

August 2021

Allianz Life Global Artificial Intelligence Fund



Investment Objective

The Allianz Life Global Artificial Intelligence Fund (the "Fund") feeds into Allianz Global Artificial Intelligence Fund- USD ("CIS") and aims to provide long term capital growth by investing in global equity markets with a focus on the evolution of artificial intelligence.

Investor Profile

The Fund is designed for investors who pursue the objective of general capital formation/asset optimisation and/or above-average participation in price changes; have basic knowledge and/or experience of financial products; and are capable of bearing a financial loss. The Fund may not be suitable for investors who wish to withdraw their capital from the Fund within a short or medium timeframe.

Performance Indicator

	1 month	YTD (Since Inception)
Allianz Life Global Artificial Intelligence Fund	-2.65%	-0.80%
Benchmark	3.18%	9.25%
Allianz Global Artificial Intelligence (USD)	-1.57%	4.54%

Ringgit depreciated 1.38% (YTD since inception).

Source: Bloomberg and <https://sg.allianzgi.com/>

The above performance of the Fund 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.

Facts on CIS

Name	Allianz Global Artificial Intelligence Fund- USD ("Allianz GAIF - USD")
Type	Undertaking for Collective Investment in Transferable Securities
Fund Manager	Allianz Global Investors US
Fund Currency	USD

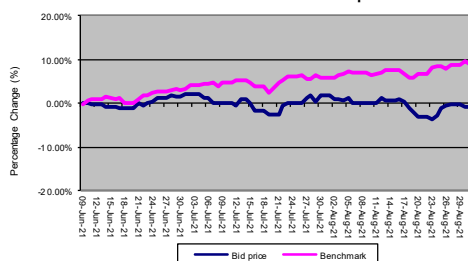
Key Fund Facts

Fund Size	RM15.365 million
Risk Profile	Moderate Investor
Launch Date	8 th June 2021
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit ¹ (as at 31st August 2021) - Bid	0.992
Management Fee	1.50% p.a
Other Charges ²	Include but not limited to government tax, auditor fee, custodian fee, & transaction charge

Portfolio Composition

CASH & DEPOSITS	11%
ALLIANZ GAIF - USD	89%

Performance Since Inception



1. 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.
2. Expenses directly related to and necessary in operating the Fund.

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Allianz Life Global Artificial Intelligence Fund



Manager's Comment (For Allianz Global Artificial Intelligence Fund- USD)

Market Commentary

- Global equities posted moderate gains over August. Positive corporate earnings data outweighed uncertainty over when central banks would start to taper their extraordinary support measures. Financial markets also overcame concerns over the spread of the highly contagious Delta variant, ongoing supply chain disruptions and rising geopolitical tensions, as well as worries over a slowdown in China's economy. At a sector level, Financial stocks outperformed as investment banking revenues surged past pre-pandemic levels. The Utilities, Information Technology (IT) and Communication Services sectors also did well, but Energy and Materials stocks lagged the broader market advance as commodity prices weakened. IT and related stocks outperformed the broader market during the period. Mega-cap technology shares outperformed amid a more defensive market posture. Semiconductors also outperformed with news reports and commentary suggesting supply constraints may ease going forward. Software stocks generally reported solid earnings results which drove their shares higher. IT Services stocks lagged with payments processing companies seeing renewed headwinds to consumer spending from the surging Delta variant.
- During the period, the Fund underperformed the custom benchmark (50% MSCI All Country World Index/50% MSCI World Information Technology Index).
- **Contributors:** Our position in ZoomInfo Technologies, which operates a cloud-based platform for sales and marketing teams in the US and internationally, was a top contributor. The company's platform helps sales and marketing professionals identify target customers and pinpoint the right decision makers. Shares surged after the company reported quarterly results with revenue growth accelerating to 57% year-over-year while maintaining high profit margins. We believe the company's unique data assets and workflow solutions that leverage artificial intelligence (AI) from data collection to analytics are more relevant as sales teams digitise their go-to-market motions.
- Our position in electric vehicle (EV) maker, Tesla, was also among the top contributors. At the end of July, the company reported strong quarterly results that beat analysts' expectations across revenue and profits. Notably, the company was able to increase profitability through reduced manufacturing costs despite lowering the prices of its vehicles. In August, shares surged ahead of the company's AI Day in which management outlined their progress in developing autonomous driving systems. We believe the world is now embracing EVs and the move toward sustainable transport has reached an inflection point. We also believe that Tesla is positioned to lead this transition as it embraces continued rapid innovation.
- **Detractors:** Our position in Roku, a manufacturer of video streaming devices and a digital over-the-top TV operating system, was a top detractor. Shares came under pressure after the company missed estimates for active customer accounts and total streaming hours. Management attributed the uncharacteristic shortfall to consumers engaging in more out-of-home activities as COVID-19 restrictions eased across many geographies. We expect near-term results to be noisy given prior year comparisons included robust growth that occurred during the early months of the pandemic. However, we believe the company stands to be a significant beneficiary of the powerful secular trends in video streaming and an increasing mix towards ad supported formats.
- Our position in a platform operator which matches the professional skills of freelancers with businesses interested in buying those services was also among the top detractors. Shares came under pressure after the company reported disappointing quarterly results and issued guidance calling for further deceleration in growth. Management indicated there was softness in new buyer additions and spend trends as businesses and individuals shifted their time to offline pursuits. We maintain our view that the company operates a compelling marketplace business capable of delivering high levels of overall profitability while maintaining growth at a fast pace.
- **Purchases and Sales:** During the period, we exited a cloud application network provider as the company reported disappointing results and the stock was in violation of our stop loss provision. We had previously cut the position as part of our risk management process and due to the company's uneven execution. While we believe its technology differentiation could potentially lead the company back on a path of high growth with attractive profitability, we felt that it was best to exit the position at this time. We will continue to monitor the company's progress but will need to see more concrete evidence of a sustained change in the business and more consistent execution before it will be reconsidered for portfolios.

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Allianz Life Global Artificial Intelligence Fund



Manager's Comment (For Allianz Global Artificial Intelligence Fund- USD)

Market Outlook and Strategy

- With Q2 earnings report season winding down, our portfolio companies announced robust financial results and projected strong outlooks heading into the balance of 2021. However, the stock reactions following the earnings releases were mixed across all three AI categories due mostly to investor positioning, in our view. Following a short period of churning, many of these stocks recovered and continued their upward trajectory reflecting the strong underlying fundamental backdrop. Following the earnings report season, investors have shifted their attention to macro indicators and the Jackson Hole Economic Symposium to gauge any potential change in US Federal Reserve (Fed) policies.
- At the Symposium, Chairman Powell indicated that taper of quantitative easing (QE) is under consideration given several of the Committees' goals have been achieved. However, the Delta variant and its implications on employment and the economic recovery remains a concern. The Fed will continue to monitor the incoming economic data to determine the timing of the taper. In addition, Powell made it clear that QE taper and interest rate hikes are two separate events and that they are both data dependent. Investors generally came away with a constructive view that Fed accommodation will remain in place, and that the taper process will be measured and manageable.
- We continue to take a balanced approach in portfolio construction between identifying AI-related companies that are making the necessary investments for long-term profitability and those aggressively investing for disruptive growth. In this sense, the portfolio maintains exposure to both secular and cyclical growth opportunities benefitting from AI. Over the long run, we continue to believe we are witnessing the compounding impacts of a strengthening innovation cycle led by AI that will favour companies able to achieve above-average growth.
- **AI Infrastructure:** We expect healthy demand for the ongoing build-out of AI infrastructure in the coming years. As AI training progresses past the pilot stage, the next phase will be about the new types of processing and storage needed to deploy AI from the cloud to billions of edge devices. We continue to believe the global rollout of 5G will accelerate going forward, and the resulting higher bandwidth will enable the collection of more data from billions of mobile and Internet of Things (IoT) devices.
- Within AI Infrastructure, we maintain a constructive view on the semiconductor space. In line with the upswing in other pro-cyclical areas, semiconductors have performed well fundamentally and in terms of share price. Looking forward, demand across many areas of end demand remains strong and supply is relatively constrained. We think these dynamics should remain in place over the next several quarters and are supportive of further upside in semiconductor shares.
- **AI Applications:** We are seeing AI get embedded into an increasing number of software applications and systems to help make more intelligent decisions. AI is helping to drive higher levels of automation, better recommendations, faster decision-making, and significant cost savings. As AI continues to advance, we expect software and apps to offer even more personalised services, made possible through an increased understanding of user behaviour and search patterns, allowing companies to deliver more human-centric experiences in real-time. Smart assistants will begin to move from passive to proactive interactions by anticipating the user's needs rather than simply waiting for instructions. AI and machine learning will continue to automate mundane tasks and complicated analyses to free up employees to focus more time and attention on creative and strategic tasks. The recent introduction of quantum cloud computing could lead to significant breakthroughs in AI and machine learning in the coming years as researchers design new algorithms to exploit the exponentially faster computing power. We are just beginning to see AI become a part of more applications, which could potentially create an even bigger market opportunity than past IT transformation eras.
- **AI-enabled Industries:** We are seeing more companies begin to leverage AI to drive innovation. Many of our portfolio holdings in the Automotive, Consumer, Health Care, and Finance sectors are already seeing the early benefits from AI, which is allowing them to introduce unique products and services enabling them to outperform their industry peers. We expect to see more industries roll out AI projects across more of their operations to accelerate their digital transformation. We believe companies will continue to adopt AI technologies such as facial recognition for identification and fraud detection, autonomous vehicles and robots for transportation and logistics, robotic process automation (RPA) and virtual digital workers to automate repetitive office tasks, predictive maintenance powered by IoT to minimise maintenance costs and equipment down time, and augmented and virtual reality (AR/VR) to create engaging experiences and entertainment.
- Overall, we continue to believe we are at the very early stages of massive disruptive change brought about by advancement in AI and its deployment. We believe that these changes will drive meaningful growth for companies that are able to take advantage and drive disruption within their respective industries. While it is expected at times that markets may question the underpinnings of this growth, we believe the compounding effect from AI disruption will create long-term shareholder value. We believe that stockpicking will be imperative to capturing the benefits of this opportunity, especially in an environment characterised by disruption and change.

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Investment Strategy & Approach



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.
- **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.
- **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.
- **Specific Security Risk** – The value of the assets in particular securities and money market instruments may be affected by company-specific factors, such as business situation, financial condition and corporate governance of the company. This risk may be minimized through diversification of investments in a wide scope of companies belonging to a multitude of sectors.
- **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.
- **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. The risk is managed by including liquidity factor into security selection and further mitigated by diversification.
- **Target Fund Risk** – As the Fund is a feeder fund, it will invest into a Target Fund which is being managed by a Target Fund Manager. While we would make every effort to ensure that the objectives of the Target Fund are appropriately aligned with those of ours, we do not have control over the Target Fund Manager's investment in terms of its approach, intelligence, operations and management. In the unlikely event of any mishandling of the Target Fund, the NAV of our Fund, which is investing predominantly into the Target Fund, could be similarly adversely affected.

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.