

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 May

Equity markets in Asia ex Japan rose modestly over May. China markets were mixed, with H-shares outperforming A-shares. The key event in China in May was policymakers stepping up support for the embattled property sector. We view the combined measures – including reduced downpayment ratios, cuts to mortgages rates, and funding for local governments to buy unsold homes - as representing the biggest nationwide property easing since the property turmoil started close to three years ago. Elsewhere in the region, Taiwan equities were lifted by robust gains from a chipmaker, but South Korean shares lagged. In ASEAN markets, Singapore rallied the most, but stock markets in Thailand, the Philippines, and Indonesia lost ground as early gains were eradicated by declines later in the month. India posted another month of gains ahead of the general election results in early June.

In May, bond markets were off to a strong start largely driven by the dovish statement from the latest Federal Open Market Committee (FOMC) meeting and the softer-than-expected employment data. In addition, US Federal Reserve

(Fed) Chairman Powell indicated policy rates are sufficiently restrictive and that the Fed's next move is unlikely to be a hike. China's regulators also announced a slew of policy measures to support the real estate sector, which helped further boost market sentiment. Both Investment Grade and High Yield markets displayed strong performance over the month. The JP Morgan Asia Credit Index (JACI) composite rose by 1.3%, led by JACI High Yield, which rose 2.8% while JACI Investment Grade increased by 1.1%.

Portfolio Review

The Fund return was positive in USD terms in May.

In the equity portfolio, a leading contributor was a chipmaker. The company outlook has strengthened both in demand and in pricing power, driven by increasing interest in AI-enabled applications and the bottoming out of inventory levels.

Conversely, a top detractor was a smartphone and memory maker in South Korea. The share price saw some profit taking after a strong rally earlier in the year. The latest company results show profitability improvement in its chip making unit, and we continue to see further growth potential ahead with rising demand for high bandwidth memory chips from AI-based smart solutions.

Over the month we initiated a position in a cloud services provider in Taiwan. On the other hand, we exited select positions the financials and telecommunications sectors.

For the fixed income sleeve, we increased our exposure to India issuers, particularly on non-bank financial institutions to further diversify the portfolio.

Outlook and Strategy

Across the Asia region, we are expecting some of 2023's macro headwinds to ease as we move into the new year. In India, we continue to see favorable demographics, rising consumption power and reordering of supply chains associated with 'China +1' are boosting the growth outlook. In China, our view is that the balance of risk and reward is looking considerably more favorable now than before. While near-term visibility on growth remains uncertain, any signals of macro stabilization could support a market rally given the depressed valuations. In the rest of Asia, there are also signs of stronger momentum in the technology sector, especially for companies with AI-related business exposure. Overall, from a regional standpoint, valuations remain at reasonable levels.

For fixed income, we continue to see Asia credit fundamentals improving and corporates deleveraging their balance sheets. Overall, the all-in yield remains attractive, providing high carry. We expect credit spreads to stay at current levels, given the strong demand supply technical and attractive credit cycle. In terms of strategy, we seek a careful balance between quality and carry from a positioning perspective while at the same time looking to minimize spread duration risk. Interest rate volatility remains a key risk, and our strategy is to maintain a highly diversified portfolio with high portfolio yield and carry.

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

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AdMaster: 3645519