September 2020

# 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.

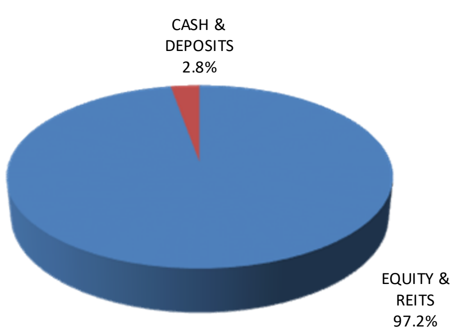
## Performance Indicator

| | Master Dividend Fund | Benchmark: FBM 100* |
|---|---|---|
| 1 month | -3.22% | -2.08% |
| 6 months | 19.83% | 16.30% |
| 1 year | -8.05% | -3.42% |
| 3 years | -21.89% | -12.54% |
| 5 years | 4.67% | -2.38% |
| 10 years | 55.27% | 7.33% |
| YTD | -9.97% | -4.08% |
| Since Inception (Annualised) | 6.94% | 2.01% |

* 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

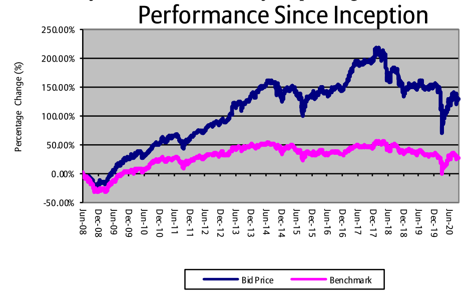



## Key Fund Facts

| | |
|---|---|
| Fund Size | RM85.253 million |
| Risk Profile | Moderate |
| Launch Date | 13th June 2008 |
| Fund Currency | Ringgit Malaysia |
| Investment Manager | Allianz Life Insurance Malaysia Berhad |
| Pricing Frequency | Daily |
| Price per Unit[1] - Bid (as at 30th September 2020) | 2.284 |
| 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) | % NAV |
|---|---|
| TOP GLOVE CORPORATION BERHAD | 10.64% |
| TENAGA NASIONAL BERHAD | 5.76% |
| MALAYAN BANKING BERHAD | 5.62% |
| DIALOG GROUP BERHAD | 4.33% |
| BURSA MALAYSIA BERHAD | 3.62% |

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# Market Review & Outlook

## Bond Market Review

UST benchmark yields saw little change mom i.e. between -2bps to +1bp with the 10y UST down 2bps to 0.68%. Markets remained concerned about Covid-19 and US election risks, despite Democrats crafting a USD 2.4trn stimulus bill to boost the economy. Fed Chair Powell at September FOMC meeting cautioned of downside risks to recovery despite an upward revision to 2020 growth outlook (from -6.5% to -3.7%) in its latest quarterly assessment. Projection for 2021 was however revised down from +5.0% to +4.0%. Unemployment rate was also revised lower from 9.3% to 7.6% (2020) and from 6.5% to 5.5% (2021) while core PCE was revised higher from +1.0% to +1.5% (2020) and from +1.5% to +1.7% (2021). On the data front, initial jobless claims held steadily above 800k for the fifth consecutive weeks and ADP private payrolls amounted to 749k in September, better than expected. The housing sector remained a bright spot as new homes sales and existing home sales both rose to the highest since 2006.

BNM held OPR unchanged at 1.75% after 4 consecutive rate cuts this year, citing continued improvement in the global economy given the easing of containment measures across more economies and strong policy support. The MPC statement indicated that the stance of monetary policy was appropriate and accommodative. This resulted in instant correction in the government bond space across the curve. Mom benchmark MGS yields spiked between 5-19bps as the longer-ends bore the brunt of higher yields. The 10y MGS closed the month 5bps lower at 2.67% after paring down some losses as some bargain hunting activities returned towards the later part of the month. Meanwhile, markets also traded cautiously as the Government on 23 September announced an additional MYR10b stimulus which provided additional allocations for cash handouts to low & middle income groups and wage subsidy programs. On the macro front, the latest headline inflation rate contracted by -1.4% YoY in August (July: -1.3% YoY), the sixth consecutive month of negative print as oil price and consumer spending remain lackluster compared to previous year.

Providing some relief to the markets was FTSE Russell decision to extend Malaysia on the watch list for at least another six months. FTSE Russell has acknowledged the additional initiatives by Bank Negara Malaysia (BNM) over the last 12 months to improve the accessibility of the MYR bond market for foreign investors.

Foreign funds bought a total of RM0.5b of debt securities in September (August: RM3.0b) with net inflows over five consecutive months. The slowdown in foreign inflows was due to weaker market sentiment amid BNM's rate pause in September and FTSE Russell annual review in late September. Foreign share of MGS and MGS+GII fell slightly to 38.8% (August: 39.2%) and 23.8% (August: 24.0%) respectively. Foreign reserves increased for 6th consecutive months by +USD0.6b mom to USD105.0b as at end-September 2020, while the Ringgit strengthened against the USD by 0.2% mom to 4.156 (August: 4.164)

## Equity Market Review

During the month under review, the MSCI World Index fell by 3.6% mom ending its 5-months uptrend post rebound from Covid-19 impact. Similarly, the Dow Jones Index declined by 2.3% mom. On the US' economic front, retail sales in August grew at a slower pace of 0.6% mom as compared to 1.2% mom in July. Its August industrial production also increased slower by 0.4% mom as compared to 3.0% in the previous month. Nonetheless, Markit US Composite PMI expanded to 54.6 in August as compared to 50.3 in July. The US Fed left the interest rate unchanged in September at 0-0.25% after a total of 150 bps cut year-to-date. Over in Europe, the Stoxx 50 Index tapered by 2.4% mom during the same period amid weaker economic data. Eurozone Markit Composite PMI tapered to 51.9 in August as compared to 54.9 in July. Its July retail sales fell by 1.3% mom, a reversal from a growth of 5.7% mom in the previous month. Growth in industrial production also slowed to 4.1% mom in July as compared to 9.1% in June. Likewise, China's Shanghai Composite Index dropped by 5.2% mom in September 2020 despite strengthening economic data. China's August retail sales recovered by 0.5% yoy as compared to a contraction of 1.1% yoy in the previous month. Its August industrial production also rose by 5.6% yoy as compared to 4.8% in July. China's Composite PMI also improved to 55.1 in September from 54.5 in August. With economic improvements, China kept its 1-year and 5-year Loan Prime Rates stable. They have been unchanged since April 2020.

In September, Brent oil price dipped by 9.6% mom to USD40.95/bbl as demand concerns prolonged due to Covid-19 and Saudi Aramco lowered official selling prices to Asia in anticipation of lesser restocking from China's refinery. Saudi Arabia continued to push for full compliance from OPEC+ countries regarding supply cuts as the UAE joined Iraq and Nigeria in noncompliance. Crude palm oil price eased slightly by 0.2% mom to RM2,839/ MT as concerns over low inventory levels would reverse if production were to recover in 4Q for Indonesia.

On the ASEAN front, equity markets closed the month under review with generally negative performances. Malaysia's FBMKLCI fell by 1.3% mom amidst net foreign equity outflow of RM1.97b in September, bringing YTD net foreign equity outflow to c.RM22.6b. From an economic standpoint, Malaysia's July industrial production rebounded to a growth of 1.2% yoy from a contraction of 0.4% in the previous month. Nonetheless, August manufacturing PMI eased to 49.3 as compared to 50.0 in July. Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) unchanged in September after a total of 125 bps cuts year-to-date. Indonesia's Jakarta Composite Index also declined by 7.0% mom despite its Markit manufacturing PMI rebounding to 50.8 in August as compared to 46.9 in July. After a total of 100 bps cut year-to-date for its 7 – day reverse repurchase rate, Bank Indonesia kept it unchanged at 4.00% in its September meeting. Singapore's Straits Times Index decreased by 2.6% mom despite stronger economic data. Singapore's industrial production surged to 13.9% mom in August as compared to 1.6% mom in July. Its retail sales also improved to a contraction of 8.5% yoy in July as compared to the 27.8% yoy decline in the previous month. August's non-oil domestic export growth rose to 10.5% mom as compared to 1.2% mom in July. Notwithstanding, the Stock Exchange of Thailand dropped by 5.6% mom despite Thailand's August Markit manufacturing PMI rising to 49.7 as compared to 45.9 in the previous month. The Bank of Thailand kept its benchmark interest rate unchanged for the month of September.

# 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, the reemergence of US-China trade tension and the uncertainty surrounding the November US elections. Global developments in relation to the Covid-19 will remain key towards global recovery. Also locally, the tabling of Budget 2021 has been scheduled for 6 November with next year's deficit ratio a figure to watch out for. 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

The seemingly relentless proliferation of global Covid-19 cases continues to pose a spectre of further economic growth disruption. In addition, as we approach closer to the US presidential election in November 2020, US-China geopolitical tension might re-escalate causing sentiment to be dampened. Nonetheless, concerted effort by global policymakers for supportive fiscal and monetary policies might negate some of these weaknesses. Locally, Covid-19 cases had been on a sharp rise mainly from the state of Sabah and Kedah. Nevertheless, the current Recovery Movement Control Order (RMCO) is being maintained for the rest of 2020 while stricter enforcement is being carried out at hot spots. The upcoming Budget 2021, to be tabled in November 2020, is expected to be expansionary with the aim to revitalize the economy.

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.

September 2020

# 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)