

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 February

Asia Pacific ex Japan equities delivered broadly flat returns in February, with a large divergence of returns across markets. China equities rallied strongly with DeepSeek being the catalyst as it became clear that China is significantly more advanced in the global technology and AI race than was previously understood. This realization triggered a substantial re-rating of technology stocks. The advance was also driven by hopes that US tariffs may prove to be milder than expected, although the gains were tempered by President Trump's month-end announcement of an additional 10% US tax on Chinese exports.

Elsewhere, South Korean equities also ended slightly higher, while Taiwanese stocks sold off. Australia equities retreated from historical highs as large banks reported disappointing earnings. ASEAN markets moved lower overall. Indian equities also lost ground, declining sharply to mark their worst consecutive monthly pullback in nearly three decades. Given rising

trade uncertainty and with inflation falling to a five-month low of 4.31% in January, the Reserve Bank of India cut interest rates by 25 basis points (bps) to 6.25%, its first reduction since May 2020.

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.

Portfolio Review

The Fund return was positive in USD terms in February.

In the equity portfolio, the top contributor was Alibaba*, the leading e-commerce platform in China. The share price has benefited from the rerating of China technology companies since the DeepSeek announcement. Within the AI space, Alibaba has announced plans to invest significantly over the next three years to advance its cloud computing and AI infrastructure. In addition, there was a significant boost to sentiment from founder Jack Ma's appearance at a high profile symposium held by President Xi Jinping attended by prominent private sector business leaders.

On the detractor side, chipmaker Taiwan Semiconductor Manufacturing* (TSMC) lagged during the month. After a strong previous rally, the share price retreated on concerns surrounding global semiconductor demand. The company has announced stronger-than-expected guidance for 2025, with demand for high performance computing chips continuing to be well supported by ongoing adoption of AI-related applications. We have maintained our position.

The asset allocation at the end of the month was 69.5% invested in Asian equities and 30.4% in Asian fixed income, with the remainder in cash.

During the month, the main activity was initiating new names in China, selectively entering companies that are expected to benefit from the more rapid adoption of AI along with other growth areas. For example, we added an AI-powered home assistant to the portfolio. On the flip side, we exited a toll road operator in China and an energy company in Australia.

Within the fixed income portfolio, we continued to look for alpha opportunities in the market and switched out some lower yielding bonds for better carry.

Outlook and Strategy

We maintain a constructive longer-term view on the regional outlook. While there are clearly still risks to be faced – tariffs, property, weaker export momentum – nonetheless there does appear to have been a significant mindset change in China. For a long time, much of the focus on China has been on what could go wrong. Now attention has started to shift, encouraged by China's increasingly visible technological advances. Innovation leadership comes in addition to the measures required to address more structural problems in China, especially related to the property sector as well as broad-based deflationary pressures.

Across other parts of the region, we are finding a number of attractively-valued structural growth stories in ASEAN that should be 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 much of South Asia. Notably, the Indian market has seen a sharp pullback since 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 valuations. 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.

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All data are sourced from Bloomberg, IDS and Allianz Global Investors and as at 28 February 2025 unless otherwise stated.

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