

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.

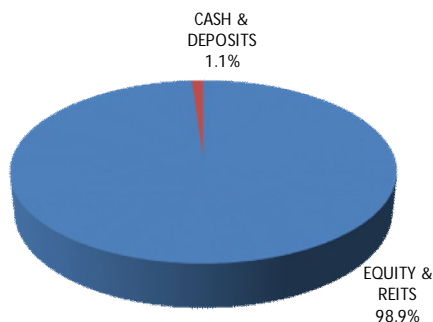
Performance Indicator

	Master Dividend Fund	Benchmark: FBM 100*
1 month	-3.07%	-3.76%
6 months	-5.92%	-7.95%
1 year	-7.44%	-11.94%
3 years	-10.66%	-11.52%
5 years	-6.14%	-15.80%
10 years	80.26%	19.44%
YTD	-7.84%	-7.32%
Since Inception (Annualised)	7.52%	1.82%

* Source: Bursa.

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

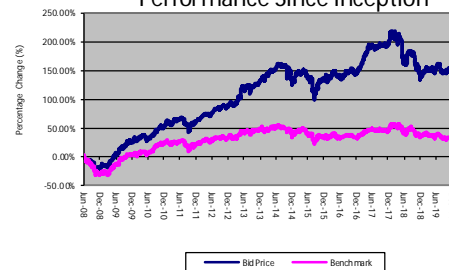


Key Fund Facts

Fund Size	RM74.089 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 29th February 2020)	2.338
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)

Top Holdings (Equities)	% NAV
MALAYAN BANKING BERHAD	8.80%
TENAGA NASIONAL BERHAD	8.60%
CIMB BERHAD GROUP	5.21%
DIALOG GROUP BERHAD	4.97%
SIME DARBY PLANTATION BERHAD	3.94%

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 strong rally in February with yields lower by 32-40bps mom across the curve as the Covid-19 virus spread beyond China, interrupting global supply chains and slowing economic activity. 10y UST and 30y UST reached an all-time low of 1.15% and 1.68% respectively on the last day of February as markets anticipate a series of Fed rate cuts starting as soon as March to limit the economic and financial impact from the Covid-19 virus outbreak. The Fed however, surprised the market with a 50bps emergency rate cut on 3rd March, which was the largest emergency rate cut since the financial crisis in 2008. With the stock markets plunging and risk of severe disruption to major economies, the Fed chose to act ahead of the scheduled FOMC meeting later in March. US manufacturing activity slowed in February with PMI at 50.1 (survey: 50.5, Jan: 50.9) as new orders declined, reflecting concerns on supply chain interruptions related to Covid-19 virus which revived market fears of a recession.

The MGS yield curve ended 18-32bps lower mom largely due to the disappointing 4Q19 GDP data of 3.6% yoy. This brings the 2019 GDP to a dismal 4.3% yoy (2018: 4.7% yoy) which was the lowest level since the global financial crisis in 2009. The weak GDP showing was attributed to lower palm oil, crude oil and natural gas output as well weaker exports due to the US-China trade war. On 27th Feb, the interim Prime Minister announced an economic stimulus package worth RM20b to mitigate the country's economic impact due to the Covid-19 virus outbreak. The measures include cutting the Employee Provident Fund (EPF) employees' contribution to 7% from 11% at present to put more cash into consumers' hand and providing tax reliefs to sectors hit hard by the virus. As widely expected, BNM's MPC cut the overnight policy rate (OPR) for the second time this year on 3rd March by 25bps to 2.50% which brought it to the lowest level since 2010. BNM said the latest cut was done to provide a more accommodative monetary environment to support economic growth amid the global Covid-19 outbreak.

Foreign flow turned negative in February with an outflow of RM8.1b bringing YTD flows to -RM4.6b. This was due to profit taking activities after a strong rally at the back of weak 4Q19 GDP. Foreign share of MGS and MGS+GII decreased to 39.6% (Jan: 41.7%) and 23.9% (Jan: 25.3%) respectively.

Bond Market Outlook & Strategy

2020 will continue to remain volatile due to external factors such as slowing global growth, synchronized global central banks easing, continued uncertainties surrounding US-China trade as key issues were not resolved after 'phase one trade agreement', US Presidential election, US-Iran conflicts and the newly added Covid-19 contagion effect. Locally, FTSE Russell's move to retain Malaysia on its watch list for potential downgrade could pose some upward pressure on yields should their decision be unfavorable. Although BNM had cut the OPR twice this year, we do not discount the possibility of further rate cuts in 2020 if GDP growth turns out materially slower than anticipated. 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, but will only extend duration in liquid papers at fair valuations.

Equity Market Review

During the month under review, the MSCI World Index fell by 8.6% mom due to increased widespread of Covid-19 globally. Similarly, the Dow Jones Index declined by 10.1% mom. On the US' economic front, January Retail sales growth was stable at 0.3% mom while Industrial Production continued to drop by 0.3% mom in January, similar to the preceding month. Nonetheless, its Composite PMI improved to 53.3 in January as compared to 52.7 in the previous month. The US Fed had made a surprise 50 bps interest rate cut in March in an effort to mitigate the negative effects of Covid-19 on growth. Over in Europe, the Stoxx 50 Index retraced by 8.6% mom during the same period. Eurozone Aggregate 4Q19 GDP growth was slightly weaker at 1.0% yoy as compared to 1.2% yoy in 3Q19 while Retail Sales growth slowed to 1.3% yoy in December as compared to 2.2% yoy growth in November. Notwithstanding, the January Markit Eurozone Composite PMI rose to 51.3 as compared to 50.9 in December. Likewise, China's Shanghai Composite Index decreased by 3.2% mom in February 2020 on the back of the scare of Covid-19. As a result, China's Caixin Composite PMI weakened to 27.5 in February as compared to 51.9 in January. Industrial Profits for December was a decline of 6.3% yoy as compared to growth of 5.4% yoy in the previous month. Consequently, China lowered its 1-year and 5-year Loan Prime Rate by 10bps and 5bps, respectively, in February.

In February, Brent oil price dipped by 13.1% mom to USD50.52/bbl on worry that Covid-19 might cause a much larger than initially expected impact on global oil demand. Crude palm oil price also tapered by 10.7% mom to RM2,357/ MT following the slump in oil price as biodiesel is deemed as a substitute of oil. Nonetheless, Malaysia is committed to implement B20 by middle of 2021 for the transportation sector.

Over at the ASEAN front, equity markets close the month under review with lacklustre performances. Malaysia's FBMKLCI eased by 3.2% mom amidst a net foreign equity outflow of RM1.97b in February, bringing YTD foreign equity outflow to RM2.1b. From an economic standpoint, Malaysia's 4Q19 GDP growth softened to 3.6% yoy as compared to 4.4% yoy in 3Q19. Accordingly, December Industrial Production growth deteriorated to 1.3% yoy as compared to 2.0% in the preceding month. Malaysia's January Manufacturing PMI eased to 48.8 from 50.0 in December. To further bolster growth, Bank Negara Malaysia decided to cut the Overnight Policy Rate by another 25bps in March to 2.50%. Indonesia's Jakarta Composite Index also declined by 8.2% mom following slightly weaker 4Q19 growth of 4.97% yoy from 5.02% yoy in 3Q19. Indonesia's January Manufacturing PMI depreciated to 49.3 as compared to 49.5 in December. Following peers, Indonesia's Bank Indonesia revised its 7 - day reverse repurchase rate lower to 4.75% in its February meeting. Singapore's Straits Times Index dropped by 4.5% mom despite PMI improving to 50.3 in Jan as compared to 50.1 in December. Its Industrial production had also jumped to 18.2% mom from 4.1% mom in December. Lastly, the Stock Exchange of Thailand reduced by 11.5% mom. Thailand's 4Q19 GDP slowed down to 1.6% yoy as compared to 2.4% yoy in 3Q19. Moreover, January Manufacturing PMI contracted to 49.9 as compared to 50.1 in December. Bank of Thailand also cut its benchmark interest rate by 25bps to 1.00% in February.

Equity Market Outlook

We remain watchful over the uncertainties and challenges arising from, among other things, the current domestic political developments and also any further worsening of the Covid-19 outbreak. In this regard, we believe that should the needs arise, the government will not hesitate to embark on additional measures to further reinforce support to segments such as consumer and infrastructure to aid in bolstering economic growth. In conclusion, we will maintain our cautiously optimistic appraisal of our market's longer term growth trajectory and continue to direct monies into fundamentally good investments. Also, we will be mindful to realign our investment direction as necessary to be in sync with the changes in 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)