

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.

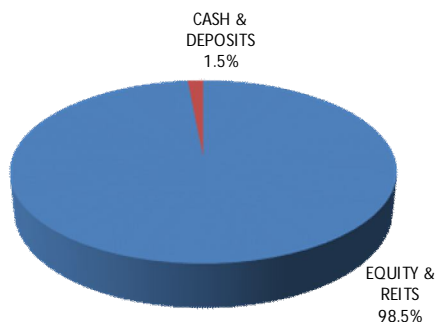
Performance Indicator

	Master Dividend Fund	Benchmark: FBM 100*
1 month	-4.93%	-3.70%
6 months	-6.07%	-6.22%
1 year	-1.83%	-7.29%
3 years	-5.23%	-6.44%
5 years	-0.70%	-10.64%
10 years	88.44%	25.25%
YTD	-4.93%	-3.70%
Since Inception (Annualised)	7.86%	2.16%

* 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

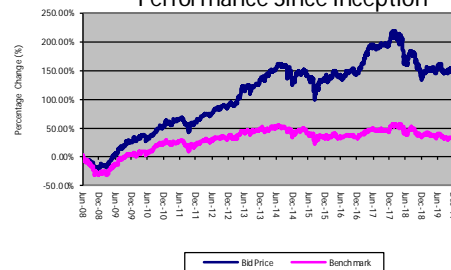


Key Fund Facts

Fund Size	RM76.427 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 31st January 2020)	2.412
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	9.64%
TENAGA NASIONAL BERHAD	8.58%
CIMB BERHAD GROUP	5.99%
DIALOG GROUP BERHAD	5.02%
SERBA DINAMIK HOLDINGS BHD	3.80%

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

The month started off on a risk-on mode on the back of stronger US economic data amidst renewed trade optimism following the inking of US-China "Phase One" trade deal in Washington DC. Meanwhile, three Federal Reserve policy makers sent a clear message that the Fed was comfortable with the current level of interest rates, reaffirming expectations that FOMC will hold fed funds rate steady throughout 2020. The Fed left the fed funds rate target range unchanged at 1.5-1.75% on 29 January. However, sentiments took a turn towards late January due to fears of the coronavirus-related flu contagion, resulting in UST yields falling 25-41bps mom. The 2y benchmark yield fell 25bps to 1.61% whilst the 10y rallied pushing yields down 41bps to 1.51%. There was an initial period of nervousness whereby the 3-month versus the 10-year yield inverted momentarily for the first time since October last year. On 30 January, the US 4Q19 real GDP growth came in at 2.1% qoq, leaving the full year 2019 growth at 2.3% compared to 2.8% recorded in 2018 mainly due to slowing consumer spending and falling business investment, with jobless claims suggesting further deterioration in Q1.

For the same reasons above together with Bank Negara's pre-emptive move to cut the overnight policy rate (OPR) by 25bps to 2.75% on 22 January, the MGS yield curve bull flattened and ended the month 17-35bps lower with the 10y MGS closing the month at 3.13%. At the current level, the OPR is the lowest in 8 years and below the average of 3.00% since its inception in Apr'04. The move came despite the central bank's more positive outlook on the global economy and trade activities following the recent dissipation of trade tensions and monetary easing across major economies in 2H'19. On the domestic front, however, indicators point to slowing economic activities in 4Q'19.

Foreign buying of local debt securities continued into the new year with a net inflow of +MYR3.6b in January, albeit a moderation from the large +MYR8.1b inflow in December 2019. The foreign share of MGS and MGS+GII ticked up to 41.7% (Dec: 41.6%) and 25.3% (Dec: 25.2%) 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 coronavirus contagion effect. Locally, FTSE Russell's move to retain Malaysia on its watch list for potential downgrade could pose some upward pressure on yields if the decision is unfavorable. Although BNM had made a pre-emptive move to cut OPR in Jan 2020, we do not discount the possibility of another rate cut 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 reversed its 4 months of consecutive uptrend streak to log a decline of 0.7% mom due to the outbreak of novel coronavirus. Cases of pneumonia was discovered in Wuhan, China, and was first reported to the World Health Organization on 31 Dec 2019. Similarly, the Dow Jones Index fell by 1.0% mom. On the economic front, 4Q19 US GDP came in at 2.1% qoq, similar to the preceding quarter. Retail sales growth improved to 0.3% mom in December as compared to 0.2% mom in November while the December Composite PMI advanced to 52.7 as compared to 52.0 in November. Over in Europe, the Stoxx 50 Index retraced by 2.8% mom during the same period. The December Markit Eurozone Composite PMI increased to 50.9 as compared to 50.6 in November while retail sales fared better at 2.2% yoy in November as compared to 1.4% yoy growth in October. Likewise, China's Shanghai Composite Index decreased by 2.4% mom in January 2020 on the back of the scare of novel coronavirus. China registered 4Q19 GDP of 6.0% yoy, unchanged compared to its preceding quarter. Its December retail sales growth was also similar to the preceding quarter at 8.0% yoy. Nonetheless, China's December Industrial Production yoy growth improved to 6.9% as compared to 6.2% in November.

In January, Brent oil price tapered by 11.9% mom to USD58.16/bbl on fear that the novel coronavirus might impact demand of oil from lower business activity as well as transportation fuel demand. Similarly, crude palm oil price also dipped by 13.2% mom to RM2,640/ MT on demand concerns as the virus might impact global growth and demand for palm oil.

Over at the ASEAN front, equity markets closed the month under review with subdued performances. Malaysia's GDP grew 3.6% YoY in 4Q19 (4.4% YoY in 3Q19), which brings 2019 full-year GDP growth to 4.3% YoY. The FBMKLCI reduced by 3.6% mom following net foreign equity outflow of RM138m, continuing the net foreign equity outflow trend in 2018 and 2019. From an economic standpoint, Malaysia's November Industrial Production climbed to 2.0% yoy as compared to 0.3% yoy in October while its December Manufacturing PMI improved to 50.0 as compared to 49.5 in November. In its January meeting, Bank Negara Malaysia decided to cut the Overnight Policy Rate by 25bps to 2.75% as a pre-emptive move to secure growth trajectory. Subsequently, the RM depreciated slightly to RM4.0980: USD1.00 from RM4.0910: USD1.00 a month ago. Indonesia's Jakarta Composite Index also reduced by 5.7% mom as December Manufacturing PMI continued its 6th month of contraction with a reading of 49.5. Indonesia's Bank Indonesia held its 7 - day reverse repurchase rate stable at 5.00% in its January meeting. Singapore's Straits Times Index dropped by 2.1% mom despite 4Q19 GDP (advance) rising to 0.8% yoy as compared to 0.5% yoy in 3Q19 and December Industrial Production growth rebounding to 4.1% mom as compared to a contraction of 9.4% mom in November. Not spared by regional weakness, the Stock Exchange of Thailand declined by 4.2% mom. Thailand's December Manufacturing PMI rebounded to 50.1 as compared to 49.3 in November.

Equity Market Outlook

We continue to exhibit cautious optimism amidst the outbreak of novel coronavirus. Pending the discovery of a vaccine or reduced rate of infection, sentiment will be dampened. Domestically, we await the positive impact Budget 2020 will bring to our economy, especially in the consumer, property and infrastructure sectors. As such, we remain optimistic on the market over the longer term and will continue to channel monies into fundamentally good investments. Apart from that, we will also realign our investment direction as necessary to be in sync with the changing 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)