

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	7.11%	5.63%
6 months	-11.24%	-4.92%
1 year	-3.44%	1.84%
3 years	18.82%	7.35%
5 years	27.35%	3.24%
YTD	-7.52%	-1.54%
Since Inception (Annualised)	10.70%	4.00%

* Source: Bloomberg

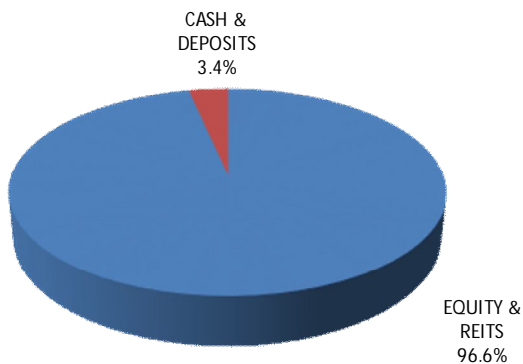
The above performance is calculated in Ringgit Malaysia on a NAV-to-NAV basis. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the investment-linked product. Past performance is not an indication of future performance.

Key Fund Facts

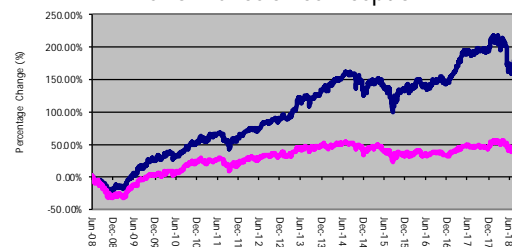
Fund Size	RM67.708 million
Risk Profile	Moderate
Launch Date	13 th June 2008
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit ¹ - Bid (as at 31st July 2018)	2.803
Management Fee	0.00% p.a
Other Charges ²	Include but not limited 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	11.06%
TENAGA NASIONAL BERHAD	10.40%
CIMB BERHAD GROUP	6.25%
GENTING BERHAD	5.87%
IALOG GROUP BERHAD	4.57%

Disclaimer:

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Market Review & Outlook



Bond Market Review

For the month under review, US Treasury (UST) yields ended higher in a bear flattening manner with the 2y UST up 14bps to 2.67% and 10y up 10bps to 2.96%. Factors leading to the rise in yields were the anticipation of stronger 2Q US GDP, gains in US equity stocks and the release of FOMC minutes that reaffirmed Fed's intention for a gradual rate increase despite the economic risks posed by trade protectionism. Meanwhile, markets were also jittery over the sell-off in Japanese government bonds (JGB) which saw the 10y JGB yield more than doubled to 0.086% on speculation that the Bank of Japan (BOJ) would loosen up its yield-curve control policy at its 31st July meeting.

The Malaysian Government Securities (MGS) yield curve rallied 3-13bps as noises in the external market such as US-China trade war and CNY weakness were more than negated by stronger local support and fading negative news flow in politics and changes in the public and private sector. After three consecutive months of foreign outflows in the Ringgit bond market, foreign funds finally turned net buyer with an inflow of RM4b in July which increases foreign share holdings of MGS to 40.5% (June: 40.1%). YTD outflows hence narrowed to RM16.9b from RM20.9b in the earlier month. The 10y MGS ended 13bps lower at 4.07%.

The Ringgit weakened 0.7% mom to 4.0652: USD1.00 as a result of the depreciation in CNY that led to weaker regional currencies. Latest trade surplus in May narrowed to USD2.1b from USD3.5b in April following the stronger rise in import while the June CPI came in lower than expected at 0.8% yoy (survey: 1.3%) as a result of the zero-rating of the GST which began 1st June. As anticipated, BNM left the OPR unchanged at 3.25% in July. The MPC statement which sounded more dovish amid risk to inflation and growth continued to support market's view that OPR is likely to remain unchanged for remainder of 2018.

Bond Market Outlook

We expect market tone to remain cautious for the coming months post GE14, whilst the much-watched UST 10y movements will remain a key market influence with the pending US rate hike(s). Investors are expected to look out for further leads as interest in government securities is gradually seen to pick-up amid a stable USD/MYR backdrop, buoyed by anticipation of no rush in further rate hike by BNM. We would remain cautious of possible bond market volatility arising from both local and global developments. We are more inclined to accumulate bonds skewing towards high quality and liquid names as yields trended higher.

Equity Market Review

The global equity market rebounded during the month under review as evinced by the MSCI World Index which rose by +3.05% mom. In the US, the Dow Jones Index jumped by +4.71% mom on the back of a better economic backdrop. In July 2018, the US reported its 2Q annualised GDP growth of +4.1% qoq, manufacturing Markit US Purchasing Managers' Index of 55.4 which reflected increasing business confidence while the consumer price index rose to +2.9% yoy, well within the Federal Reserve's 2% target. The Federal reserve also signalled that the job market was strengthening, economic activities had been improving and they decided to keep interest rates unchanged in July 2018. However, there were indications that there could be rate hikes coming in 2H18. On the other hand, the European Stoxx 50 Index rose by +3.83% mom as the Eurozone also boasted of an expansionary Markit Eurozone Purchasing Managers' Index at 54.9 while the ECB decided to keep interest rates also unchanged during the month. However, the ECB also reiterated its stance on ceasing its quantitative easing activities by end 2018. The Chinese Shanghai Composite Index which only rose +1.02% mom, underperformed its Western peers as it experienced some volatility due to the trade war risk concerns emanating from the US. Apart from that, the People's Bank of China cut the reserve requirement ratio by 50 bps to encourage bank lending while the authorities announced some fiscal measures such as tax cuts to bolster its economy.

During the month under review, Brent oil eased 6.5% mom to USD74.25/ bbl. Oil price declined due to supply increase on the back of the OPEC June 2018 decision to boost production and concerns that a US – China trade war could hamper crude oil demand. Furthermore, Russian and other producers also echoed that they could still ramp production if needed. Similarly, crude palm oil (CPO) dropped by 7.2% mom to RM2132/ MT as it continued to be dragged by the lacklustre soy bean prices which in turn was hampered by higher tariffs arising from the aforementioned US – China trade dispute.

In the ASEAN region, the Stock Exchange of Thailand enjoyed that largest rebound, surging +6.66% mom as the Bank of Thailand (BoT) raised its 2018 GDP growth forecast for Thailand to 4.4% from 4.1% late last month. In addition, its Finance minister stated that the country could refrain from raising its policy rate as the THB had weakened at a slower pace versus regional peers and capital outflows were not expected to be a major risk. The FBMKLCI also reversed its downturn by climbing +5.48% mom due to bargain hunting and the tapering of net foreign equity outflows which fell 65.9% mom to RM1.7b. Even the smaller market capitalisation stocks tracked their larger peers with the FBM Small Cap Index rising by +5.43% mom. Meanwhile, the Ringgit continued to slide to RM4.0652: USD1.00 from RM4.0385: USD1.00 a month ago. Over in Indonesia, the Jakarta Composite Index increased by 2.37% mom as it enjoyed a reprieve after 5 months of consecutive net foreign equity outflows. After a total of 100 bps increase in policy rate over the past 2 months, the Bank of Indonesia maintained its policy rate at 5.25%. Nonetheless, the IDR continued to weaken to Rp14414: USD1.00 from Rp14330: USD1.00 a month ago. Lastly, Singapore's Straits Times Index also edged up +1.56% mom despite its 2Q18 GDP growth (advance estimates) easing to 3.8% yoy from 4.3% yoy in the previous quarter.

Equity Market Outlook

As we approach the 100th day of the new Pakatan Harapan government, we keenly await further clarity on their economic reforms and the fates of a number of mega – projects, e.g. LRT3, East Coast Railway Link and High Speed Rail which could help underpin a measure of GDP growth. All the same, we are cognizant of the volatility due to the fact that the global backdrop is one of rising Fed rates and normalisation of global central banks' monetary policies. Despite that, Malaysia's intrinsic economic fundamentals remain robust, supported by healthy commodity prices and a nascent recovery in consumer spending. Hence, we maintain our cautiously optimistic stance and bottom – up strategy of selecting fundamentally good investments for the longer term.

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)