October 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

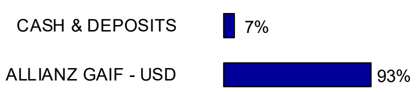
	1 month	3 months	YTD (Since Inception)
Allianz Life Global Artificial Intelligence Fund	0.91%	-2.55%	-0.70%
Benchmark	6.61%	4.58%	10.72%
Allianz Global Artificial Intelligence (USD)	2.06%	-0.74%	5.42%

Ringgit depreciated 0.63% (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.

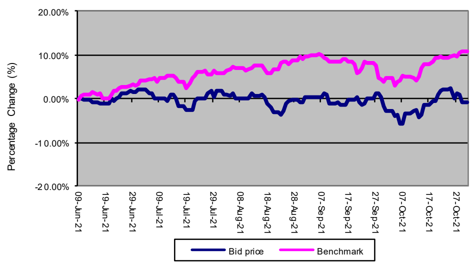
Facts on CIS

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

Portfolio Composition



Performance Since Inception



Key Fund Facts

Fund Size	RM21.284 million
Risk Profile	Moderate Investor
Launch Date	8th June 2021
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit[1] (as at 31st October 2021) - Bid	0.993
Management Fee	1.50% p.a
Other Charges[2]	Include but not limited to government tax, auditor fee, custodian fee, & transaction charge

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.

Allianz Life Insurance Malaysia Berhad (198301008983)
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Allianz

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

Market Commentary

- Global equity markets rebounded strongly over October as optimism over robust corporate earnings outweighed the growing prospect of central banks raising interest rates. On the economic front, supply chain disruptions and higher energy costs continued to fuel inflation and weigh on manufacturing activity, while services sectors generally fared far better despite labour shortages. In the markets, Energy companies were among the strongest performers, as oil prices hit seven-year highs. Consumer Discretionary and Technology stocks also outperformed. In contrast, the Communication Services and Consumer Staples sectors lagged the broader rally.
- Information Technology and related stocks outperformed the broader market during the period. Software stocks were the clear leaders in the group with earnings reports and commentary reinforcing strong secular positioning while also benefitting from a lack of supply chain exposure. The semiconductor group also posted strong returns on early signs of improving supply conditions. Internet stocks returns were mixed amid ongoing regulatory scrutiny and questions on the fundamental impacts from a tech giant's anti-tracking policy roll-out earlier this year. Payments and ecommerce stocks also underperformed as they faced tough year-to-year growth comparisons and derivative exposure to the supply and labour disruptions.
- During the period, the Fund underperformed on a gross of fees in USD basis the custom benchmark (50% MSCI All Country World Index/50% MSCI World Information Technology Index).
- Contributors: Our position in electric vehicle (EV) maker, Tesla, was one of the top contributors. Shares gained after the company reported quarterly results that included strong profit margin improvements driven by pricing decisions and scale efficiencies. After the report, news circulated that a vehicle rental company had ordered a significant number of Tesla Model 3 sedans to electrify its fleet. We believe the near-term results could remain solid amid strong demand and ramping supply. We believe the world is now embracing EVs and the move towards sustainable transport has reached an inflection point. We also believe that Tesla is positioned to lead this transition as it embraces continued rapid innovation.
- Our position in Plug Power was also among the top contributors. The company provides alternative energy technology focused on hydrogen fuel cell systems used for the industrial off-road market and the stationary power market. Shares gained after the company announced further expansion into the aviation market through an investment in a start-up company designing hydrogen fuel cell powered aircraft propulsion systems. We remain constructive on the long-term earnings power of the business reflecting the company's secular growth opportunity in hydrogen fuel cell market and scalable technology solutions.
- Detractors: Our position in social networking platform operator, Snap, was one of the top detractors. Shares fell after the company reported results that were disappointing relative to elevated expectations. Investor expectations had risen since the company reported a dramatic acceleration in growth in the prior quarter. In addition, the company provided conservative guidance for Q4 due to the impacts of a tech giant's ad tracking changes in its operating system and the effects of global supply chain shortages. We believe the headwinds that Snap is facing are transitory in nature rather than structural. We remain constructive on the long-term opportunities for Snap to grow its audience and innovate on both its user experience and ad platforms.
- Our position in a biotechnology company, which has an antibody discovery platform, was also among the top detractors. Its full-stack, artificial intelligence-powered (AI-powered) drug discovery platform searches and analyses the database of natural immune systems to find antibodies that can be developed as drugs. Shares fell on news from a pharmaceutical company that its investigational oral antiviral treatment for COVID-19 appeared effective and safe following interim trials. This was perceived as competitive with the company's authorised COVID-19 antibody therapy. We remain constructive on the shares as the company has dozens of programmes in varying stages of development and some of which could be significant drivers in the future.
- Purchases and Sales: During the period, we re-initiated a position in a Chinese ecommerce company after largely steering clear of the Chinese market for over a year. Our decision at that time reflected a combination of concerns regarding valuation, regulatory change, and political brinksmanship between the US and China on trade policies. With shares of companies now down roughly 50% from their peak, we believe the valuations among Chinese technology firms reflect most of the risks that we previously identified. China, along with the US, has emerged as a leader in AI development, and the company specifically makes extensive use of AI across its various product offerings in areas such as ad targeting, personalisation, and logistics optimisation. We believe that the company, despite the regulatory changes, still has very compelling long-term opportunities to solve customer problems and deliver unique experiences leveraging AI.

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Allianz Life Global Artificial Intelligence Fund

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

Market Outlook and Strategy

- Over the past month, the market has advanced on solid quarterly earnings results and constructive management outlooks despite several outstanding uncertainties. In the face of supply chain disruptions, labour shortages, and rising input prices, companies have generally demonstrated nimbleness in their ability to manage cost headwinds. However, these dynamics have contributed to the view that currently elevated measures of inflation may prove more persistent and threaten future company financials. Our view is that supply disruptions will resolve as consumers shift their spending towards activities baring any further significant setbacks in the fight against the virus.
- On monetary policy, global central banks have indicated their intention to rein in the liquidity provided over the past year and a half as their economies seem on firmer footing. While the US Federal Reserve (Fed) remains accommodative, the latest messaging suggests that the Fed plans to begin the quantitative easing (QE) taper shortly and ultimately end the process by mid-2022. At the same time, monetary support is being dialled-back, fiscal support is also in a wind-down period. Despite these liquidity headwinds, the economic backdrop appears to have room to run with record job openings, strong consumer balance sheets, and lean business inventories.
- We expect equity market volatility to remain rangebound in the coming months as investors navigate this dynamic environment. Investors are widely anticipating monetary and fiscal policy adjustments that we believe will help dampen price increases. We also expect supply conditions to improve through the course of 2022 and demand to remain solid which could drive modestly positive earnings revisions. Looking into 2022 and beyond, we continue to expect moderate growth and inflation which should benefit many of our core growth holdings.
- 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 stock picking 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. This risk may be mitigated by our constant monitoring of the Target Fund, which is requisite to ensuring that the Target Fund's objective, risk profile and characteristics are in line with ours.

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.