

March 2022

Allianz Life All China Equity Fund



Investment Objective

The Allianz Life All China Equity Fund (the "Fund") feeds into Allianz All China Equity- USD ("CIS") and aims to provide long term capital growth by investing in onshore and offshore People's Republic of China ("PRC"), Hong Kong and Macau equity markets.

Investor Profile

The Fund is designed for investors who pursue the objective of general capital formation/asset optimisation and/or above-average participation in price changes; have basic knowledge and/or experience of financial products; and are capable of bearing a financial loss. The Fund may not be suitable for investors who wish to withdraw their capital from the Fund within a short or medium timeframe.

Performance Indicator

	1 month	3 months	6 months	Since Inception	YTD
Allianz Life All China Equity Fund	-7.63%	-12.34%	-14.86%	-26.10%	-12.34%
Benchmark	-8.31%	-14.26%	-16.43%	-27.09%	-14.26%
Allianz All China Equity (USD)	-8.87%	-14.64%	-17.59%	-29.55%	-14.64%

Ringgit depreciated 0.69% (YTD) and depreciated 2.49% (since inception).

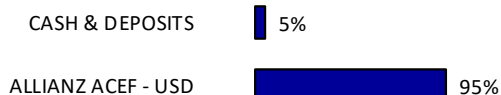
Source: Bloomberg and <https://sg.allianzgi.com/>

The above performance of the Fund 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.

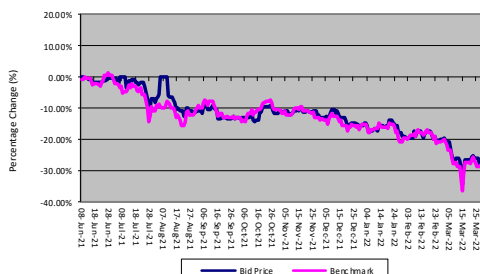
Facts on CIS

Name	Allianz All China Equity- USD ("Allianz ACEF - USD")
ISIN	LU1720050803
Type	Undertaking for Collective Investment in Transferable Securities
Fund Manager	Allianz Global Investors Asia Pacific
Fund Currency	USD

Portfolio Composition



Performance Since Inception



Key Fund Facts

Fund Size	RM30.742 million
Risk Profile	Moderate Investor
Launch Date	8 th June 2021
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit ¹ (as at 31st March 2022) - Bid	0.739
Management Fee	1.50% 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.

Disclaimer:

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Allianz Life All China Equity Fund



Manager's Comment (For Allianz All China Equity- USD)

Market Commentary

- The Fund lagged the benchmark in March. The main detractor was stock selection in the Consumer Staples and Health Care sectors. As well as significant market weakness during the month, there was also an ongoing growth / value rotation within the market. This weighed on a number of areas including semiconductors, electronic components and the electric vehicle supply chain.
- At a single stock level, a key detractor was an electronic connector manufacturing company. The company's Q1 results were slightly below expectations due to higher costs as they ramp up new business lines. Also, there were concerns on the impact of COVID disrupting near-term operations. Looking beyond the current volatility, we expect sustained longer-term growth as the company gains share in existing products and expands further into newer areas such as smartphone assembly and casing.
- On the other hand, a top contributor was a residential and commercial property developer. The company is our preferred holding within the China A-shares property developer space. It has already met the "three red line" rules on leverage and its ability to secure funding when many competitors are facing a severe liquidity squeeze should enable it to gain market share in coming years.

Market Outlook and Strategy

- March was a volatile month for China equities. At one stage, the MSCI China A Onshore Index had fallen by 14% before recovering somewhat towards month end and finishing with a decline of 8.9% (USD). Offshore China equities were even more volatile, with the S&P China ADR index falling by 30% mid-month, before seeing a sharp rebound.
- To recap the drivers of the market weakness, China equities were caught in almost the perfect storm. This included fears that China may face Western sanctions, the biggest COVID outbreak since the early days of the pandemic, concerns that the regulatory crackdown on China's tech giants was not over, and the realisation that the US Securities and Exchange Commission (SEC) was serious about delisting China stocks from US exchanges. There has also been disappointment that monetary and fiscal policy action has failed to live up to the supportive rhetoric.
- The catalyst for the market turnaround was China's top economic policymaker, Liu He, addressing a number of these concerns at a high-level meeting on 16 March 2022. His messages were clear and easy to understand compared to some other policy signals, drawing comparisons with former European Central Bank (ECB) president Mario Draghi's "whatever it takes" speech, which fundamentally changed the course of events in the euro crisis of 2012.
- In particular, Liu He's comments have been taken as a clear message that we are past the point of peak regulation for internet platform companies. He was also upbeat on dialogue with US regulators and commented that China will maintain support for overseas listings. This spurred the big rally in China tech stocks and American depository receipts (ADRs). And he also emphasised the need for proactive monetary policy and faster bank loan growth as well as seeking stability in capital markets.
- Our view is that China policy will soon shift to a far more forceful pro-growth stance. An important date in the calendar this year is the 20th National People's Congress which will take place in Q4. This is when President Xi Jinping is expected to run for an unprecedented third term of office. Given the lagged effect of policy stimulus (generally two to three months for fiscal and six months for monetary stimulus), we believe there will be more aggressive policy easing in Q2 to achieve the target of 5.5% gross domestic product (GDP) growth for 2022 as a whole.
- Portfolio activity recently has been to add to more cyclical areas such as building materials, construction engineering and materials stocks which should benefit from the stronger economic stimulus. We also added to internet / ecommerce exposure. In aggregate, we are now only slightly underweight in this area. These allocations have been funded by reducing consumer-related exposure which may experience some margin squeeze from higher costs.
- At month end, the onshore / offshore allocation is close to benchmark with around 50% in China A-shares. The largest overweight sector position is Industrials (2.7%) and the largest underweight is Consumer Discretionary (-1.9%).

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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.

On top of regulatory limits imposed by Bank Negara Malaysia, Allianz Life have put in place tight internal investment limits for all asset classes to ensure that the Fund does not take on excessive risk, while recognizing there cannot be total elimination of risks associated with investing in the Fund. The following is a non-exhaustive list of key risk factors when investing into the Fund.

- **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.
- **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 regular and rigorous reviews of macroeconomic, socio – politic and regulatory factors as well as adopting an appropriate asset allocation strategy.
- **Currency Risk** – For foreign investments, fluctuations in currency exchange rates may have an impact on the value of the Fund's investment assets. This risk may be managed by engaging in foreign currency hedging.
- **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 managed through portfolio diversification and control on sector concentration risk.
- **Company Specific Risk** – The asset values of securities may be affected by company-specific factors, some of which include volatile business situations, adverse financial conditions and poor corporate governance. This risk may be contained through appropriate portfolio diversification, prudent investment selection and better control on investment concentration risks.
- **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. Appropriate portfolio diversification, control on investment concentration limits taking into account liquidity constraints and regular monitoring could help mitigate the said risk.
- **Target Fund Risk** – As the Fund is a feeder fund, it will invest into a Target Fund which is being managed by a Target Fund Manager. While we would make every effort to ensure that the objectives of the Target Fund are appropriately aligned with those of ours, we do not have control over the Target Fund Manager's investment in terms of its approach, intelligence, operations and management. In the unlikely event of any mishandling of the Target Fund, the NAV of our Fund, which is investing predominantly into the Target Fund, could be similarly adversely affected. This risk may be mitigated by our constant monitoring of the Target Fund, which is requisite to ensuring that the Target Fund's objective, risk profile and characteristics are in line with ours.
- **Target Fund Subscription/Redemption Time Lapse Risk** – Due to the inherent unitisation and Target Fund subscription/redemption processing times, there could be a time lapse between the time monies are received by the Fund and the time the monies are subsequently invested into the Target Fund, vice versa for redemption. The risk of unnecessary subscription/redemption time lapse may be minimised by our best efforts in optimizing the process while adhering strictly to the stipulated asset allocation.