite Index decreased by -3.8% mom amidst net equity outflow of USD513m in May from global risk off sentiment. The rupiah depreciated by -0.1% mom to USDIDR 14,273. On a positive note, Indonesia Manufacturing PMI rebounded strongly to 51.6 in May from 50.4 in April. Also, the election committee announced that the Jokowi-Amin pair had won the presidential election. Likewise, The Stock Exchange of Thailand (SET) tapered by -3.2% mom dragged mainly by the Utilities and Energy sectors. Thailand's 1Q19 GDP came in line within expectations of +2.8% yoy but was lower from the previous quarter of +3.7% yoy. The Thai Baht strengthened by +0.88% mom to USDTHB 31.65 while its Manufacturing PMI recovered to 51.0 in April as compared to 50.3 in the previous month. Conversely, Malaysia's FBMKLCI gained by +0.5% mom despite net outflow of about MYR2b in May, the fourth consecutive month of net selling since February 2019. 1Q19 GDP was slightly ahead of expectations at 4.5% yoy buoyed by improving exports but offset by slower investment. Industrial production improved to +3.1% yoy in March as compared to +1.7% in February. Nonetheless, Bank Negara Malaysia cut the OPR by 25bps to 3%.

**Equity Market Outlook**

Despite constant talks and signs of progress between US and China since December 2018, the Trump administration surprisingly took a turn and raised tariffs on USD200b worth of imports from China from 10% to 25%. The action caught global markets by surprise. We therefore remain cognizant of global developments that could potentially impact our local markets. Domestically, potential resumptions of several stalled construction projects such as the ECRL, Bandar Malaysia, LRT3, and MRT2 may provide significant multiplier effects to our local economy. Therefore, we remain cautiously optimistic on the market and will stay our course in selecting fundamentally good long term investments. We will also realign our investment direction so as to be in step with the changing market environment.

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)