March 2022

Allianz Life Bond Fund

Investment Objective

An open-ended investment fund which aims to provide a stable income stream and medium to long term capital appreciation by investing primarily in fixed income securities.

Investor Profile

The Fund is suitable for investors who are seeking for potentially higher returns than fixed deposits, want to diversify their overall investment portfolio by including bonds as an asset class, seek stable income stream and have low risk tolerance.

Performance Indicator

	Bond Fund	Benchmark: 12-month FD*
1 month	-0.60%	0.16%
6 months	-0.67%	0.92%
1 year	1.23%	1.85%
YTD	-0.67%	0.45%
3 years	8.55%	7.05%
5 years	17.21%	14.11%
10 years	36.11%	33.61%
Since Inception (Annualised)	3.33%	2.93%

* Source: Maybank

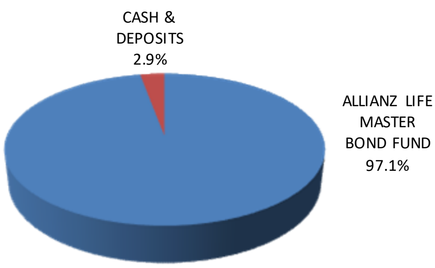
The above performance is calculated in Ringgit Malaysia on a NAV-to-NAV basis. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the investment-linked product. Past performance is not an indication of future performance.

Key Fund Facts

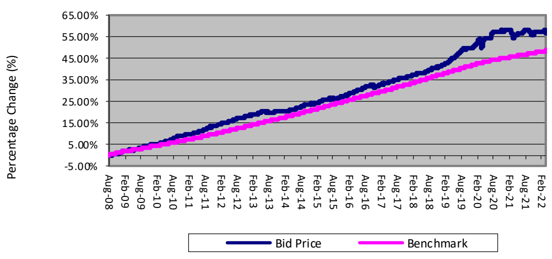
Fund Size	RM104.908 million
Risk Profile	Low
Launch Date	8th August 2008
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit[1] - Bid (as at 31st March 2022)	1.485
Management Fee	0.75% p.a
Other Charges[2]	Include but not limited 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.

Portfolio Composition by Asset Type



Performance Since Inception



Disclaimer:

The Allianz Life Bond 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 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. Before deciding to invest in the Allianz Life Bond 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.

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.

Allianz Life Insurance Malaysia Berhad (198301008983)
Level 29, Menara Allianz Sentral , 203 Jalan Tun Sambanthan, Kuala Lumpur Sentral, 50470 Kuala Lumpur.
Allianz Life Call Centre: 603-2264 1188
www. allianz.com.my

Market Review & Outlook

Market Review

For equities, the MSCI World Index gained by +2.5% mom to close at 3,053 points for the month of March. Similarly, the Dow Jones Index climbed by +2.3% mom, a rebound from the previous month as Fed Chair Jerome Powell stressed the strength of the US economy after the March Federal Open Market Committee (FOMC) meeting. On the US' economic front, retail sales in February grew slower by +0.3% mom as compared to +3.8% mom in January. Its February industrial production increased at a slower pace of +0.5% mom as compared to +1.4% mom in the previous month. US S&P Composite PMI growth tapered slightly to 55.9 in February as compared to 56.0 in January. Over in Europe, the Stoxx 50 Index dipped by 0.6% mom during the same period despite a higher Eurozone S&P Composite PMI reading of 55.5 in February as compared to 52.3 in January. Its January retail sales rebounded by +0.2% mom, a reversal from a contraction of 3.0% mom in the previous month. Nonetheless, industrial production was flat mom in January as compared to a growth of +1.2% mom in the previous month. China's Shanghai Composite Index also slumped by 6.1% mom in March 2022 following a Caixin China Composite PMI reading of 50.1 in February, similar to the previous month. After cutting its 1-year Loan Prime Rates twice in December 2021 and January 2022 to bolster its economic growth, the People's Bank of China kept it stable at 3.70% in its March 2022 meeting. The 5-year Loan Prime Rate was also kept stable in its March 2022 meeting.

In March, Brent oil continued surging by +6.9% mom to USD107.91/bbl amid geopolitical tensions between Ukraine and Russia while pressure to sanction Russia's oil and gas continues to mount. Conversely, Crude palm oil price declined by 14.2% mom to RM6,391/MT despite lower output impacted by the shortage of workers. There were also uncertainties on major oilseeds such as the prolonged drought on Argentinian and Brazilian soybean as well as potential availability disruption on sunflower oil as Russia and Ukraine collectively account for more than 70% of global sunflower oil trade (according to USDA).

On the ASEAN front, equity markets closed the month under review with mix performances. Malaysia's FBMKLCI tapered by 1.3% mom led by profit-taking activities due to concerns of trade sanctions against Russia. March 2022 saw the third month of consecutive net equity buying amounting to RM3.3b, bringing YTD inflows to approximately RM6.5b. From an economic standpoint, Malaysia's January industrial production growth weakened to +4.3% yoy from a growth of +5.8% yoy in the previous month. February manufacturing PMI strengthened to 50.9 as compared to 50.5 a month ago. On the other hand, the Stock Exchange of Thailand advanced by +0.6% mom following a higher Markit manufacturing PMI reading of 52.5 in February, from 51.7 in the previous month. The Bank of Thailand kept its Benchmark Interest Rate at 0.50%, unchanged since May 2020. Indonesia's Jakarta Composite Index rose by +2.7% mom despite a lower Markit manufacturing PMI reading of 51.2 in February as compared to 53.7 in the previous month. The Indonesian central bank held its 7 - day repo rate stable at 3.5% in its March meeting, unchanged since February 2021. Singapore's Straits Times Index grew by +5.1% mom following a rebound in industrial production growth of +16.6% mom in February from a decline of 10.7% mom in January. Nonetheless, its February PMI reading was slightly weaker at 50.2 as compared to 50.6 in January. Its February Non-oil Domestic Exports also contracted by 2.8% mom as compared to a growth of +5.0% mom in the previous month.

The 15-16 March 2022 FOMC meeting saw the target fed funds rate raised by +25bps to 0.25%-0.50%, the first hike since December 2018, with the median 2022 dot suggesting +175bp hikes. US treasuries cheapened further when Fed Chair Jerome Powell hinted at an imminent +50bps rate hike(s) in the coming FOMC meetings. The US curves bear flattened while shifting higher as the overall benchmark yields jumped +29bps to +88bps across the curve.

Market Review & Outlook

Market Review

The Malaysia Government Securities (MGS) curve shifted upwards mom as yields gyrated higher between +10bps to +47bps. The 3y MGS at 3.18% was the biggest mover of the month due to the larger-than-expected RM5.5b auction size for the MGS reopening. The auction drew a decent 1.66x book-to-cover at an average yield of 3.239% and a high of 3.255%. The 10y MGS yield also touched a high of 3.96% on 28 March 2022 before closing the month lower at 3.85%. As expected, BNM left the Overnight Policy Rate (OPR) unchanged at 1.75% at the 3rd March Monetary Policy Committee (MPC) meeting, i.e. for the 10th consecutive MPC meeting since July 2020. In the BNM Annual Report 2021, BNM forecasted that the headline inflation would hover between 2.2% and 3.2% in 2022, from 2.5% in 2021. It was highlighted that monetary policy support would need to be balanced against maintaining low-interest rates for a prolonged period as it will lead to financial imbalances, especially when most central banks are already normalising.

Foreign funds Ringgit bond holdings fell by RM4.0b in March (February: +RM3.1b). Foreign share of both MGS and MGS+MGII decreased marginally to 38.8% (February: 39.3%) and 25.5% (February: 25.8%) respectively. Foreign reserves were down USD0.2b mom to USD115.6b at end-March 2022.

Market Outlook

Globally, geopolitical tensions between Russia and Ukraine remains center stage as pressure for more sanction mounts while numerous attempts for a resolution failed to yield significant progress. China's recent decision to lockdown the entire city of Shanghai, adhering to its zero Covid-19 policy, is evident that Covid-19's impact is not over. Nonetheless, Malaysia had transitioned to endemic phase of Covid-19 on 1 April 2022 with relaxation of certain standard operating procedures (SOPs) such as restrictions on business operating hours abolished and no limit on the number of people allowed in the workplace. Malaysia had also reopened its borders on 1 April 2022, dropping quarantine requirements for people vaccinated against Covid-19.

For equities, we would continue to adopt a prudent yet sensible posture towards our equity market's longer term growth trajectory and, where opportunities arise, would direct monies into fundamentally good investments. That said, during this period of nascent economic recovery, we would be partial towards robust growth sectors but should remain watchful for any changes in market environment which might necessitate a realignment of investment direction. We might also at times assume a degree of trading bias to take advantage of any market volatility.

Locally, bond yields are expected to trend higher in tandem with the UST yields. The markets have been jittery over the aggressive Fed rate hike path as upside risks to inflation looms, while there are downside risks to growth as the ongoing Ukraine conflict is set to further worsen the global supply chain constraints. Although our monetary policy is expected to remain accommodative to support a sustainable economic recovery, BNM is cognizant of the consequences of keeping interest rates low for an extended period. Hence, BNM is keeping a watchful eye on inflation during this recovery. Consequently, any potential adjustment to the degree of accommodation will remain data-dependent and undertaken in a measured and gradual way to preserve an appropriate level of support to the economy. Following the recent selloff, we think the risk-reward of MGS has improved with the MYR rates market well priced for BNM normalisation. We remain cautious of the bond market volatility arising from both external and internal fronts, which would impact local yields. We would maintain our strategy to accumulate bonds at favourable valuations skewing towards good quality names but will only extend duration in liquid papers at fair valuations.

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.

On top of regulatory limits imposed by Bank Negara Malaysia, Allianz Life have put in place tight internal investment limits for all asset classes to ensure that the Fund does not take on excessive risk, while recognizing there cannot be total elimination of risks associated with investing in the Fund. The following is a non-exhaustive list of key risk factors when investing into the Fund.

- **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 regular and rigorous reviews of macroeconomic factors and asset allocation strategy.

- **Interest Rate Risk** – Interest rate risk arises when the value of the debt instrument fluctuates due to interest rate movements. When interest rate rises, the debt instrument prices generally decline and this may lower the market value of the investment. The reverse may apply when interest rate falls. Debt instruments with longer maturities and lower coupon rates are more sensitive to interest rate changes. This risk may be mitigated by regular and rigorous reviews 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 regular and rigorous reviews of macroeconomic, socio – politic and regulatory factors as well as adopting an appropriate asset allocation strategy.

- **Currency Risk –** For foreign investments, fluctuations in currency exchange rates may have an impact on the value of the Fund's investment assets. This risk may be managed by engaging in foreign currency hedging.

- **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 managed through portfolio diversification and control on sector concentration risk.

- **Company Specific Risk** – The asset values of securities may be affected by company-specific factors, some of which include volatile business situations, adverse financial conditions and poor corporate governance. This risk may be contained through appropriate portfolio diversification, prudent investment selection and better control on investment concentration risks.

- **Credit and Default Risk** – This relates to the creditworthiness of the issuers of the debt and money market instruments as well as their abilities to make timely payments of interest and principal. Any adverse situations faced by the issuer may impact the value of the fund as well as the liquidity of the debt instrument or money market instrument. This risk is managed through appropriate portfolio diversification, stringent credit selection and control on sector as well as credit concentration risks.

- **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. Appropriate portfolio diversification, control on investment concentration limits taking into account liquidity constraints and regular monitoring could help mitigate the said risk.