

# 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 October

Asia Pacific equities retreated over October. While Taiwan withstood the sell-off, many of the region's other markets ended the month lower. A strong tone to the US dollar posed as a headwind for returns. Chinese equities lost ground in as optimism over recent stimulus measures faded given the lack of hard details from authorities. Nevertheless, data releases hinted at some improvement in the domestic economy. Korea equities declined on mixed corporate earnings and disappointing export and manufacturing data. Meanwhile, Australian and most ASEAN market shares broadly closed the month lower, reflecting the stronger US dollar and general market concerns around US election results and the direction of the Federal Reserve's interest rate policy. India equities also suffered, with weaker returns stemming from a combination of profit taking, foreign investor outflows, and weak corporate earnings. On the positive side, India's manufacturing and services activity remained robust, along with local investor appetite for domestic equities.

Asian credit markets corrected in October due to a steep rise in US Treasury rates as expectations for the total number of US policy rate cuts were tempered due to continued strong economic data in the US. Asian credits (JACI composite) corrected by -1.0% return in October. Investment Grade (IG) credits corrected by -1.3% due to higher US Treasury rates but this was partially mitigated by credit spread compression. On the other hand, High Yield credits (HY) returned 1.1% from higher carry and aggressive spread compression. Year-to-date, Asian High Yield credits have delivered strong returns of 16.0%, significantly outperforming credit markets globally.

### Portfolio Review

The Fund return was negative in USD terms in October.

In the equity portfolio, the top detractor was the leading e-commerce platform in China. After a strong rally in the final days of the September in response to significant policy stimulus, share price saw some consolidation as investors assess the extent to which the measures are likely to alter China's economic growth path. Overall Alibaba has been regaining market share and pricing power as it has refined its business strategy to improve competitiveness.

On a positive side, key contribution came from our positions in the Taiwan technology sector. For example, the top contributor was a semiconductor company, which reported a jump in profits and raised its earnings guidance. We expect growth momentum to continue to be supported by increased demand for artificial intelligence (AI) servers and recovery in PC and smartphone segments.

In terms of portfolio activity for the equity sleeve, over the month we added to an IT services company in China and an international logistics software provider based in Australia. On the other hand, we exited positions in an airport operator in India and an automaker in Korea.

For the fixed income sleeve, we used the market weakness to extend the duration of the portfolio by switching out some low carry front end papers to longer dated senior financial papers and Japan corporate bonds.

### Outlook and Strategy

We maintain a constructive longer-term view on the regional outlook. The peak of the US rate cycle should provide a supportive overall backdrop and overall, valuations generally remain at reasonable levels. The outlook in China also looks to be improving with the recent slew of policy measures. 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. In Taiwan, our focus is primarily on technology stocks, especially in companies which we see as key suppliers into the next generation of AI technology and related industries. Within the region, we are also finding a number of attractively valued structural growth stories in South Asia that are less impacted by geopolitical risks. In particular, the more favorable demographics and rising consumption power is boosting the growth outlook across ASEAN markets and India.


On the fixed income side, major global central banks have begun their respective rate cut cycles. While the eventual terminal rates are very much data dependent and evolving, the downward trajectory in rates seems clear and supportive for credit as an asset class. Our view is that lower rates and yield carry will be the main contributor to performance. Policy support in China should provide support for tighter credit spreads in the region. Asian Investment Grade yields continue to benefit from strong demand, and we remain positive on High Yield with wider spreads and the stable to improving fundamental outlook. With the strong performance year-to-date, prudent credit selection remains key for outperformance.

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All data are sourced from Bloomberg, IDS and Allianz Global Investors and as at 31 October 2024 unless otherwise stated.

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Investing in fixed income instruments (if applicable) may expose investors to various risks, including but not limited to creditworthiness, interest rate, liquidity and restricted flexibility risks. Changes to the economic environment and market conditions may affect these risks, resulting in an adverse effect to the value of the investment. During periods of rising nominal interest rates, the values of fixed income instruments (including short positions with respect to fixed income instruments) are generally expected to decline. Conversely, during periods of declining interest rates, the values are generally expected to rise. Liquidity risk may possibly delay or prevent account withdrawals or redemptions.

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