March 2019

Allianz Life Master ASEAN Plus Fund

Investment Objective

The fund aims to provide medium to long term capital appreciation by investing primarily in ASEAN equities and equity-related securities.

Investor Profile

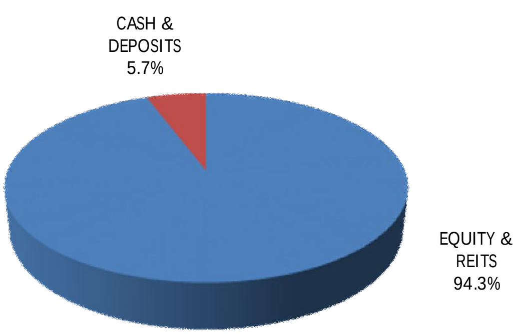
The fund is suitable for investors who are looking for a fund that invests primarily in ASEAN investments, seek moderate to high capital appreciation, have moderate to high risk tolerance, and have medium to long term investment horizon.

Performance Indicator

	Master ASEAN Plus Fund	Benchmark: ASEAN40* (USD)	Benchmark: ASEAN40* (MYR)
1 month	0.97%	-1.03%	-0.86%
6 months	-5.00%	0.28%	-1.29%
1 year	-9.65%	-8.70%	-3.56%
3 years	10.97%	18.97%	23.40%
5 years	23.67%	1.36%	28.30%
YTD	5.73%	3.75%	2.13%
Since Inception (Annualised)	4.22%	-0.22%	4.64%

* 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.

Portfolio Composition by Asset Type

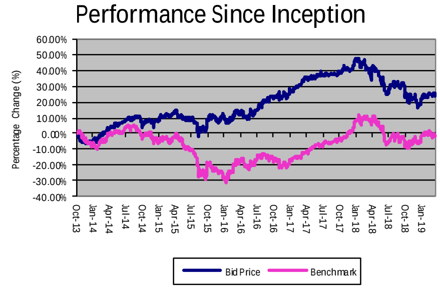


Key Fund Facts

Fund Size	RM4.693 million
Risk Profile	Moderate to high
Launch Date	11th October 2013
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit[1] - Bid (as at 31st March 2019)	0.627
Management Fee	0.00% 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.

Performance Since Inception



Top Holdings (Equities)

Top Holdings (Equities)	% NAV
DBS GROUP HOLDINGS LTD	7.27%
UNITED OVERSEAS BANK (M) BERHAD	6.46%
OCBC BANK (MALAYSIA) BERHAD	5.67%
TENAGA NASIONAL BERHAD	5.13%
BANK CENTRAL ASIA TBK PT	4.57%

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Market Review & Outlook

Allianz

Bond Market Review

Investors were generally cautious over trade tensions and Brexit, while anxiety increased over slower global growth as major central banks lowered their growth forecast. US Treasury (UST) 10yr yields fell 31bps closing the month at 2.41% with the 10-2yr spread flattening -6bps. The UST curve has already steepened in the forwards while the spot curve has flattened, suggesting that the market has priced in a rate cut(s). The combination of an even more dovish Fed than expected and continuing disappointments in global economic data continued to push bond yields lower. The Fed has now changed its expectations of 2 rate hikes in 2019 to keeping rates unchanged for the rest of the year which was an abrupt halt to what had been five consecutive quarters of rate hikes. The recent FOMC statement noted indicators of slower growth of household spending, and a new observation that headline inflation has declined. In the updated economic projections, growth was nudged down a little while the unemployment rate was revised up 0.1-0.2%pt over the forecast horizon.

Malaysian government bond yields have largely tracked UST yield movements, with yields falling 12-21bps across the curve. The 10year Malaysian Government Securities (MGS) closed the month 12bps lower at 3.77%. The MGS rally in March exceeded expectations, largely due to Bank Negara Malaysia's (BNM) dovish tilt cautioning downside risk to growth. In the latest BNM Annual Report which was released on 27 March, the official real GDP growth forecast has been reduced to 4.3-4.8% from 4.9% previously. The local bond market remained supported by local institutions with sustained foreign flows albeit a slower pace in March. Foreign funds bought RM2.9b of Ringgit bonds in March (Feb: RM4.5b), bringing foreign share of MGS and GII to 38.7% (Feb: 38.3%) and 23.7% (Feb: 23.6%) respectively. Auctions bids had been solid in 1Q19 with cover ratios averaging 2.74x, the highest quarterly average in the past five years.

Bond Market Outlook

With increasing evidence of global economy slow down and signs of major central banks showing the willingness to maintain or even expand monetary accommodativeness, we would expect the yield curve to bull flatten as investors turn towards extending duration for yield. Locally, BNM has also made reference to downside risk to growth and will assess the balance of risks surrounding the outlook for growth and inflation. The 4Q18 GDP growth was still holding up at 4.7%, but a preemptive move cannot be ruled out especially if the BNM foresees heightened risks. The current market has somewhat priced in one rate cut which results in the MGS levels being rather expensive. Hence, any significant downside to yields is likely to be capped as profit taking activity emerges. We would continue to remain cautious of possible bond market volatility arising from both local and global developments. We maintain our strategy to accumulate bonds skewing towards good quality names, while we extend some duration in liquid papers at fair valuations.

Equity Market Review

The MSCI World Index continued its third monthly gain this year to rise by +1.1% mom in March 2019, on the back of positive sentiment from the progress of the US-China trade talk. Despite a large majority of FOMC participants expecting no interest rate hike this year, down from a median projection of two hikes in December 2018, the Dow Jones Index only increased slightly by +0.1% mom. This could be due to the inversion of one of the most closely watched measures of the Treasury yield curve, the spread between 10-year and 3-month interest rates, as it often precedes recessions. On inflation, the CPI came in lower at 1.5% yoy in February as compared to 1.6% yoy in January. US non-farm employment growth was weak in February with only 20,000 jobs added during the month but unemployment rate declined 0.2 ppt to 3.8% and average hourly earnings were up +3.4% yoy. During the same period, the Stoxx 50 Index managed to record a gain of +1.6% mom. The Euro area retail sales rebounded +1.3% mom in January from a decline of -1.4% mom in December. In addition, consumer confidence edged up for the fourth consecutive month in March. The Euro area Industrial Production also rebounded to +1.4% mom in January as compared to a contraction of -0.9% mom in December. Meanwhile, China's Shanghai Composite Index climbed by +5.1% mom despite a lower GDP growth target from a year ago. The China National People's Congress' work report lowered its 2019 GDP growth target to a range of 6.0%-6.5% from "around 6.5%" in 2018. The government's fiscal budget deficit target for 2019 is 2.8% with higher special local government bond quota and a 2 trillion CNY tax cut.

Brent oil price continued its upward momentum in March 2019 by surging +3.6% mom to USD68.39/bbl, supported by OPEC+ production curtailment targets, supply risks from Venezuela and Libya, and improved sentiment surrounding the US-China trade talks. Additionally, EIA lowered its 2019 crude production forecast by 110k bpd to 12.3m bpd as drillers lowered production in smaller shale plays and in the US Gulf of Mexico. Crude palm oil price rebounded from February to gain by +4.5% mom to RM2,001/ MT on the back of higher oil price as well as expectations of lower production in 2019 as compared to 2018.

During the month under review, the ASEAN equity markets' performance was mixed. Indonesia's Jakarta Composite Index climbed by +0.4% mom amidst net foreign inflows of USD118m in March, bringing YTD foreign inflows to USD845m. The rupiah depreciated by -1.22% mom to USDIDR 14,241. Indonesia's PMI edged up to 50.1 in February as compared to 49.9 in January. Meanwhile, Singapore's Straits Times Index returned flat mom. Consumer Staples and Real Estate sectors were index outperformers while Consumer Discretionary and Financials were the laggards. From an economic standpoint, Singapore's Industrial Production inched up +0.7% yoy but -4.1% mom in February. On the flip side, The Stock Exchange of Thailand (SET) declined -0.9% mom dragged mainly by the Financials, Consumer Staples, and Materials sectors. Sentiment was dampened ahead of its country's first election since 2014. The Thai Baht depreciated by -0.71% mom to USDTHB 31.74. The Bank of Thailand held the benchmark policy rate stable at 1.75%. Lastly, Malaysia's FBMKLCI retraced by -3.8% mom on the back of MYR1.6b foreign outflows, bringing YTD foreign outflows to MYR1.3b. February CPI declined by -0.4% yoy but up by +0.2% mom on higher pump petrol prices. Malaysia's PMI deteriorated to 47.6 in February as compared to 47.9 in January. Nonetheless, Moody's affirms Malaysia credit profile rating at A3.

Equity Market Outlook

Since December 2018, the US and China have been in constant talks to end the trade war between both countries. Signs of progress has been made since then and the US president recently commented that a deal could be struck as soon as four weeks from early April. Amidst cautious stance from the ECB and continued dovish shift of the Fed, global monetary policy should continue to be accommodative. Malaysia's GDP growth rate should benefit from the rebound in oil prices and the government's efforts in stimulating the economy via the resumptions of several stalled construction projects with significant multiplier effects such as the LRT3, MRT2 and potentially the East Coast Rail Link, albeit at revised lower costs. We remain cautiously optimistic on the market and will stay our course in selecting fundamentally good long term investments. We will also realign our investment direction so as to be in step with the changing market environment.

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)