

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	1.65%	0.54%
6 months	-0.07%	-1.33%
1 year	-18.30%	-10.76%
3 years	5.49%	1.19%
5 years	3.08%	-8.91%
10 years	182.88%	70.58%
YTD	7.03%	0.22%
Since Inception (Annualised)	9.59%	2.97%

* Source: Bloomberg

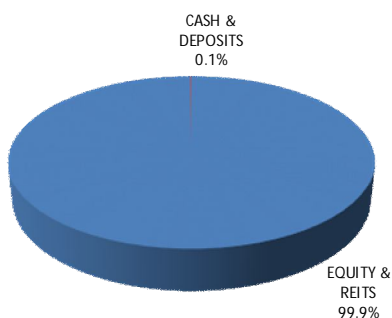
The above performance is calculated in Ringgit Malaysia on a NAV-to-NAV basis. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the investment-linked product. Past performance is not an indication of future performance.

Key Fund Facts

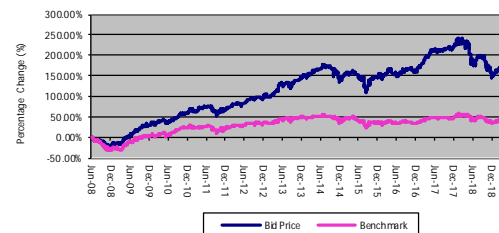
Fund Size	RM595.166 million
Risk Profile	Moderate to high
Launch Date	13 th June 2008
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit ¹ - Bid (as at 30th April 2019)	2.710
Management Fee	0.00% p.a
Other Charges ²	Include 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	9.30%
CIMB BERHAD GROUP	7.39%
TENAGA NASIONAL BERHAD	7.13%
PUBLIC BANK BHD	7.05%
PETRONAS CHEMICALS GROUP BERHAD	5.30%

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 therefrom 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) posted a small loss in April as yields went up 1-11bps across the curve due to strong ISM manufacturing data, gains for the US stock markets and robust corporate bond issuance. Yield curve steepened slightly as the 2y10y spread increased to 24bps, which is the widest level since Nov'18 (31bps). Meanwhile, as widely expected, FOMC maintained the fed funds rate at 2.25%-2.50% at its meeting on 30 Apr – 1 May as Powell stated there is no strong case for a rate cut in near term and downplayed the recent inflation weakness as transitory. ISM manufacturing for March rebounded to 55.3% (survey:54.6%) from a two-year low of 54.2% in February as production, new orders and hiring all picked up. US GDP for 1Q meanwhile beat consensus estimate of +2.3% qoq at +3.2% qoq as almost all components of GDP improved during the quarter.

MGS yields rose 2-6bps across the curve as net selling activities picked up after a series of negative headlines, namely the Norwegian sovereign wealth fund's announcement to remove emerging markets bonds from its fixed income benchmark and FTSE-Russell Index's announcement on a potential exclusion of Malaysia from its FTSE World Government Bond Index on accessibility and liquidity concerns. BNM subsequently delivered a 25bps cut in the OPR to 3.00% at its MPC meeting on 7 May, and highlighted downside risks to growth from unresolved trade tensions and weaknesses in major economies. 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). Foreigners turned net sellers in April with an outflow of -RM9.8b which erased earlier two months inflows (Mar: +RM2.9b, Feb: +RM4.5b), bringing YTD flows to an outflow of -RM4.7b. The outflow in April is likely driven by knee-jerk selloffs following the negative reports mentioned earlier. MGS foreign holdings thus declined to 37.1% in April (Mar: 38.7%).

Bond Market Outlook

With increasing signs of global economy slow down and major central banks showing the willingness to maintain or even expand monetary accommodativeness, any significant downside movement to yields 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 maintained its upward momentum for the fourth consecutive month, rising by +3.37% mom. In US, the Dow Jones climbed +2.56% mom on the back of decent economic data releases which showed stable unemployment rate at 3.8% and an increase in nonfarm payroll gain of 196k in Mar 2019 as compared to that of 20k in Feb 2019. In addition, both the ISM manufacturing and non-manufacturing indices also showed growths in Mar 2019 at 55.3 and 56.1 respectively. In terms of GDP growth, US' 1Q19 advance annualised estimate was +3.2% which suggested that its economy was growing at a brisk pace. Meanwhile, Europe's Stoxx 50 Index surged +4.86% mom despite the continued manufacturing weakness. The preliminary estimate of the IHS Markit Eurozone Manufacturing PMI for Apr 2019 was 47.9, reflecting easing new orders and export sales. Furthermore, Mar 2019 Eurozone flash CPI was only 1.4% which was still below the ECB's target of 2.0%. Consequently, the ECB elected to maintain its interest rate unchanged and expected it to remain at least through the end of 2019. On the other hand, China's Shanghai Composite Index fell by 0.40% mom despite reporting a 1Q19 GDP growth of +6.4% yoy reflecting growth in retail sales and investments. The equity market easing could have been in part due to the concerns that the government could reverse some of its stimulus measures should economic growth appear to be robust. In any case, proper global economic recovery would still be predicated on the manner in which the ongoing US – China trade negotiations to be concluded.

On the commodities front, Brent oil price maintained its upwards trajectory in Apr 2019 by rising +6.4% mom to USD72.80/ bbl. Oil price was buoyed by heightened Libyan and Venezuelan supply risks due to political instabilities and decision by the Trump administration not to renew the temporary waivers permitting certain countries from purchasing Iranian oil. Apart from that, the agreed OPEC+ production cuts had also helped in mitigating any demand concerns. Crude palm oil price dipped 0.9% mom to RM1982/ MT due to declining soybean oil prices and elevated production from Malaysian estates.

Over in ASEAN, equity market performances were mixed. Singapore's Straits Times Index reported a strong jump of +5.83% mom led by the financial sector which enjoyed a strong set of results and the consumer staples sector. However, its Mar NODX and Industrial Production Index dropped by 14% and 2.6% mom respectively. The Stock Exchange of Thailand also rose by +2.13% mom as its government approved a new THB21.8b stimulus package to boost its economy. Indonesia's Jakarta Composite Index instead dipped 0.21% mom as it carried out its simultaneous presidential and legislative elections in mid Apr 2019, with the formal results in May 2019. Bank Indonesia also elected to hold its 7 – day reverse repo rate at 6.00% to strengthen the external stability of the national economy. Lastly, the FBMKLCI was somewhat stable as it only eased 0.08% mom during the month. While Malaysia's overall index was lacklustre, there were selected areas of growth such as the construction sector as reflected by the KLCON Index which rose 12.83% mom on the back of the revivals of the East Coast Railway Link (ECRL) project albeit at a reduced cost and the Bandar Malaysia project. These revivals led to the hopes that other stalled mega projects could also be revisited. Nonetheless, the net foreign equity outflow continued unabated, amounting to RM1.41b during the month (RM2.76b YTD).

Equity Market Outlook

We are cautiously sanguine on the Malaysian equity market as oil price has rebounded to USD70/ bbl which will be supportive of our national Budget and GDP growth. Furthermore, we are also witnessing the rollout of a slew of economic stimulus measures such as the Home Ownership Campaign program and the potential revivals of several stalled construction projects beginning with LRT3 and ECRL. Externally, we note the accommodative shift in stance of most central banks to support growth but eagerly await the resolution of the US – China trade war which is imperative for a broader global economic growth recovery. As such, we will continue to select fundamentally good long term investments but also periodically review as well as realign our investment direction as necessary 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)