

September 2021

Allianz Life Oriental Income Fund



Investment Objective

The Allianz Life Oriental Income Fund (the "Fund") feeds into Allianz Oriental Income Fund- USD ("CIS") and aims to provide long term capital by investing in Asia Pacific equity and bond markets.

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 Oriental Income Fund	0.53%	-3.24%	-4.50%
Benchmark	-4.02%	-8.41%	-8.68%
Allianz Oriental Income Fund (USD)	0.35%	-3.46%	-3.36%

Ringgit depreciated 1.67% (YTD since inception).

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

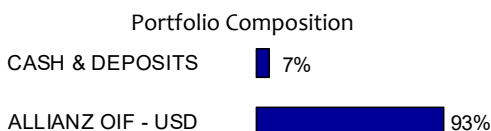
The above performance of the Fund is calculated in Ringgit Malaysia on a NAV-to-NAV basis. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the investment-linked product. Past performance is not an indication of future performance.

Facts on CIS

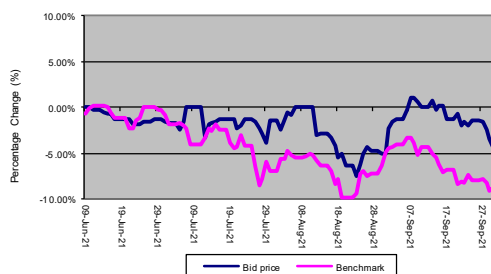
Name	Allianz Oriental Income Fund- USD ("Allianz OIF - USD")
Type	Undertaking for Collective Investment in Transferable Securities
Fund Manager	Allianz Global Investors Asia Pacific
Fund Currency	USD

Key Fund Facts

Fund Size	RM15.088 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 30th September 2021) - Bid	0.955
Management Fee	1.50% p.a
Other Charges ²	Include but not limited to government tax, auditor fee, custodian fee, & transaction charge



Performance Since Inception



- 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.

Disclaimer:

The Allianz Life Oriental Income Fund is a unit-linked fund offered by Allianz Life Insurance Malaysia Berhad (Allianz). This fact sheet is prepared by Allianz and is for information only. The fund fact sheet of the CIS will be available at < <https://sg.allianzgi.com/>>. 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 unit will guarantee profits, or not result in losses or the correctness, accuracy, reliability, or otherwise of this fact sheet. Before deciding to invest in the Allianz Life Oriental Income Fund, you should carefully consider your investment objectives, level of experience, and risk appetite. 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. You should be aware of all the risks associated with fluctuations in a unit-linked fund and are advised to seek the advice of your financial consultant before making any investment.

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Allianz Life Oriental Income Fund



Manager's Comment (For Allianz Oriental Income Fund- USD)

Market Commentary

- Equity markets in Asia fell over the month of September. Sentiment was knocked by developments in China, with further regulatory crackdowns and additional signs of slowing economic activity. Heightened inflationary pressures also unnerved investors as did a series of economic data points such as the official purchasing managers' index (PMI), retail sales and industrial production which all missed forecasts. There were also fears that one of China's major homebuilders would default when the company missed an interest payment on one of its US bonds which could have a ripple effect on the property and banking sectors. Hong Kong was dragged down by weak returns from the Real Estate sector and Macau Casino stocks, which were hit by fears of greater regulatory oversight. Tech-heavy Korea and Taiwan were weighed down by rising rates, with the added burden of big tech regulations.
- In contrast, Japanese equities posted solid gains. The market initially rallied on prime minister Suga's resignation but gave back some of the gains when Fumio Kishida won the leadership battle. He is expected to follow a similar policy agenda to his predecessor. An increase in vaccination rates and a decline in new COVID-19 cases meant that the state of emergency was lifted across all areas of Japan for the first time since April.
- The Fund underperformed the benchmark during the month. From a country perspective, it was weak stock selection in Korea and China, as well as the overweight to Taiwan that impacted negatively on performance. From a sector perspective, it was weak stock selection in Health Care, Information Technology and Industrials that resulted in the underperformance.
- At a single stock level, one of the top contributors was Alchip Technologies in Taiwan. The company focuses on high-complexity and high-volume chip design. The stock rallied as it continues to benefit from secular trends such as the rising use of artificial intelligence (AI), growing in-house chip demand and ongoing localisation by Chinese semiconductor companies. We retain our holding given the company's strong foothold in Greater China and its focus on leading edge chip design and supply.
- Conversely, one of the top detractors was Koh Young Technology, a Korean company and a global leader in inspection equipment for consumer and auto electronics. The company reported a strong set of results. However, the stock faced profit-taking pressure after a strong run earlier in the year. We see significant future growth potential from AI-based smart factory solutions, which should help to shift the market perception of Koh Young from a hardware maker to a more of a software company.
- The overall positioning of the portfolio remains little changed. From a country perspective, the portfolio is overweight in Taiwan, with underweight exposures in Japan, China, and India. From a sector perspective, the portfolio has significant exposure to Information Technology and Health Care, balanced by limited holdings in Financials, Consumer Discretionary and Communication Services. Our favoured positions are often in smaller companies which have invested heavily in their core technologies over several years to establish a sustainable, competitive edge.
- In September, we exited our holdings in a Chinese life science provider and a Korean entertainment company. Furthermore, we added two Japanese names, a publishing company and a general merchandise retailer, to the portfolio.

Market Outlook and Strategy

- We believe that in coming months China will enter a more policy-friendly market environment including an easing of monetary policy and some targeted fiscal spending to help mitigate the bumpy economic slowdown. This should be supportive for China equities, and other markets in the region, as we enter the final quarter of the year. Our perspective on the aforementioned China's major homebuilder is that the property sector in China has long been viewed as a source of financial risk and the recent actions are an active decision by policy makers to send a strong signal to the rest of the property sector to rein in leverage. Our expectations are for an orderly restructuring of the company with state-owned financial enterprises being required to step in where needed. We do not believe that these developments will lead to a broader systematic issue for the financial sector.
- In Japan, ruling Liberal Democratic Party (LDP) announced that Fumio Kishida had won the leadership battle and will follow a similar policy agenda to his predecessor including a new fiscal stimulus package to support the economy. Politically, the focus now shifts towards national elections which are scheduled for November. If prime minister Kishida wins, as expected, this should represent a clear mandate for more effective reform measures. After a strong first quarter of results, we expect that earnings may slow down somewhat given sluggish consumption following the State of Emergency and because of supply constraints such as chip shortages and other supply chain disruption.

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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.