Allianz Global Investors

Allianz
Asia Pacific Income*

Monthly commentary

- The Fund aims at long-term capital growth and income by investing in Asia-Pacific equity and bond markets.
- The Fund is exposed to significant risks of investment/general market, company-specific, interest rate, creditworthiness/credit rating/downgrading, default, valuation, sovereign debt, volatility and liquidity, country and region, emerging market, asset allocation and currency.
- The Fund may invest in high-yield (non-investment grade and unrated) investments which may subject to higher risks, such as volatility, loss of principal and interest, creditworthiness and downgrading, default, interest rate, general market and liquidity risks and therefore may adversely impact the net asset value of the Fund.
- The Fund may invest in financial derivative instruments ("FDI") which may expose to higher leverage, counterparty, liquidity, valuation, volatility, market and over the counter transaction risks. The Fund's net derivative exposure may be up to 50% of the Fund's net asset value.
- This investment may involve risks that could result in loss of part or entire amount of investors' investment.
- In making investment decisions, investors should not rely solely on this material.

Note: Dividend payments may, at the sole discretion of the Investment Manager, be made out of the Fund's capital or effectively out of the Fund's capital which represents a return or withdrawal of part of the amount investors originally invested and/or capital gains attributable to the original investment. This may result in an immediate decrease in the NAV per share and the capital of the Fund available for investment in the future and capital growth may be reduced, in particular for hedged share classes for which the distribution amount and NAV of any hedged share classes (HSC) may be adversely affected by differences in the interests rates of the reference currency of the HSC and the base currency of the Fund.

What Happened in February

Asia ex China equities closed February on a weaker note after US President Donald Trump stepped up rhetoric on a global trade war. Technology stocks in Taiwan tumbled on concerns surrounding global semiconductor demand. Korean equities were flat, with defense stocks posting strong earnings. Indian equities continued to lose ground amid ongoing outflows by foreign investors. The Reserve Bank of India (RBI) cut interest rates by 25 basis points (bps) to 6.25%, its first reduction since May 2020. ASEAN markets were mixed but moved lower overall. Equity markets in Philippines, Singapore and Malaysia advanced while Thailand and Indonesia sold off sharply. During the month, the Bank of Thailand unexpectedly reduced rates by 25 bps to 2.0%, taking borrowing costs to their lowest level since July 2023.

On the fixed income side, Asian credits delivered positive returns in February, primarily driven by the rally in US treasuries the second half of the month and tighter credit spreads. Spread performance has shown more divergencies in terms of sectors and countries. In terms of market, Thailand, India did well while Indonesia and Philippines underperformed with slightly longer durations. Year-to-date, Asian credits returned 2.2%, with High Yield credits leading the market.

Fund Performance

The Fund return was slightly negative in USD terms in February.

On the fixed income side, both Investment Grade (IG) bonds and High Yield (HY) bonds contributed positively to return. Most of the returns from Investment Grade bonds came from US treasuries while the bulk of the returns from High Yield bonds came from spread returns.

In the equity portfolio, key detraction came from our positions in India where returns were weaker from the broader market sell-off. For example, a top detractor was Makemytrip**, the leading online travel platform in India, which saw some profit taking after a strong previous rally. We continue to hold our position with travel demand in India remaining robust against softer reads in other consumption areas. The company has also delivered growth in its new business categories across corporate travel, international hotels, and foreign exchange conversion services.

Portfolio Review

The top geographical exposures across the portfolio are in India, Korea, and Taiwan.

In the equity portfolio, in February we initiated a position in a wealth management and investment advisory platform in India. On the other hand, we trimmed our exposure in select positions within Taiwan technology.

Within the fixed income sleeve, the main activities revolved around relative value opportunities, as we switched out of some lower yielding bonds into yielding bonds of similar ratings.

Outlook and strategy

We maintain a constructive longer-term view on the regional outlook. The peak of the US rate cycle should provide a supportive overall backdrop and overall, valuations generally remain at reasonable levels. The peak of the US rate cycle should provide a supportive overall backdrop and overall, valuations generally remain at reasonable levels. In Taiwan, our focus remains on technology stocks, especially in companies which we see as key suppliers into the next generation of AI technology and related industries. Within the region, we are also finding a number of attractively-valued structural growth stories in South Asia that are less impacted by geopolitical risks. In particular, the more favorable demographics, rising consumption power, and reordering of supply chains associated with 'China +1' are boosting the growth outlook across ASEAN markets and India. Notably, the Indian market has seen a sharp pullback since late September 2024. We see this as near-term profit taking rather than a more fundamental change to the outlook.

On the fixed income side, the latest corporate earnings have shown evidence of stable to improving profitability and decreasing leverage across most sectors in Asian credit space. Therefore, despite tight spreads, solid credit fundamentals and strong technical should continue to support Asian credit valuation. With attractive all-in yields, we remain constructive on Asia credits and expect carry and security selection to be the key positive contributors to performance.

Source: Bloomberg, IDS and Allianz Global Investors, as at 28 February 2025 unless otherwise stated.

**The information above is provided for the purpose to demonstrate the Fund's investment strategy only, it should not be considered a recommendation nor investment advice to buy or sell any shares of securities. There is no assurance that any securities discussed herein will remain in the Fund at the time you receive this document.

*On 02/02/2024, Allianz Indonesia Equity was renamed to Allianz Asia Pacific Income. There was a material change of the Fund's objectives and investment strategy. The previous performance was achieved under circumstances that no longer apply. Please refer to the offering documents for details. On 09/12/2005, the assets of Dresdner RCM New Tiger Selections – Indonesia were transferred to Allianz Global Investors Selections RCM Indonesia Fund ("Allianz GIS RCM Indonesia Fund"). On 03/10/2008, the assets of Allianz GIS RCM Indonesia Fund were merged into Allianz Global Investors Fund - Allianz Indonesia Equity (formerly named: Allianz RCM Indonesia).

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Investing in fixed income instruments (if applicable) may expose investors to various risks, including but not limited to creditworthiness, interest rate, liquidity and restricted flexibility risks. Changes to the economic environment and market conditions may affect these risks, resulting in an adverse effect to the value of the investment. During periods of rising nominal interest rates, the values of fixed income instruments (including short positions with respect to fixed income instruments) are generally expected to decline. Conversely, during periods of declining interest rates, the values are generally expected to rise. Liquidity risk may possibly delay or prevent account withdrawals or redemptions.

Investment involves risks, in particular, risks associated with investment in emerging and less developed markets. Past performance is not indicative of future performance. Investors should read the offering documents for further details, including the risk factors, before investing. This material and website have not been reviewed by the Securities and Futures Commission of Hong Kong. Issued by Allianz Global Investors Asia Pacific Limited.

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