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 September

Asia Pacific ex Japan equities moved higher in September, tracking the broader global rally on US Fed rate cut optimism. China markets had another good month, led by technology stocks after Beijing's pivot away from Nvidia AI chips and towards homegrown suppliers, as well as rising retail investor activities. The AI trade also drove markets in South Korea and Taiwan to fresh record highs. India closed the month with a small gain on optimism around a tentative resumption of last month's stalled trade talks. On the other hand, Australian equities fell as rate-sensitive banking stocks sold off. Elsewhere, ASEAN equities rose modestly. Vietnam was a stand-out performer on expectations—subsequently confirmed—that it would be upgraded to "secondary emerging market" status by FTSE Russell in 2026.

Asia fixed income markets saw a surge in primary activity in September following the summer lull. This influx of supply initially led to a widening of credit spreads, particularly within the investment grade segment. However, investor sentiment remained robust, which supported a tightening of spreads in the latter half of the month.

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On the rates front, U.S. Treasury yields experienced significant volatility. The 10-year yield declined to 4% early in the month, driven by softer labor market data, before rebounding later on the back of stronger-than-expected economic indicators. At the September Federal Open Market Committee (FOMC) meeting, the US Federal Reserve (Fed) cut the benchmark interest rate by 25bps as anticipated and signaled two additional cuts in 2025. In terms of performance, Asian credit (JACI Composite) posted a solid return of 1.1% for the month, with 0.8% attributed to rate and 0.3% to spread compression and carry. Investment Grade (IG) credits delivered comparable performance, while High Yield (HY) outperformed with a 1.8% return, supported by a 31bps tightening in spreads.

Portfolio Review

The fund return was positive in USD terms in September.

In the equity portfolio, the top contributor was Alibaba*, China's e-commerce giant and leader in AI development. The share price saw a sharp rally after the company announced a strong set of quarterly results. Investor sentiment was boosted by the company's significant progress in China's AI push, highlighted by a strong beat from its cloud division. We continue to view Alibaba as a leading competitor across the verticals of e-commerce, logistics, and cloud computing, with AliCloud standing out as a top-tier asset on the back of rising AI-related demand.

On the negative side, a detractor was an operator of a large wholesale market in Yiwu, China, where buyers from around the world purchase goods in bulk. The core business is focused on small consumer goods such as toys and electronics. The company also has a commodity trading platform and had previously indicated it would participate in the Hong Kong stablecoin rollout. The recent share price weakness has primarily been related to some uncertainty of timing and restrictions in the initial batch of stablecoin licensing. While this has weighed on near-term sentiment, we believe the company's rapidly-growing cross-border payment services to merchants should remain resilient.

The asset allocation at the end of the month was 71.0% invested in Asian equities and 29.8% in Asian fixed income.

During the month, the key portfolio activity for the equity sleeve was focused on adding high dividend-paying companies across the region. For example, we initiated a position in one of the largest dairy producers in China, with a dividend yield of more than 5%. We also initiated one of the six gaming concessionaries in Macau. On the other hand, we exited the position in a China-based shipping logistics company.

Within the fixed income portfolio, we continued to look for opportunities in the primary market while keeping portfolio risk level and duration relatively stable.

Outlook and Strategy

Overall, we are cautiously optimistic on the near-term outlook for regional equities. This is despite global trade developments such as higher tariff rates which are likely to result in weaker growth. However, offsetting this to some degree is lower inflation across most Asia Pacific markets. Combined with the weaker US dollar this year, there is flexibility for Asian central banks to lower interest rates. In China, we anticipate there will be further policy support in order to achieve the annual economic growth target.

On the fixed income side, primary issuance in the Asia credit market is expected to remain active. However, this continued supply is unlikely to prompt significant repricing, given the strong investor demand observed last month. Looking ahead, fiscal and monetary policies across major economies are anticipated to remain accommodative, providing a supportive backdrop for risk assets. Credit fundamentals in Asia remain sound, with issuers generally maintaining sufficient buffers to absorb potential shocks. Technical conditions also remain favourable, underpinned by a relatively constrained supply environment. We retain a positive view on Asia credit despite current tight spread levels, with a modest preference for high yield over investment grade. In this environment, carry and prudent security selection will be key drivers of performance.

All data are sourced from Bloomberg, IDS and Allianz Global Investors and as at 30 September 2025 unless otherwise stated.