

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	-0.04%	-1.37%
6 months	-0.96%	-3.24%
1 year	-11.19%	-10.53%
3 years	0.08%	-3.07%
5 years	-3.76%	-11.74%
10 years	110.33%	35.30%
YTD	3.24%	-3.55%
Since Inception (Annualised)	8.38%	2.51%

* Source: Bloomberg

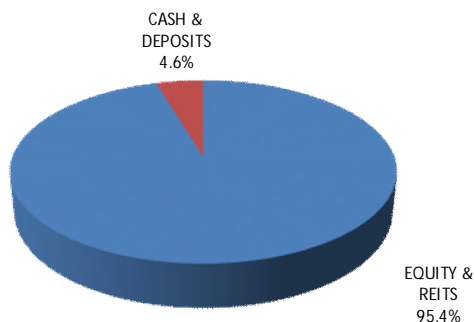
The above performance is calculated in Ringgit Malaysia on a NAV-to-NAV basis. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the investment-linked product. Past performance is not an indication of future performance.

Key Fund Facts

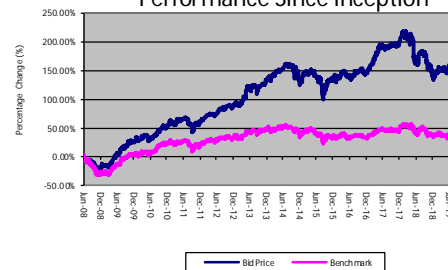
Fund Size	RM71.278 million
Risk Profile	Moderate
Launch Date	13 th June 2008
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit ¹ - Bid (as at 30th September 2019)	2.484
Management Fee	0.00% p.a
Other Charges ²	Include but not 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	10.43%
TENAGA NASIONAL BERHAD	9.83%
CIMB BERHAD GROUP	6.28%
DIALOG GROUP BERHAD	5.39%
MY EG SERVICES BERHAD	4.26%

Disclaimer:

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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

The markets started the month on a risk-on mode on the back of abating Brexit and trade tension, with UST yields trending higher across the curve. Towards the second half of the month, investors were spooked by a spate of poor economic data and events, triggering a sell-off that sent investors scrambling for safer assets. The 10Y UST closed the month +17bps at 1.67% from a high of 1.9%. Amidst continued US-China trade uncertainties, risk of a US-EU trade war escalation heightened after the US slapped tariffs on \$7.5b worth of European goods. Globally, manufacturing and services PMIs continued to disappoint in the midst of a synchronised slowdown. Investors were also slammed by a US political showdown as House Democrats launched a formal impeachment inquiry into President Trump, throwing markets into a risk-off mode. In UK, Brexit uncertainties continued to dominate UK without showing any sign of progress. On 17-18 Sep FOMC, the Fed delivered a 25bps rate cut to 1.75%-2.00% after 25bps cut at 30-31 July 2019 FOMC. The Sep FOMC policy announcement was not only unanimous, but also non-committal to a further rate cut and that any future ones will be data dependent.

The local government bonds saw the curve steepen mom as the mid-long ends continued to be pressured following the poor auction bidding metrics for the 7Y MGS bonds and also concerns ahead of the FTSE Russell Index potential weightage changes for Malaysian bonds at the end of September. Losses were quickly pared down amid a relief rally following positive news on FTSE Russell maintaining Malaysian bonds' in its index, at least until March 2020. Overall benchmark yields ended higher between 1-10bps with the 5Y MGS closed 1.4bps higher at 3.33% and the 30Y MGS closed 9.8bps at 3.88%. Aside, Bank Negara Malaysia (BNM), kept the overnight policy rate (OPR) unchanged at 3% on 12 Sep, although it remained cautious on the global economic outlook due to uncertainty from prolonged trade disputes. Overall, BNM maintained its baseline growth projection of 4.3-4.8% for 2019.

Malaysia local debt securities posted a small foreign net inflow of +RM0.9b in Sep, reversing the prior month's outflow as the low yield conditions encouraged portfolio flows to local EM debts. Foreign share of MGS+GII edged up to 22.9% (Aug: 22.8%) while foreign share of MGS was lower at 37.5% as of end-September (Aug: 37.7%). 9M19 cumulative flows totaled +RM4.3b (8M19: +RM3.4b). Malaysia's external reserves declined -USD0.5b mom to USD103b as of end-Sep (Aug: USD103.5b).

Bond Market Outlook & Strategy

With increasing risk of global economic slowdown 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. Locally, the key events to watch out will be Budget 2020 in October and the next BNM policy decision in November. 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 recorded a gain of 1.9% mom amidst broad-based easing from the ECB and rate cut by the Fed. Similarly, the Dow Jones Index increased by 2.0% mom. As expected, the US Fed cut interest rate by 25 bps at its September meeting to 2.00%. However, the median FOMC members does not expect any further moves this year. On the economic front, US' August Industrial Production rebounded to record a growth of 0.6% mom as compared to a contraction of 0.2% mom in July. Conversely, US' August Composite PMI and Retail Sales growth came in weaker at 50.7 and 0.4% mom as compared to 52.6 and 0.7% mom in July, respectively. Over in Europe, the Stoxx 50 Index surged by 4.2% mom during the same period. In its September meeting, the ECB unveiled several measures, notably to cut deposit rate by 10 bps and a shift to an open-ended QE purchase despite at a lower rate of EUR20b per month. Eurozone's August Composite PMI climbed to 51.9 as compared to 51.5 in July while its CPI edged up by 0.1% mom in August as compared to a drop of 0.5% mom in July. In-line with its peers, China's Shanghai Composite Index advanced by 0.7% mom in September 2019. Amid slowdown in China's economic growth, the People's Bank of China lowered the reserve requirement ratio for major banks by 50 bps in September. China's September Composite PMI increased slightly to 53.1 as compared to 53.0 in August. However, its August Retail Sales and Industrial Production yoy growth softened to 7.5% and 4.4% as compared to 7.6% and 4.8% in July, respectively.

In September, Brent oil price rose by 0.6% mom to USD60.78/bbl following attacks on two Saudi Arabian facilities which took over 5% of global production offline. Nonetheless, officials have guided towards resuming operations by end of September but several sources expect recovery to take longer than expected. On the contrary, Crude palm oil price fell by 4.2% mom to RM2,078/ MT on concerns of higher seasonal output and tapering demand from India after imposing higher export duties from Malaysia.

During the month under review, the ASEAN equity markets' performances were mixed. Singapore's Straits Times Index rose by 0.4% mom on the back of improvements in Retail Sales, PMI and Non-Oil Domestic Exports (NODX). Singapore's July Retail sales grew by 2.6% mom from a dip of 2.2% in June, PMI improved to 49.9 in August from 49.8 in the previous month, and NODX jumped by 6.7% mom as compared to 3.6% mom in July. Conversely, The Stock Exchange of Thailand (SET) contracted by 1.1% mom as its August Manufacturing PMI eased by 0.3 ppt to 50.0 and CPI decreased to 0.5% yoy from 1.0% yoy in July. Nonetheless, the Bank of Thailand held interest rate unchanged at 1.50% in September. Malaysia's FBMKLCI dropped by 1.8% mom on the back of RM559m net foreign equity outflow in September, bringing 3q19 total net foreign equity outflow to about RM3.2b. Malaysia's August Manufacturing PMI eased by 0.2 ppt to 47.4 while its July Industrial Production retraced to a growth of 1.2% yoy as compared to 3.9% yoy in June. In the September MPC meeting, BNM maintained the OPR rate at 3%. Lastly, Indonesia's Jakarta Composite Index fell by 2.5% mom despite Bank Indonesia cutting its 7-day reverse repurchase rate further by 25 bps to 5.25% in September to stimulate growth momentum. Indonesia's Manufacturing PMI decreased to 49.0 in August as compared to 49.6 in July and Exports contracted by 10% yoy in August.

Equity Market Outlook

Representatives from both US and China are scheduled to meet in Washington for the next round of US-China trade talks which would be held from 10 Oct to 11 Oct. Therefore, we remain cognizant of global developments that could potentially impact our local markets. Domestically, Malaysia's Budget 2020 is scheduled to be tabled on 11 Oct with the theme "Shared prosperity: Sustainable and inclusive growth towards high income economy." We continue to await the rollout of several economic stimulus measures with significant multiplier effects such as the ECRL, Bandar Malaysia, LRT3, and MRT2. We remain cautiously optimistic on the market over the long term and will stay our course in selecting fundamentally good 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)