

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	0.55%	0.17%
6 months	18.68%	9.35%
1 year	22.17%	8.87%
3 years	13.27%	-3.50%
5 years	63.58%	12.73%
YTD	18.68%	9.35%
Since Inception (Annualised)	12.52%	4.32%

* Source: Bloomberg

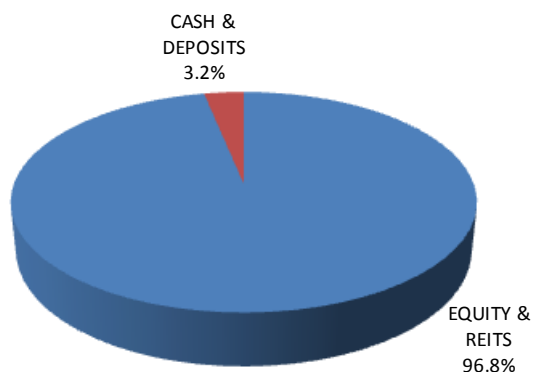
The above performance is calculated in Ringgit Malaysia on a NAV-to-NAV basis. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the investment-linked product. Past performance is not an indication of future performance.

Key Fund Facts

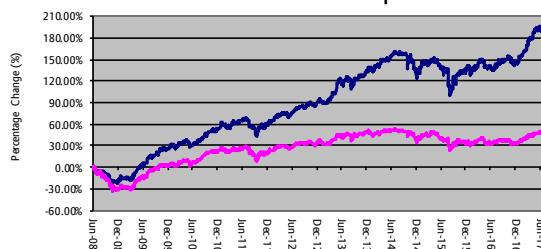
Fund Size	RM72.617 million
Risk Profile	Moderate
Launch Date	13 th June 2008
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit ¹ - Bid (as at 30th June 2017)	2.910
Management Fee	0.00% p.a
Other Charges ²	Include but not limited 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)

Equity	% NAV
MALAYAN BANKING BERHAD	9.59%
CIMB BERHAD GROUP	6.46%
GENTING BERHAD	5.52%
TENAGA NASIONAL BERHAD	5.35%
MY EG SERVICES BERHAD	4.84%

Disclaimer:

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Market Review & Outlook



Bond Market Review

The Fed raised its short term interest rate benchmark by 25bps for the 3rd time within a year. The Fed mentioned that economic growth was only moderately rising in 2017 possibly reflecting a weaker 1Q2017 GDP growth. Based on its latest economic projection numbers, Fed policymakers' aggregate PCE inflation forecast for 2017 was slashed down to a median +1.7% (from +1.9% in the numbers released after the Mar FOMC). Also, the Fed has come out with a broad plan to reduce its holdings of Treasury and agency securities, but said this comes only once 'normalization of the level of the federal funds rate is well under way'. The unwinding of the Fed's QE also lends further support that Fed interest rate hikes will be gradual. However, UST weakened amid a steepening move in the second half last month with the 3-year UST ended 2bps lower at 1.26% and the 10-year UST was 8bps higher at 2.28%. This was on rising confidence in global growth and from hawkish comments from ECB. The central bank chief Mario Draghi signaled his confidence in improved inflation and economic growth, and this hinted the reversal in ECB's QE.

The Malaysian Government Securities (MGS) curve steepened during the month undoing part of the gains in May, whereas the short end of the curve trended lower. The 3-year MGS fell 7bps to 3.21% mom while the 10y MGS yields rose 18bps mom to 4.05% on thin liquidity. June also saw a slowdown in issuances from both the govies and corporate space in light of the shorter trading days and Hari Raya holiday stretch. Domestic data releases were mixed. Malaysia's exports met market expectation with 20.6% yoy growth in Apr, while imports expanded by a smaller 24.7% yoy. Industrial production expanded at 4.2% yoy in Apr, below 4.8% yoy projected earlier. Elsewhere, May CPI registered at 3.9% yoy in May, lower than consensus 4.1% yoy. Foreign ownership grew another MYR 10.1bn which brings up foreign ownership of MGS outstanding to 41.8% from 39.7% previously, and the total foreign ownership of government bonds outstanding to 27.5% as of May. The World Bank also revised Malaysia's GDP forecast for 2017 to 4.9% (+0.6%).

Bond Market Outlook

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 since Trump election and Bank Negara Malaysia had taken certain measures to stabilize the MYR. Although headline inflation is projected to be higher in 2017 on the back of higher oil prices, cost-driven inflation is not expected to have a significant impact on the broader price trends given the stable domestic demand conditions. Economic growth has been revised upwards to 5% in 2017 (2016: 4.2%) supported by stable domestic demand and better external exports. Hence, domestic monetary policy which is likely to remain accommodative to support domestic growth activities could counter external growth risks arising from policy actions and geopolitical risks. 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. We do not expect any OPR hike for 2017.

Equity Market Review

Global markets continued to rally as the MSCI World Index hit a record monthly close of 1916.43 after rising by another 0.25% mom. In the US, the strength of its economy as evinced by the falling unemployment rate, helped equities to remain resilient amid the Federal Reserve rate hike and saw the Dow Jones Index rising by 1.62% mom during the month under review. Nonetheless, it is noteworthy to cite that the International Monetary Fund has cut its 2017 US growth forecast to 2.1% from 2.3% due to tax reform policies and fiscal spending uncertainties. Over in Europe, the Stoxx50 Index fell by 3.17% mom as European equity markets reacted poorly to the nascent signs of a shift in the European Central Bank's (ECB) stance towards unwinding its quantitative easing efforts. In addition, there was a heightened sense of uncertainty in the UK after the unexpected result of its snap election threatened to increase the complexity of its Brexit negotiations. On the other hand, China's Shanghai Composite Index surged by 2.41% mom after the Chinese equities have finally obtained entry into the MSCI benchmark emerging markets index.

During the month under review, commodity prices were lacklustre with Brent oil price dipping 4.8% mom to USD47.92/ bbl. This was despite the OPEC and non – OPEC countries agreeing to extend its output cut of 1.8m bbl/ day by another 9 months to Mar 2018. Crude palm oil prices also dropped 5.6% mom to RM2596/ ton on expectations of rising inventory and production from Aug 2017 onwards.

In the ASEAN region, Indonesia's Jakarta Composite Index was the best performer with a 1.60% mom jump. The country's equity market was bolstered by its central bank's assessment that economic momentum was improving and that GDP growth would likely accelerate in 2Q17 on the back of stronger export growth and increase investments. The Stock Exchange of Thailand also rose by 0.84% mom. Despite its subdued domestic economy, the country enjoyed boosters from the external economic drivers such as tourism and trade. In Singapore, the Straits Times Index also grew by 0.49% mom helped by corporate actions in the telecommunications sector. In contrast, Malaysia's FBMKLCI fell by 0.12% mom. This was due in part to the aforementioned lower oil prices and easing mom exports and industrial production growth data for April 2017. MYR exchange rate had also weakened to RM4.2928: USD1 from RM4.2813: USD1 a month ago.

Equity Market Outlook

The Malaysian equity market has risen by 7.4% on a YTD basis but we are cognisant of the risks that lie in 2H17 which include US rate hikes, external growth risks as well as geopolitical uncertainties. In addition, US Federal Reserve and ECB's policymakers have begun posturing for the eventual unwinding of their quantitative easing stimulus programs. However, we remain positive on the Malaysian equity market over the longer term as its growth is being underpinned by improving earnings growth momentum, potential government linked companies' (GLC) restructuring and an increase in pump priming activities such as the LRT3, Gemas – JB double track as well as the East Coast Rail Line. Taken together, we will continue with our strategy of seeking out good long term investment opportunities including those in the small – medium capitalisation 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)