

February 2022

Allianz Life Total Return Asian Equity Fund



Investment Objective

The Allianz Life Total Return Asian Equity Fund (the "Fund") feeds into Allianz Total Return Asian Equity- USD ("CIS") and aims to provide long term capital appreciation and income by investing in the equity markets of the Republic of Korea, Taiwan, Thailand, Hong Kong, Malaysia, Indonesia, the Philippines, Singapore and/or the People's Republic of China (the "PRC").

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	Since Inception	YTD
Allianz Life Total Return Asian Equity Fund	-1.22%	-7.84%	-10.70%	-4.29%
Benchmark	-2.35%	-4.08%	-7.33%	-5.38%
Allianz Total Return Asian Equity (USD)	-1.61%	-8.06%	-9.37%	-5.27%

Ringgit depreciated 0.65% (YTD) and depreciated 0.65% (since inception).

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

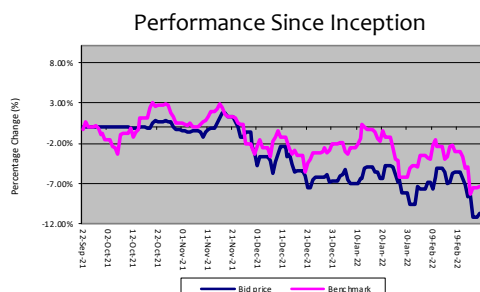
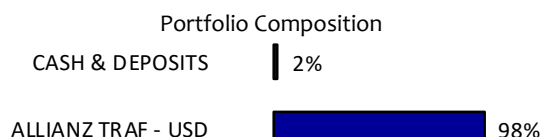
The above performance of the Fund is calculated in Ringgit Malaysia on a NAV-to-NAV basis. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the investment-linked product. Past performance is not an indication of future performance.

Facts on CIS

Name	Allianz Total Return Asian Equity- USD ("Allianz TRAF - USD")
ISIN	LU0348816934
Type	Undertaking for Collective Investment in Transferable Securities
Fund Manager	Allianz Global Investors Asia Pacific
Fund Currency	USD

Key Fund Facts

Fund Size	RM39.276 million
Risk Profile	Moderate Investor
Launch Date	22 nd September 2021
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit ¹ (as at 28th February 2022) - Bid	0.893
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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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.

Allianz Life Insurance Malaysia Berhad (198301008983)

Level 29, Menara Allianz Sentral , 203 Jalan Tun Sambanthan, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

Allianz Life Call Centre: 603-2264 1188

www.allianz.com.my

Allianz Life Total Return Asian Equity Fund



Manager's Comment (For Allianz Total Return Asian Equity- USD)

Market Commentary

- Equity markets in Asia ex Japan were mixed in February. There was a strong market reaction to the Russia armed forces' invasion of Ukraine which happened towards month end. The oil and broader commodity price surge had an immediate impact on relative market performance across the region. Commodity exporters such as Indonesia, Malaysia and Australia were more resilient, net oil and gas importers such as the Philippines and India lagged. China stocks fell on concerns over further macroeconomic weakness as well as added geopolitical risks.
- The Fund performed in line with the benchmark during the month. From a country perspective, stock selection in China, India and Taiwan accounted for the underperformance. From a sector perspective, weak stock selection in Consumer Discretionary and the underweight in Materials and Industrial sector weighed on returns.
- The top contributor over the month was a leading bank in Indonesia, focused on retail banking and the micro to small and mid-sized enterprise (SME) segment of the market. The bank is benefitting from lower credit costs as well as improving asset quality. The bank's deposit franchise, strong asset quality and use of technology across their platform to expand into new markets should leave it well positioned for future growth.
- Conversely, exposure to the two leading internet / ecommerce giants in China, Tencent and Alibaba, were the top detractors over the month. Concerns over regulatory measures has continued to hang over these stocks. Our view is that we are past the point of peak regulatory pressures, and when economic momentum improves during the course of this year, this should also be the catalyst for stronger earnings momentum.
- From a country perspective, the portfolio has an overweight position to Singapore, Indonesia and Hong Kong and is underweight China, India, and Malaysia. At a sector level, the Fund is overweight Communication Services, Consumer Staples and Financials, whilst being underweight Utilities, Materials, and Industrials.
- Over the month, portfolio activity was relatively limited. We exited our holding in a Chinese material provider where we see risks of margin compression due to higher input costs, and we added a Singapore-based real estate operator to the portfolio.

Market Outlook and Strategy

- While events in Ukraine are still relatively locally contained, markets are obviously unnerved by the low visibility around the developments and the insecurity around how they will unfold. The CBOE Volatility Index (VIX) went back to levels seen during the initial stages of the COVID-19 crisis in Q1 2020. Equity markets around the world have been marked lower, while oil and gold have been among the safe havens.
- With a longer-term perspective, our view is that should the sustained rise in energy prices last for a meaningful period of time (and probably also other commodities), this would likely dampen expectations of future economic growth. Ultimately, this may also dampen pressure for interest rate rises around the world, which had previously been the main catalyst for the market reversal earlier this year.
- Generally, there has been little stock specific news as we are between quarterly earnings seasons, so where our highest convictions holdings have been sold down, we are also looking to add at attractive valuations.

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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.