

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.

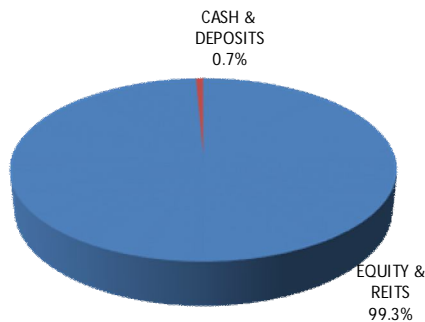
Performance Indicator

	Master Dividend Fund	Benchmark: FBM 100*
1 month	-0.43%	-1.87%
6 months	4.52%	-1.14%
1 year	-8.38%	-8.10%
3 years	6.60%	1.15%
5 years	-1.04%	-9.78%
10 years	122.92%	43.14%
YTD	6.73%	-0.26%
Since Inception (Annualised)	8.84%	2.85%

* 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

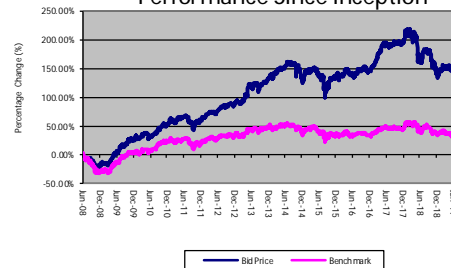


Key Fund Facts

Fund Size	RM70.076 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 2019)	2.568
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.

Performance Since Inception



Top Holdings (Equities)

Equity	% NAV
MALAYAN BANKING BERHAD	10.78%
TENAGA NASIONAL BERHAD	10.13%
CIMB BERHAD GROUP	6.25%
DIALOG GROUP BERHAD	5.56%
GENTING BERHAD	5.06%

Disclaimer:

This fact sheet is prepared by Allianz Life Insurance Malaysia Berhad (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. 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.

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.

Bond Market Review

Generally, the month of July saw the global space being filled with events, where market players were closely watching over the UK PM election, with Boris Johnson elected as the UK's new prime minister. Both the European Central Bank and US Federal Reserve tilted into a somewhat less dovish tone, despite acquiescing that there were downside risks to growth. Nevertheless, with global growth still vulnerable to the heightening trade tension between US-China, monetary policies are expected to be supportive of global bonds including UST. The Fed cut rates by 25bps in its July FOMC meeting to a current level of 2.00%-2.25%. While this was largely anticipated by markets, the less dovish than expected comments by FED resulted in some sell-off in short to medium tenured UST.

In Malaysia, foreign funds remained net buyers of local debt securities with total net inflow of +MYR5.7b (Jun: +MYR6.6b). Monetary easing by global and regional central banks drove the hunt for yields across the regional markets. Foreign share of MGS and MGS+GII increased to 38.3% (Jun: 36.9%) and 23.0% (Jun: 22.3%) respectively as at end-July. MGS rallied during the month in a bull-flattening manner with benchmark yields closing 13bps lower on the longer end. The 10-year MGS was 6bps lower at 3.57%.

Malaysia's external reserves stood at USD103.9b as of end-July, an increase of USD1.2b MoM (Jun: USD102.7b). BNM's net short forward positions, narrowed to USD14.7b net short in June (May: USD15.7b net short). The Ringgit strengthened by 0.13% MoM against the USD with USDMYR pair reaching 4.127 at end-July (Jun: 4.132). As expected, BNM maintained OPR at 3.00% during July MPC meeting but the policy language hints at a dovish slant due to concerns over external growth backdrop.

Bond Market Outlook & Strategy

With increasing risk of global economic slowdown and major central banks showing their willingness to maintain or even expand accommodative monetary policies, any significant downside movement to bond prices is likely to be capped. We would continue to remain cautious of possible bond market volatility arising from ongoing uncertainties in both local and global developments. Locally, the key events to watch out will be BNM policy decision in September and WGBI index announcement. 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

For the month under review, the MSCI World Index recorded a gain of 0.4% mom while the Dow Jones Index increased by 1.0% mom. As anticipated, the US Fed cut interest rate by 25 bps at its July meeting but left a less dovish tone than market's expectation. Despite the latest negotiation talks between US and China in Shanghai, Trump indicated that the US would impose a 10% tariff on another USD300b of China's imports, effective 1 September 2019. On the economic front, US 2Q19 GDP came in stronger than expected at 2.1% but was lower than 1Q19's 3.1%. US June Composite PMI was unchanged MoM coming in at 51.5. Unlike the US, the Stoxx 50 Index fell by 0.2% mom during the same period. Eurozone 2Q19 GDP came in softer at 1.1% as compared to 1Q19's 1.2%. Its core CPI YoY growth in July was also weaker at 0.9% as compared to 1.1% in June. The ECB left interest rates unchanged in its July meeting but mentioned the need for a highly accommodative stance of monetary policy for a prolonged period of time due to inflation rate being persistently lower than its aim. Likewise, China's Shanghai Composite Index reduced by 1.6% mom on concerns from US president Trump's intention to impose another 10% tariff on USD300b of US imports from China. Nonetheless, China's government had announced 11 measures to further open up China's financial market to foreign investors by allowing foreign capital to access services such as the bond market, ratings, security firms, insurance, wealth management, and pension funds. Similar to its peers in the US and EU, China's 2Q19 GDP slowed down to 6.2% as compared to 6.4% in 1Q19. Nonetheless, China's Industrial Production and Retail Sales strengthened by 1.3 ppts and 1.2 ppts to 6.3% and 9.8% in June, respectively.

In July, Brent oil price retraced by 2.1% mom to USD65.17/bbl on the back of supply fears related to reports suggesting US-Iran tensions abating as well as US president Trump's intentions on more tariff on China. On the contrary, Crude palm oil price rebounded from June to surge by 8.3% mom to RM2,019/ MT, following the rise in China's soybean oil prices on concerns over tightening supplies from reduced soybean crushing caused by the African swine fever.

During the month under review, the ASEAN equity markets' performances were mixed. Indonesia's Jakarta Composite Index rose by 0.5% mom driven mainly by gains in the Industrial and Telecom sectors while Energy was the worst performing. Bank Indonesia cut its RRR by 25bps from 6.00% to 5.75% in July to stimulate growth momentum and it saw room for further monetary easing owing to subdued inflation. Indonesia saw net equities outflow of USD20m in July, bringing YTD net inflow to USD1.3b. Conversely, Singapore's Straits Times Index declined by 0.6% mom as its 2Q19 Advance GDP shrank to 0.1% YoY from 1.2% YoY in 1Q19. Singapore's June PMI contracted to 49.6 from 49.9 in May, retail sales in May saw a decline of 2.1% YoY as compared to a decline of 1.8% YoY in April, and Industrial Production dropped further to 6.9% YoY in June as compared to a drop of 2.4% YoY in May. The Stock Exchange of Thailand (SET) also tapered by 1.1% mom dragged by the Materials, Energy, and Financial sectors. Thailand's June Manufacturing PMI decreased by 0.1 to 50.6 while Core CPI fell by 6bps to 0.48%, from the previous month respectively. In July, the Thai Baht weakened by 0.75% mom to USDTHB 30.910. Likewise, Malaysia's FBMKLCI dropped by 2.2% mom coupled with net foreign equity outflow of about RM79m in July, bringing YTD total equity outflow to about RM4.7b. June PMI reduced by 1.0 to 47.8 while May Industrial Production held steady at 4.0% YoY. In the July's MPC meeting, BNM maintained the OPR rate at 3% and said that the monetary policy remains accommodative.

Equity Market Outlook

The trade tension between US and China seems to be reigniting after US president Trump's intention to impose another 10% tariff on another USD300b China imports. Furthermore, president Trump's administration had labelled China as a 'currency manipulator' after the USDCNY breached above 7.0. We therefore remain cognizant of global developments that could potentially impact our local markets. Domestically, several economic stimulus measures with significant multiplier effects are gradually being rolled out such as the ECRL, Bandar Malaysia, LRT3, and MRT2. Despite short term volatility, we remain cautiously optimistic on the market over the long term and will stay our course in selecting fundamentally good investments. We will also realign our investment direction so as to be in step with the changing market environment.

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 (solventy 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)