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 March

Asia Pacific ex Japan equities pulled back sharply in March amid heightened Middle East tensions and resulting energy supply disruption fears. Energy import-dependent markets such as Korea and India were hit hardest, although global risk aversion impacted all regional markets. On a relative basis, China equities were more resilient, given the country's diversified sources of energy supply. Geopolitics largely overshadowed domestic developments, as China's National People's Congress set a gross domestic product (GDP) growth target of 4.5% and unveiled the 15th 5-year plan prioritising technological innovation. Australian equities slipped on the other hand, modestly outperforming the regional index as the Reserve Bank of Australia (RBA) raised rates to 4.10% to curb inflation and offset energy shocks. India suffered from elevated volatility and foreign outflows, which continued to pressure the currency. In Korea, markets fell sharply not only on energy concerns, but also due to worries about memory pricing after semiconductor stocks had previously posted substantial gains.

MARCH 2026

For fixed income, markets experienced persistent volatility throughout March 2026, driven primarily by escalating geopolitical tensions in the Middle East following US-Israel strikes on Iran and subsequent retaliatory actions. The ongoing conflict weighed heavily on global risk sentiment, resulting in heightened macro uncertainty, sharp equity market swings, elevated energy prices, and constrained credit market activity across the region. The US Treasury yield curve shifted higher, with the 10-year US Treasury yield reaching around 4.4% at one point during March, as markets reassessed inflation risks linked to higher energy prices. Overall bond market participation remained cautious. Secondary market liquidity was thin, with investors reducing exposure to higher risk assets and focusing largely on higher quality credits. Against this backdrop, Asia credit posted negative returns in March. Both investment grade and high yield segments declined, reflecting the combined effect of wider credit spreads and higher US Treasury yields. Over the month, Asia investment grade and high yield returned -1.6% and -3.1% respectively.

Portfolio Review

The Fund return was negative in USD terms in March.

In the equity portfolio, a top detractor was Samsung Electronics*. There was widespread weakness among memory stocks on fears that artificial intelligence (AI) chips would potentially need less high bandwidth memory than anticipated, coupled with general profit taking and foreign selling of Korea stocks after the previous strong rally. In our view, Samsung has made great advances from being a traditional memory supplier to now being a global leader in high-performance AI memory chips. The stock remains one of our key positions.

On the other hand, a key stock contributor came from an Australian medical technology company specialising in advanced lung imaging technology. It enables non-invasive but highly detailed analysis of the lung function, supporting early diagnosis. The approval of the technology to be used in European Union (EU) has supported the share price rally. We trimmed position slightly to take profits, but we continue to see the company as well positioned to benefit from sustained global healthcare demand over the long term.

The asset allocation at the end of the month was 69.1% invested in Asian equities and 29.8% in Asian fixed income.

Over the month, we have not made significant changes to the equity portfolio as a result of the Middle East situation. We took advantage of the market weakness to initiate a new position in a Chinese manufacturer of printed circuit board (PCB) materials, specifically copper-clad laminates (CCL), which is increasingly critical in AI hardware. Conversely, we exited position in a leading bank in India and switched to another market leader in the space.

Within the fixed income sleeve, we exited our Middle East exposures early in the month as part of our portfolio repositioning. Proceeds from bond maturities were selectively redeployed into short-dated high yield bonds, mainly Additional Tier 1 securities issued by Asian banks, to enhance portfolio income. We also allocated part of the cash into Treasury bills to maintain ample liquidity.

At the end of the month, we held 70 equities and 68 fixed income securities. The equity portfolio yield was 3.2% (based on forward 12-month estimates), and the average fixed income coupon was 6.1% with an average credit rating of BB+ and average duration of 2.7 years.

Outlook and Strategy

Asia Pacific equities face a more volatile near-term outlook as the Middle East conflict feeds through primarily via higher energy prices and risk sentiment rather than direct business exposure. Uncertainty around a weaker global economic outlook adds another layer of caution.

Elevated oil prices have a significantly different impact on key markets around Asia. Overall, we see China's diversified economy as relatively well positioned for extreme scenarios, especially after years of building self-reliance across energy, food, and supply chains. In particular, China has looked to reduce exposure to oil and gas, and also to hedge this via pipelines from Russia and Central Asia. Conversely India is more vulnerable to events in the Middle East. It imports the vast majority of its oil and gas from the Gulf, relies heavily on the Strait of Hormuz for energy flows, and depends on the region for a large share of remittances, meaning any disruption can quickly feed through to inflation, the currency and growth.

Looking beyond these near-term risks, we remain on the positive side on the outlook for Asia Pacific equities over the long term. In particular, we expect Technology to remain a feature going forward. Companies with strong fundamentals, exposure to long-term structural trends, and a competitive edge remain in focus.

On the fixed income side, markets are likely to face a more uncertain global macro and geopolitical environment, with market performance expected to remain uneven and sensitive to developments in global interest rates, energy prices, and political events. While the near-term impact of the Middle East conflict has already been reflected through elevated oil prices and risk sentiment, the potential longer-term implications, particularly related to sustained supply disruptions, warrant continued monitoring. Systemic risk across Asia credit markets appears limited at this stage. However, volatility is expected to persist. This reinforces the importance of diversification and selection across the Asia credit universe. Fundamentals across much of Asia remain stable, supported by generally solid balance sheets and manageable refinancing needs, while market technicals continue to benefit from disciplined issuance and a relatively contained supply backdrop. In this environment, a defensive and diversified investment stance remains an appropriate approach as markets navigate ongoing uncertainty and manage downside risks.

All data are sourced from Bloomberg, IDS and Allianz Global Investors and as at 31 March 2026 unless otherwise stated.