

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.

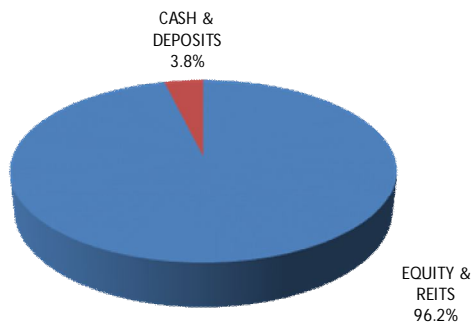
Performance Indicator

	Master Dividend Fund	Benchmark: FBM 100*
1 month	1.87%	0.97%
6 months	-13.91%	-6.31%
1 year	-15.32%	-10.48%
3 years	-24.95%	-14.89%
5 years	-7.06%	-9.13%
10 years	64.83%	16.77%
YTD	-13.91%	-6.31%
Since Inception (Annualised)	6.69%	1.86%

* 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

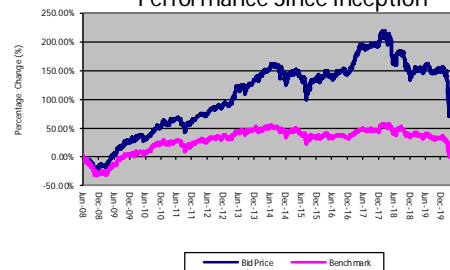


Key Fund Facts

Fund Size	RM68.794 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 30th June 2020)	2.184
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
TENAGA NASIONAL BERHAD	7.90%
MALAYAN BANKING BERHAD	7.25%
TOP GLOVE CORPORATION BERHAD	5.13%
DIALOG GROUP BERHAD	4.95%
AXIATA GROUP BERHAD	4.10%

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

UST yields were largely stable in June with yields moving within the range of +1bps to -1bps. mom. Despite an increase in yields during the start of the month, most losses were reversed when May employment data turned out stronger-than-expected. May nonfarm payrolls unexpectedly rose by 2.5 million (survey: -7.5 million) and unemployment rate surprisingly fell to 13.3% (survey: 19.0%) as the relaxation of business restrictions allowed Americans to head back to work. As widely expected Fed kept the interest rate unchanged in June and project no rate increases through 2022 as the economy tries to recover from the coronavirus recession. Fed expects the economy to contract by 6.5% this year before bouncing back to 5% next year. In addition, Fed will continue to increase its bond holdings with a target purchase of \$80b monthly in Treasury and \$40b monthly in mortgage-backed securities. Fed total Treasury purchases since the buying program began in mid-March have exceeded \$1.6t as of end-June.

MGS yield curve bear steepened in June as mid tenure yields increased by 4-12bps mom while long tenure yields increased by 24-26bps mom. The sell-off across the curve was earlier driven by the rising global yields but intensified after the government announced the National Economic Recovery Plan (Penjana) worth RM35b that included a RM10b of direct fiscal injection. On 26 June 2020, S&P reaffirmed Malaysia's rating at A- but revised the outlook to negative to reflect the additional downside risk to the government's fiscal metrics amid the weak global economy outlook and domestic policy uncertainty. Bank Negara Malaysia (BNM) cut the Overnight Policy Rate (OPR) by 25bps to a record low 1.75% on 7 July 2020 Monetary Policy Committee (MPC) meeting. This marks the fourth OPR rate cut for the year and brought it below global financial crisis (GFC) level of 2.00%. BNM expects inflation to remain muted in 2020 with headline inflation likely to be negative this year due to the weaker global oil prices.

Foreign funds bought a total of RM7.8b of MGS in June (May: +RM1.9b). This narrowed YTD MGS outflow to RM7.0b. Foreign share of MGS and MGS+GII increased to 37.3% (May: 35.9%) and 23.0% (May: 21.9%) respectively. Foreign reserves meanwhile rose by USD0.5b mom to USD103.4b as at end-June.

Bond Market Outlook & Strategy

The severity of the economic damage is still unclear due to uncertainty over the duration, intensity and the overall impact of the Covid-19 outbreak, and also the reemergence of US-China trade tension. The 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. Meanwhile, the positive interest-rate differentials and higher real rates will likely attract real money investors like pension funds and lifers 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 Review

During the month under review, the MSCI World Index increased by 2.5% mom despite the lingering concerns over the rising global Covid-19 infection cases. Similarly, the Dow Jones Index rose by 1.7% mom. On the US' economic front, unemployment rate in May eased to 13.3% from 14.7% in the previous month. US retail sales in May recovered with a growth of 17.7% mom as compared to contraction of 16.4% mom in April. Its May industrial production also rebounded by 1.4% mom as compared to a decline of 11.2% in April. The US Fed left the interest rate unchanged in June and does not expect rate increase through 2022. Over in Europe, the Stoxx 50 Index advanced by 6.0% mom during the same period despite worsening economic data released suggesting investors' are looking past historical data. Eurozone April retail sales fell by 11.7% mom, an acceleration from the 11.2% mom drop in the previous month. Its industrial production in April dropped by 17.1% mom as compared to the 11.3% mom contraction in March. Likewise, China's Shanghai Composite Index grew by 4.6% mom in June 2020 as the rise of newly confirmed cases in Beijing was quickly contained and new cases have begun trending down. China's June composite PMI improved to 54.2 as compared to 53.4 in May. Industrial production for May also registered a higher growth of 4.4% yoy as compared to 3.9% yoy in the previous month. With economic improvements, China kept its 1-year and 5-year Loan Prime Rates stable since April 2020.

In June, Brent oil price appreciated by 16.5% mom to USD41.15/bbl on the back of OPEC+ production cuts extension and expectations of improving global demand. Crude palm oil price gained slightly by 0.3% mom to RM2,379/ MT due to the expected recovery in palm oil exports but was tampered by expectations of incremental supply.

On the ASEAN front, equity markets closed the month under review with generally positive performances. Malaysia's FBMKLCI climbed by 1.9% mom amidst net foreign equity outflow of RM2.98b in June, bringing YTD net foreign equity outflow to c.RM16.3b. From an economic standpoint, Malaysia's April industrial production eased by 32% yoy due to enforcement of the Movement Control Order (MCO). Nonetheless, May manufacturing PMI recovered slightly to 45.6 as compared to 31.3 in April. In early July, Bank Negara Malaysia (BNM) cut the Overnight Policy Rate (OPR) by 25bps to 1.75% to further bolster the economy. Indonesia's Jakarta Composite Index also edged up by 3.2% mom. Its Markit manufacturing PMI rose slightly to 28.6 in May as compared to 27.5 in April. To alleviate the negative impact from Covid-19, Indonesia's Bank Indonesia revised its 7 - day reverse repurchase rate lower to 4.25% in its June meeting. Singapore's Straits Times Index increased by 3.2% mom despite retail sales contracting by 31.7% mom in April. Nonetheless, improvements can be seen by its stronger May PMI at 46.8 as compared to 44.7 in the previous month as well as its May non-oil domestic exports recording a lower decline of 4.5% mom as compared to 5.8% in April. Nonetheless, the Stock Exchange of Thailand declined by 0.3% mom despite Thailand's May Markit manufacturing PMI rising to 41.6 as compared to 36.8 in the previous month. The Bank of Thailand kept its benchmark interest rate unchanged for the month of June.

Equity Market Outlook

Post - lockdown economic reopening remains at the centre stage of many countries as reparations of Covid-19 social and economic damages begin to gather momentum. In early July, the number of Covid-19 cases in the US had surpassed 3 million cases. Despite that, the White House wants to move forward on some re-openings, including schools.

Locally, Malaysia has transitioned from Movement Control Order (MCO) to Recovery Movement Control Order (RMCO) which will last until 31 August 2020. As the number of daily new cases have been well contained, more businesses were allowed to re-open as evident from the resumption of international flight from July onwards. Notwithstanding, a second-wave infection risk still remains a threat in the absence of a vaccine as witnessed by Beijing, China and Korea. Apart from that, we are comforted that Iraq and Kazakhstan had pledged to comply better with oil cuts during a meeting of an OPEC+ panel in late June, which would lend some support to oil price.

As uncertainty remains surrounding the handling of Covid-19 globally and domestically once we open our borders, we will still adopt a prudent yet sensible posture towards our market's longer term growth trajectory and would direct monies into fundamentally good investments. Furthermore, we will be mindful to realign our investment direction as necessary to be in sync with the changes in the 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)