June 2020

Allianz Life Amanah Dana Ikhlas

Investment Objective

The Allianz Life Amanah Dana Ikhlas (the "Fund") feeds into Maybank Malaysia Balanced-I Fund ("CIS") and aims to seek a mix of regular income stream and possible capital growth over the medium to long term by investing in listed equities, Islamic debt instruments and other assets that are permissible under the Shariah Principles.

Investor Profile

The Fund is suitable for investors who are looking for fund that invests in Shariah-compliant securities, seek regular income and moderate capital appreciation, have moderate risk tolerance and medium to long term investment horizon.

Performance Indicator

	1 month	6 months	1 year	3 years	5 years	YTD	Since Inception (Annualised)
Allianz Life Amanah Dana Ikhlas	1.46%	0.91%	0.54%	0.36%	5.09%	0.91%	2.12%
Benchmark: 50% FBM Emas Shariah Index + 50% GIA rate*	0.23%	1.54%	1.67%	2.57%	8.84%	1.54%	2.42%
Maybank Malaysia Balanced-I Fund	1.43%	1.15%	0.92%	1.67%	7.94%	1.15%	3.00%

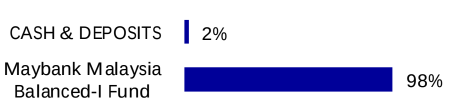
* Source: Bursa and Bank Negara Malaysia.
The above performance of the Fund is calculated in Ringgit Malaysia on a NAV-to-NAV basis with gross dividends reinvested. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the investment-linked product. Past performance is not an indication of future performance.

Facts on CIS

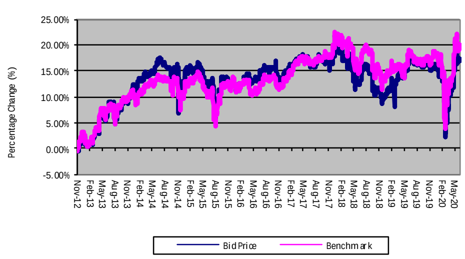
Name	Maybank Malaysia Balanced-I Fund^
Type	Managed Fund
Fund Manager	Maybank Asset Management
Fund Currency	MYR

^Maybank Malaysia Balanced-I Fund (previously known as MAYBANK Dana Ikhlas) is managed by Maybank Asset Management Sdn. Bhd. Please refer to https://www.maybank-am.com.my for more information.

Portfolio Composition by Asset



Performance Since Inception



Key Fund Facts

Fund Size	RM12.948 million
Risk Profile	Moderate Investor
Launch Date	26 November 2012
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit[1] (as at 30th June 2020) - Bid	0.557
Management Fee	1.20% 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.

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Allianz Life Amanah Dana Ikhlas

Manager's Comment

Market Commentary

The Malaysian sovereign bond yield curve steepened month-on-month in June, as the shorter dated govvies yields lowered by 1 basis points while the belly and the long-end yields were up by 1 to 20 basis points, tracking rising global yields on increasing optimism on economic recovery following gradual reopening of economies. Selling pressure further intensified after the announcement of the RM35 billion national economic recovery plan (Penjana), of which RM10 bln is direct fiscal injection, bringing the total incentives to RM295 bln or 20% of GDP. Consequently, fiscal deficit is expected to increase to 6% compared to 3.2% in 2019, resulting in potential increase in bond supply. Meanwhile, S&P affirmed Malaysia's sovereign rating at "A-" but revised its outlook to negative on concerns on weak global economic outlook as well as heightened policy uncertainty. However, increase in bond yields were capped with the re-emergence of concerns of a second wave of covid-19 globally and its negative impact to economic recovery. Meanwhile, the month of June saw the largest monthly foreign inflow since March 2016, amounting to RM11.6 bln (May: +RM1.5 bln). Foreign demand was likely concentrated on the short-end of the curve as the MGS curve bull steepened on dovish rates expectations. This inflow trimmed YTD cumulative outflows to –RM5.8 bln from –RM17.4 bln in 5M 2020. Foreign share of MGS and MGS+GII increased to 37.3% (May: 35.9%) and 23.0% (May: 21.9%) respectively.

In June, equity markets continue to rally from late March, supported by the liquidity environment and the re-opening of economies. Recent macroeconomic data also suggests better-than-feared implications. Optimism lost some steam however, in the later part of the month on fears of the rise in Covid-19 infections, particularly in the US, Brazil and India. Gold continue to perform well in this uncertain environment, rising 2.9% mom to US$1,780/oz. Oil prices were also better, gaining 8.7% mom on hopes of economic recovery and the extension of production cuts by the OPEC+ into July. This helped the Ringgit rising by 1.4% to end at 4.286. However, CPO prices traded flat mom to RM2,379/mt.

Closer to home, the KLCI gained 1.9% mom, again, driven by the healthcare sector (gloves). Although it was the second worst performer it remains the best year-to-date performer in the region. The month was also the 1QCY20 corporate earnings season that continue to disappoint exacerbated by the lockdown measures (since 18 March) which disrupted operations and dented consumer sentiment. Some of the worst hit sectors were in the discretionary e.g. automotive and gaming, plantation, petrochemicals, construction, manufacturing and travel related stocks i.e. aviation. Gloves bucked the trend with earnings upgrades. Foreign net outflows continue to persist, with RM3bn equities sold-off in June, bringing the year-to-date a total of -RM16.3bn, the highest since 2015 (-RM19.7bn for the year). Only Thailand saw a bigger outflow of US$737, while Indonesia reported -US$317.8m and Philippines by -US$189.6m.

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Manager’s Comment

Market Outlook and Strategy

The current Covid-19 pandemic is negatively affecting the economic activities on the global scale resulting in central banks and governments resorting to monetary and fiscal approach to combat the slowdown effect. BNM had revised Malaysia 2020 growth expectation lower to between -2% to 0.5%, and had cut OPR by 125 basis points this year, as well as made changes to SRR to allow banks to use MGS and GII for SRR compliance. While most economies have started to reopen, growth outlook remains challenging In the OECD Economic Outlook report June 2020, the agency forecasted that global economic activity to fall 6% in FY2020 with OECD unemployment at 9.2% versus 5.4% FY2019. OECD also expects that full recovery to economic growth 4Q19 will take two years. In June, both the ECB and US Fed continued to demonstrate a strong resolve to support the economy and to support jobs in the current economic crisis. The ECB increased the asset purchase program by EUR 600bn on 4th June and committed to extend the program till June 2021 or until the crisis is over. US Fed meeting minutes released on 10th June showed that the Fed expects zero interest rates through at least FY2022 and that a recovery of employment back to pre-Covid 19 is the key indicator. Meanwhile, in its July meeting, BNM acknowledged the impact of Covid-19 on the global economy and pre-emptively lowered the OPR by another 25bps to 1.75%, in order to ensure domestic recovery momentum in anticipation of weak 2Q GDP numbers. Further monetary policy action is expected to be data dependent, and we opine that BNM still has room to cut given the benign inflation outlook.

There appears to be a disconnect between financial markets and economic reality with markets rallying despite the uncertainty, due to the supportive liquidity environment. Asian equities are trading at almost 15x forward P/E (versus historical average of 12x) and we view the risk-reward as being unattractive. Rather than being outright bearish, we are tactically neutral as market technicals have improved but the economy remains weak and valuations elevated amidst a re-escalation in geopolitical tensions. We believe that the global economic recovery will be uneven and slow unless a COVID-19 vaccine or efficacious treatment is found. While Asia is largely ahead of the rest of the world in terms of infection curves, the world remains intertwined and thus a synchronized recovery will be difficult. The risk remains that a second wave of COVID-19 will result a more prolonged hit to the global economy. Geopolitical risks are another risk factor given the re-escalation of US-China tensions and upcoming US Presidential elections.

For Malaysian sukuk, we believe the local bond market will remain supported by demand from local institutional investors such as pension funds, banks and asset managers. We continue to overweight corporate bonds over sovereign bonds to anchor the Fund’s income in corporate bonds’ coupons as they are less volatile and provide higher yields to buffer against potential mark-to-market losses in the event of a turnaround in sovereign bond yields. We will continue to trade opportunistically and realize profit given our expectations that the economy will start to recover in 2H 2020 as economies gradually reopen and efforts by central banks and governments globally to combat the negative impact of Covid-19 start to show results. We will also look into new primary issuances that offer higher yields to deliver the required performance.

For Malaysian equities, given the uncertainty, we favor a tactical trading stance, being nimble to revise our positions as the situation calls for it. At present, with markets having enjoyed a strong rally off March’s lows, we favor value stocks as well as those with strong secular growth prospects. We also like more domestically oriented stocks as these are less exposed to supply chain and travel disruptions arising from escalating US-China tensions and the COVID-19 outbreak.

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Manager's Comment

Market Outlook and Strategy (Continue)

We maintain our targeted equity exposure to 85% with a trading band of 5% for better flexibility to position portfolios in these volatile times. At point of writing, we are tactically at around 85% invested for equity portion (or 42.4% of total portfolio). In terms of sectors, we have preference on Technology as the long term prospects remain intact with the push for 5G Infrastructure. We also like construction as we believe these sectors are poised to benefit from economic stimulus from the government. We also favour sectors or companies that benefits from the new normal post COVID-19, namely gloves and plastic manufacturers. While we raise cash from defensives to reposition into bashed down stocks, we will still maintain some portion of our portfolios in these stocks to help anchor the portfolio. High cash level and higher dividend should cushion the portfolios against volatile market movements.

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