

# 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 interest rates of the reference currency of the HSC and the base currency of the Fund.

### What Happened in September

Asia Pacific equities rallied over September but market returns were mixed. Regional markets enjoyed a particularly strong end to the month following the Chinese authorities' announcement of the biggest stimulus package since the pandemic, as they attempted to kick the economy out of its doldrums and boost equity valuations. Additionally, sentiment was lifted by the US Federal Reserve's (Fed's) first cut in interest rates in more than four years, and a weaker tone to the US dollar. Taiwanese shares were broadly flat, but South Korean shares lost ground as corporate reforms appeared to stall and a bellwether stock delivered results below expectations. Meanwhile, ASEAN markets advanced, benefitting from both Chinese stimulus measures and currency appreciation versus the US dollar. Australian stocks rose modestly, with the ASX 200 Index reaching fresh highs mid-month, buoyed by gains from its heavyweight banks.

On the fixed income side, September was a strong month for Asian credits on the back of the Fed's front-loaded easing cycle that began with a 50-basis point (50-bps) policy rate cut. The market rally also gathered pace on the news around

China's stimulus package, which was also followed by significant monetary policy easing from China's central bank. Asian credit (JACI composite) delivered 1.2% return in September. Investment grade (IG) credits returned 1.1%, as favourable US Treasury movements contributed 0.8% and credit spread added another 0.3%. High yield (HY) credits delivered 1.8%, with 1.3% coming from credit spread and 0.6% from US Treasury movements.

### Portfolio Review

The Fund return was positive in USD terms in September.

In the equity portfolio, key contributions came from our China positions given the strong market rebound in the final days of the month in response to significant policy stimulus. For example, a top contributor was one of the largest insurance groups in China. The company outperformed the broader Financials sector given the weakness in the property market has previously weighed on share price. Fund flow has also been supportive as many investors view the company as a proxy to China's macro and market recovery.

Conversely, the top detractor was an index-heavyweight – a Korea-based chipmaker and consumer electronics manufacturer. Its share price has been weak on fears that excess inventory levels in semiconductors and memory chips will lead to weaker pricing power. Overall, we believe longer-term artificial intelligence (AI) demand will accelerate the need for high bandwidth memory, where the company is a key global provider. However, given the weaker near-term outlook, we have reduced the position size.

In terms of portfolio activity, over the month we added to the portfolio an automobile component maker and a pharmaceutical company in India. We also added selectively to our positions in China, including initiating a position in a smartphone camera lens producer. On the other hand, we exited a number of positions including a global bank based in Hong Kong and a power project company in India as sources of funding and to take profit.

For the fixed income sleeve, we slightly reduced our HY exposure and focused on short-term carry by adding bonds with decent yield and short duration.

### Outlook

We maintain a constructive longer-term view on the regional outlook. The peak of the US rate cycle should provide a supportive overall backdrop, especially if accompanied by a weaker dollar. Overall, valuations generally remain at reasonable levels. In our view, the recent pullback in the Technology sector represents a healthy consolidation after the strong rally over the last year, especially in the Taiwan market. Across India and ASEAN, growth stories are overall less impacted by geopolitical risks, while the more favourable demographics, rising consumption power, and reordering of supply chains associated with "China +1" are boosting the growth outlook. In China, the outlook also looks to be improving with the recent slew of policy measures. It is, nonetheless, still unclear how large the latest round of China stimulus will be and how effectively it will be implemented. While the recent policy initiatives have been successful in jumpstarting markets and boosting domestic confidence, eventually it will still be necessary to address the more structural problems, especially related to the property sector as well as the broad-based deflationary pressures.


On the fixed income side, the market sentiment continues to be buoyant by policy support from China and the likelihood of a soft-landing scenario for the US economy. We expect most of the returns from Asia credits would likely come from lower rates and yield carry. We like the outlook on Asian HY credits given the wider credit spreads and stable to improving fundamental outlook. However, given the strong performance of the asset class, prudent credit selection is increasingly important. On Asian IG credits, we expect spreads to remain relatively resilient going into year-end. We would focus on risk optimisation in anticipation of higher volatility due to uncertainty of the upcoming US elections and risk averse behaviour.

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All data are sourced from Bloomberg, IDS and Allianz Global Investors and as at 30 September 2024 unless otherwise stated.

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