

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.

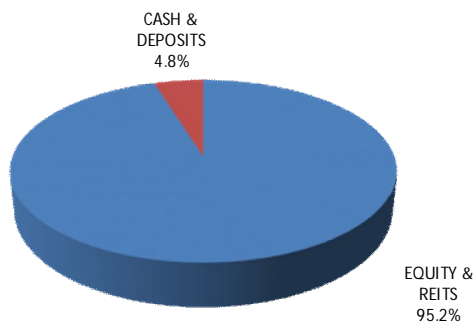
Performance Indicator

	Master Dividend Fund	Benchmark: FBM 100*
1 month	0.17%	-3.26%
6 months	0.94%	5.69%
1 year	-5.03%	-2.72%
3 years	-19.32%	-11.36%
5 years	12.43%	1.42%
10 years	67.49%	12.77%
YTD	-6.98%	-2.05%
Since Inception (Annualised)	7.28%	2.20%

* Source: Bursa.

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

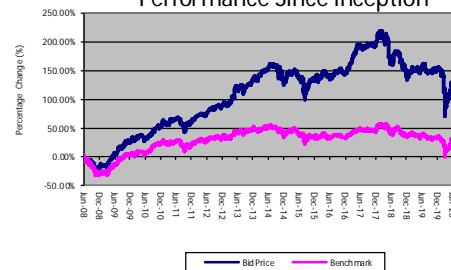


Key Fund Facts

Fund Size	RM86.863 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 August 2020)	2.360
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
TOP GLOVE CORPORATION BERHAD	9.48%
TENAGA NASIONAL BERHAD	5.85%
MALAYAN BANKING BERHAD	5.60%
BURSA MALAYSIA BERHAD	4.06%
SUPERMAX CORP BHD	4.03%

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 therefrom 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.

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Bond Market Review

UST yield curve bear steepened in August as the yield curve shifted upwards by 4-28bps mom with the 10y UST up 17bps mom to 0.70%. UST's came under selling pressure as improving risk sentiments stemming from trade optimism and vaccine hope prompted investors to pare holdings in safer government securities. Yields had also inched higher after Fed Chair Jerome Powell announced the Federal Reserve's shift in monetary policy to 'average inflation targeting', effectively allowing inflation to run higher than the 2% target before hiking interest rates. This also signals its intention of keeping rates low for an extended period of time. US data was mixed with US initial jobless claims better-than-expected at 881k versus an expectation of 950k for week ending 29 August. US GDP contracted less than initially estimated, revised from -32.9% qoq to -31.7% qoq. The housing sector remained a bright spot with new home sales registering double-digit growth and pending home sales increasing for the third month in a row. This is alongside the extended gain in durable goods orders. However, consumer confidence appeared to have weakened as the Conference Board Consumer Confidence Index fell for the second month; the Chicago Fed National Index also retreated from its all-time high.

In Malaysia, profit taking activities which emerged during the month had resulted in higher yields, tracking the rising global bond yields. Meanwhile, the federal government proposed bill in Parliament to raise the government's debt limit to 60% of GDP from the current 55% did not augur well with the bond market and resulted in some selling pressure. The MGS yield curve bear steepened as the mid to long end of the curve shifted upwards by 9-34bps mom. The short tenured MGS remained well supported with the 3y MGS falling 6bps mom pending the Overnight Policy Rate (OPR) outcome on 10 Sept Monetary Policy Committee (MPC) meeting. The 10-year MGS touched a new low of the 2.39% before rising to 2.62% by the end of the month. On the macro front, Malaysia's GDP contracted at a record rate of -17.1% yoy in 2Q2020. Apart from agriculture, all sectors recorded double-digit decline in 2Q2020. Headline inflation slowed down to 0.7% mom in July from 1% mom in June while on annual basis, it remained in the negative region for the fifth consecutive month at -1.3%, bringing the average inflation for the first seven months to -0.9%.

Foreign funds bought a total of RM3b of debt securities in August (July: +RM7.1b) with net inflows over four consecutive months. Foreign share of MGS and MGS+GII increased to 39.2% (July: 38.2%) and 24% (July: 23.5%) respectively. Foreign reserves increased for a 5th straight month by USD0.2b mom to USD104.4b at end-August 2020, while the Ringgit strengthened against the USD by 1.8% mom to 4.164 (July: 4.239).

Equity Market Review

Over the month of August, global equity markets maintained their upward trajectories as global economies reopened post Covid – 19 lockdowns. As such, the MSCI World Index rose by +6.5% mom. In US, the Dow Jones Index increased by +7.6% mom largely driven by technology stocks as evinced by the Nasdaq which rose by +9.6% mom. Economic data also pointed to economic growth with July Markit US Manufacturing Purchasing Managers' Indices (PMI) at 50.9 and July ISM Services Index 58.1 respectively, indicating that recovery was still underway. In addition, the Federal Reserve's virtual Jackson Hole meeting reiterated that monetary policy would continue to remain supportive. However, Democrat and Republicans failed to reach an agreement over a new proposed coronavirus aid package which was crucial because under the Cares Act approved in Mar 2020, the Federal Pandemic Unemployment Compensation (FPUC), which provided an additional USD600/ week for those with unemployment benefits, had expired on 31 July 2020. Early resolution of this impasse would no doubt aid in the recovery. In Europe, the Stoxx50 Index jumped +3.1% mom, driven by post – Covid – 19 recovery as reflected by the expansionary July Markit Eurozone Composite PMI of 54.9 as well as June's retail sales growth of +1.3% yoy and +5.7% mom. Over in China, the Shanghai composite Index surged +2.6% mom driven by its continuous economic growth as shown by its July exports which grew +10.4% yoy as well as by the Caixin China PMI Manufacturing and services which had expansionary readings of 52.8 and 54.1 respectively. Despite the seemingly positive global economic recovery, it is worthwhile noting that Covid – 19 cases have yet to abate with 25.5m cases globally in Aug 2020, +44.8% mom.

In the month of August, Brent oil price edged up to USD45.28/ bbl, +4.6% mom due to disciplined production supply cuts by OPEC+ and also to storms disruption of oil production in the Gulf of Mexico. Crude Palm Oil (CPO) price also moved up to RM2845/ MT, +2.3% mom, on the back of low inventories and lacklustre CPO production growth during the month under review.

Unlike its global peers, the ASEAN equity markets closed mixed during the month under review. The Jakarta Composite Index rose by +1.7% mom as it economy shrugged off the ill effects of Covid – 19. Its July trade surplus which came in at USD3.3b was the highest since Aug 2011, which helped to mitigate any negative market sentiment arising from the somewhat expected 2Q20 GDP contraction of 5.3% yoy which was worse than consensus' estimate of 4.7% yoy. The Bank of Indonesia also held its benchmark 7 – day reverse repo rate at 4.0%. Meanwhile, the Indonesian government unveiled its 2021 state budget which projected a deficit of 5.5% of GDP but was designed to boost 2021 GDP growth to +4.5 – 5.5% yoy from the -1.1 – +0.2% yoy targeted range for 2020. Also, the government had started Phase III trials on the CoronaVac vaccine and planned for mass vaccinations in early 2021. On the other hand, Singapore's Straits Times Index was flat in Aug 2020, inching up +0.1% mom. It was a lacklustre month with 2Q20 GDP contracting 13.2% yoy due to the Covid – 19 economic lockdown. To alleviate the pressure from the Covid – 19 pandemic, its government launched an additional SGD8b for job retention and creation while extending the wage subsidy programme under the Jobs Support Scheme to Mar 2021 from Aug 2020. In Thailand, the Stock Exchange edged down 1.4% mom on the back of concerns of a second wave of Covid – 19 infections and also political tensions caused by massive student protests. To contain the Covid – 19 threat, Thai authorities announced their intention to extend the state of emergency for the fifth time until Sep 2020. Lastly, Malaysia's FBMKLCI eased 4.9% mom as news of a potential Russian vaccine negatively affected glove stocks which are index heavyweights. The drop was also underpinned by continued net foreign equity selling which amounted to RM1.4b, -45.0% mom during the month and bringing the YTD total net foreign equity sales to RM20.2b. On the economic front, Malaysia's 2Q20 GDP contracted 17.1% yoy, which was its worst quarterly yoy decline since 4Q98. On the other hand, the unemployment rate fell to 4.9%, -0.4 ppt mom in June 2020 due in part to SOCSO's Hiring Incentive Programme and Training Assistance which started on 15 June 2020.

Market Review & Outlook

Bond Market Outlook & Strategy

□ With the gradual reopening, 2Q2020 GDP will likely mark the bottom of Malaysia's economic activity. However, the outlook is still subject to downside risk and uncertainty, due to the risk of resurgence of Covid-19 cases and the reemergence of US-China trade tension. Global developments in relation to the Covid-19 will remain key towards global recovery. The July MPC noted that downside risks to the global outlook remain, especially if a resurgence of the pandemic necessitates the reintroduction of containment measures. The MPC added that policy levers will be used "as appropriate" to create enabling conditions for a sustainable economic recovery.

Currently, the local bond market awaits the outcome from the BNM MPC meeting for September for further directions but will remain jittery in the run up to FTSE Russell decision on Malaysia bond weightage in the WGBI scheduled for 24-September. Meanwhile, the positive interest-rate differentials and higher real rates will likely attract real money investors like pension funds and insurance funds into the EM sovereign debt space and support the local market. We would continue to remain cautious of possible bond market volatility as corporate earnings come under pressure and credit spreads widen. We maintain our strategy to accumulate bonds at favorable valuations skewing towards good quality names, but will only extend duration in liquid papers at fair valuations.

Equity Market Outlook

While we welcome the generally improving global economic trend, we acquiesce that Covid global – 19 infections are still rising which could lead to bouts of equity market volatility. Apart from that, there is the looming threat of further escalation of US – China geopolitical tensions as we approach the US presidential election in Nov 2020. A recent example is the action of Trump administration pressuring ByteDance to sell TikTok's US business by deeming it a national security threat. Having said that, we continue to be heartened by global policymakers' stance for supportive fiscal and monetary policies. Locally, the government extended the Recovery Movement Control Order (RMCO) until end Dec 2020 to ensure that the Covid – 19 pandemic would not resurge thus minimizing the risk of any disruption to its economic recovery. For Sept 2020, local investors' sentiment will very much hinge upon the outcomes of the Monetary Policy Committee (MPC) meeting on 10 Sep 2020, the US Fed meeting on 16 Sep 2020 and the Sabah state election results on 26 Sep 2020. On top of that, we will also be keenly observing how the end of the loan moratorium at end Sept 2020 will affect retail investors and, consequently, market sentiment.

On balance, we would continue to adopt a prudent yet sensible posture towards our market's longer term growth trajectory and would direct monies into fundamentally good investments. We will maintain our preference for sectors that exhibit more resilient growth. Nonetheless, we will be watchful to realign our investment direction as necessary to be in sync with the changes in the market environment. Moreover, we may, at times, assume a degree of trading bias to take advantage of any near term market volatility.

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)