Allianz Global Investors

Allianz Asian Multi Income Plus

Monthly commentary

- The Fund aims at long-term capital growth and income by investing in equity and bond markets in Asia Pacific.
- The Fund is exposed to significant risks of investment/general market, interest rate, company-specific, creditworthiness/credit rating/downgrading, default, valuation, sovereign debt, country and region, emerging market, asset allocation, volatility and liquidity, currency (such as exchange controls, in particular RMB), and the adverse impact on RMB share classes due to currency depreciation.
- The Fund may invest in the China A-Shares market directly via the Stock Connect or other foreign access regimes and/or other permitted means and/or indirectly through all eligible instruments and thus is subject to the associated risks (including quota limitation, change in rule and regulations, repatriation of the Fund's monies, trade restrictions, China market volatility and uncertainty, potential clearing and/or settlement difficulties, change in economic, social and political policy in PRC and Mainland China tax risks).
- 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 increase the risk of loss of original investment.
- 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.
- Investing in share class with fixed distribution percentage (Class AMf) is not an alternative to fixed interest paying investment. Investors should note that fixed distribution percentage is not guaranteed. The percentage of distributions paid by these share classes is unrelated to expected or past income or returns of these share classes or the Fund. Distribution will continue even the fund has negative returns and may adversely impact the net asset value of the Fund. Positive distribution yield does not imply positive return.
- 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 July

Asia Pacific ex Japan equities rose in July, with China being a top performer. The market was spurred by the US decision to revoke some of its previous export controls on chip design software. This provided a boost to technology stocks, which are benefiting from a significant increase in AI capex both in China and the US. Elsewhere, South Korean equities also outperformed and remain the best-performing regional market year to date, helped by expectations of corporate reform following the election of a new President. Taiwanese stocks also rallied, supported by ongoing artificial intelligence (AI)-driven chip demand. Australian equities posted a modest gain in July. Elsewhere, ASEAN equities were generally stronger. India equities gave back gains in July as a weak earnings season and tariff uncertainty weighed on market and portfolio returns. These dynamics offset positive trends in the form of a favorable monsoon season, moderating inflation, and improved domestic liquidity.

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For fixed income, sentiment was positive for the month of July amid resilient economic data from both sides of the Pacific, no further escalation in the Iranian conflict and trade deals being reached across Asia towards the end of the month. In the US, Non-Farm Payrolls continue to be stronger than expected at 147k against expectations of 106k while the University of Michigan Consumer Sentiment Index rose to 61.8 despite a slight uptick in the Consumer Price Index to 2.7% yoy. In Asia, China's 2Q gross domestic product (GDP) rose by a better than expected 5.2% against consensus expectations of 5.1%. Both the NBS and Caixin Manufacturing Purchasing Managers' Indexes (PMIs) for June were also stronger than forecast due to the short term de-escalation in the US-China tariff war. With the positive macroeconomic backdrop, Asian credit markets were on a risk seeking mode. In terms of performance, Asian credit (JACI Composite) was up 0.6% in June. Investment Grade (IG) credits returned 0.5%, with spread and interest rate contributing 0.6% and -0.1% respectively. High Yield (HY) credits was up 1.4% with most of the return coming from spread return.

Portfolio Review

The Fund return was positive in USD terms in July.

In the equity portfolio, the top contributor was a global electronics conglomerate from South Korea, specializing in semiconductors, display panels, mobile phones and consumer electronics. The stock has experienced strong share price momentum, driven by global enthusiasm for AI as major US tech firms signal robust AI capex. A notable USD 16.5bn chip order win from a leading US electric vehicle (EV) manufacturer further supported the share price.

On the negative side, the top detractor came from an Australia listed clinical dermatology company based in the US. The stock saw a major pullback following the announcement of disappointing sales for its flagship product prescription, which is used to treat excessive sweating. While the company is expected to continue deepening its presence in the dermatology sector over the long term, given the near-term headwinds we have fully exited the position.

During the month, the key portfolio activity for the equity sleeve was focused on adding high dividend paying companies across the region, while reducing more cyclical exposure, particularly in India. For example, we initiated a leading telecom service provider in Hong Kong that offers attractive dividend yield of more than 6%. We also initiated one of the largest property developers in China with sizable quality high-end shipping malls in China. On the other hand, we exited position in an India retail mall developer and operator, and an Australia listed clinical dermatology company based in the US.

Within the fixed income portfolio, we reduced issuer concentration by taking profits on some of the outperformers. Also, we remained active in the primary market to capture the new issue premium.

Outlook and Strategy

Overall, we are quite cautious on the near-term outlook for regional equities. Global trade developments, especially the ongoing decoupling of the US and China, are likely to result in weaker growth. As well as putting pressure on corporate earnings, the visibility of growth is also reduced with some companies declining to provide their usual guidance. Offsetting this to some degree is lower inflation across most Asian markets. With policy rates sitting at or below the neutral range across many key markets, there is flexibility for Asian central banks to lower interest rates. In China, we anticipate there will be more decisive support in order to achieve the annual economic growth target.

On the fixed income side, sentiment was helped by the slew of trade deals being struck with the US towards the end of July. That has reduced tariffs for most countries to within 15-20% which is a level that markets feel consumers, companies and the economy can absorb. With less meaningful differences in tariffs between the export dependent Asian economies, there would not be a material change in the comparative advantage of production for each country. Although tariffs are disruptive to global trade, this outcome is less disruptive than initially feared. The resolution of tariffs has removed a key risk weighing on financial markets since the start of the year and credit markets are likely to continue grinding higher as focus shifts towards the impending policy rate cuts in the US. Together with robust fundamentals, high absolute yields and low new bond supply, we remain constructive on Asian credit markets.

All data are sourced from Bloomberg, IDS and Allianz Global Investors and as at 31 July 2025 unless otherwise stated.

ADM-W4764838