

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	3.79%	2.25%
6 months	5.65%	1.39%
1 year	7.11%	1.43%
3 years	8.34%	-6.04%
5 years	53.59%	10.81%
YTD	3.79%	2.25%
Since Inception (Annualised)	11.42%	3.72%

* Source: Bloomberg

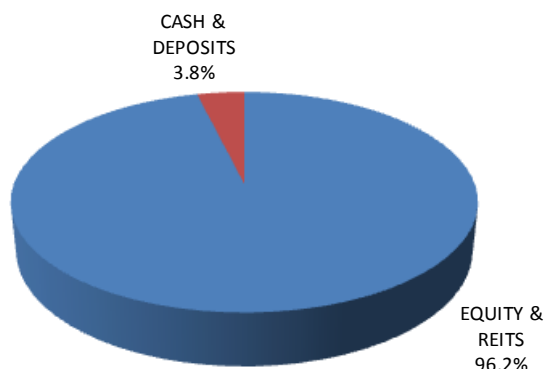
The above performance is calculated in Ringgit Malaysia on a NAV-to-NAV basis. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the investment-linked product. Past performance is not an indication of future performance.

Key Fund Facts

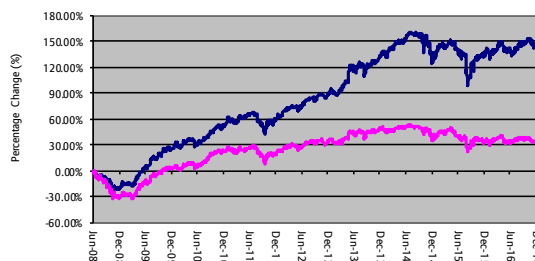
Fund Size	RM63.493 million
Risk Profile	Moderate
Launch Date	13 th June 2008
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit ¹ - Bid (as at 31st January 2017)	2.545
Management Fee	0.00% p.a
Other Charges ²	Include but not 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.

Portfolio Composition by Asset Type



Performance Since Inception



Top Holdings (Equities)

Company	% NAV
MALAYAN BANKING BERHAD	7.87%
TENAGA NASIONAL BERHAD	6.11%
GENTING BERHAD	5.81%
CIMB BERHAD GROUP	5.63%
MY EG SERVICES BERHAD	5.50%

Disclaimer:

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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.

Market Review & Outlook



Bond Market Review

In US, the market remained guarded ahead of Trump's inauguration, and awaited more clues on his fiscal policies. The cautious sentiment eventually pushed yields to the higher ranges in late January. Monthly yield changes for UST benchmarks were +1bp for 2y, -2bps for 5y, +1bps for 10y and -1bp for 30y. On the monetary policy front, the Fed maintained the target range for its key policy rate unchanged at 0.5% - 0.75%. Policymakers opened US labour market continues to strengthen, whilst economic activities are poised to expand at a moderate pace. Consumer and business sentiments have shown improvements, with inflation potentially rising to 2.0% over the medium term. US PMI readings continue to expand further, with latest services and composite at 55.6 (previous: 55.1) and 55.8 (previous: 55.4) respectively.

Back home, the MGS curve steepened as the 3y and 5y yields were lower by 31bps and 20bps respectively, and the 10y down 10bps to 4.12%. MGS were dealt mixed early in the month as market players trade cautiously in lieu of the developments surrounding Trump. Despite the cautious tone, the stability in MYR coupled with the dissipating USD strength versus other Asian currencies, brought a return of some foreign demand closer to month end. Interest from onshore real money remained supportive as seen from the strong bid-to-cover of 3.4x for the recent new 10y GII 7/27 tender. Meanwhile, foreign holdings of MYR bonds eased to 32.1% (lowest since Mar 2016) versus 33.2% in November. On the macro side, Malaysia's December CPI remained unchanged mom at 1.8% yoy as higher food prices were offset by the lower transport cost. December IPI meanwhile grew at a more moderate pace of 4.7% yoy (November: 6.2%) as lower manufacturing and electricity growth offset the faster expansion in mining.

Bond Market Outlook

Going forward in 2017, we view further upside risk to bond yields due to Ringgit vulnerability and higher US bond yields to be limited given that the bond valuation has normalized with average real bond yields of at least 1%. Furthermore, domestic inflation which is expected to remain benign and domestic monetary policy which is likely to remain accommodative to support domestic growth activities could counter external growth risks arising from factors such as potential US trade protectionism, impending trigger of Article 50 in UK following Brexit, geopolitical risks in the Europe region due to multiple national elections and property bubble risks in China. Meanwhile, the much anticipated positive growth impact from Trump expected growth measures has yet to be delivered and proven. Therefore, while we are cautious on the bond market, we are more inclined to accumulate bonds skewing towards high quality and liquid names.

Equity Market Review

Global equity markets started off well in 2017 as optimism about Trump's pro-growth policies lifted financial markets, as shown by the MSCI World Index which gained 2.35% mom in January 2017, the third month of consecutive uptrend. In the US, President Trump brought some of his promises into reality just during his first week in office, notably the order to exit US from TPPA. Wall Street reignited the "Trump rally" and pushed Dow Jones to break its 20,000 mark for the first time ever, gaining 0.51% mom, on hopes that Trump's plan to lower corporate taxes, deregulate businesses and increase government spending would boost the economy.

On the other hand, Eurozone equities underperformed with the European Stoxx 50 Index retracting by 1.82% mom, due to rising political risk from the upcoming French election. In China, the equity markets responded positively to series of policy actions announced by PBOC to reduce capital outflow, such as the providing temporary liquidity facilities (TLF) to large commercial banks via a temporary RRR cut, medium-term lending facility (MLF) injections and the raising of MLF interest rate. China's Shanghai Composite Index rose 1.79% mom during the period.

Back to ASEAN, most of the countries enjoyed fair gains except for Indonesia's Jakarta Composite Index which lost marginally by 0.05% mom after a strong surge in Dec 2016, as data showed lacklustre sales, production and investment trends. Singapore emerged as the best performer in the region, with the Straits Times Index posting a gain of 5.76% mom in January while SGD appreciated 3% against USD. This came after the encouraging Industrial Production (+6% mom), manufacturing PMI (50.6 from 50.2) and stronger trade data (on stronger Chinese demand). In Thailand, the Stock Exchange of Thailand Index continued to trend up, +2.23% mom as modest rebound in exports, higher commodity prices and continued pump priming by the authorities have added some momentum to the economy. Lastly, the Kuala Lumpur Composite Index started the year with a modest gain of 1.82% mom due to a sharp rebound in exports. Measures introduced by Bank Negara Malaysia (BNM) earlier (exporters could only retain 25% of export proceeds) seemed to bear fruit with Ringgit strengthened by 1.29% mom to RM4.43/USD. Foreigners were net buyer of our equity market to the tune of RM419m.

On the commodities front, after a sharp rally in the last 2 months, Brent retraced marginally by 1.97% mom to US\$55.70/bbl. OPEC was reported to have cut 1.5m bpd in January, from the agreed cut of 1.8m bpd, which suggested a more than 80% adherence to its production curb plan. Meanwhile, crude palm oil (CPO) prices continued to strengthen (+0.37% mom to RM3,230/t) on the back of seasonal low production season.

Equity Market Outlook

Malaysia has been experiencing lacklustre earnings growth and index performances for the last 3 consecutive years. Foreign investors have sold close to RM30bn worth of shares in the last 3 years which caused foreign shareholding in the equity market to fall to below 23% from its peak of >25%. With that, we believe that the risk of weak earnings has been substantially priced in and corporate earnings are expected to improve in 2017. We have also noticed the return of foreigners to the equity market with a net inflow seen in January. The series of moves by BNM such as the prohibition on NDFs (non-deliverable forwards) and the required conversion of 75% of exports proceeds to Ringgit have certainly helped in maintaining stability of the currency. Nonetheless, the near-term trading environment could remain volatile with uncertainties from external fronts such as European political risks, Trump's potential trade policies and sluggish China's growth. However, we believe the strong commodity prices (crude oil and CPO) would remain supportive of Malaysia's economy. We continue to seek out good long term investment opportunities and would certainly explore more of mid-and-small market capitalisation stocks given the special fund set up by government (as announced in Budget 2017) to invest more in this space.

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)