

03/2023

Fund Commentary

Allianz Korea Equity

- The Fund aims at long-term capital growth by investing inequity markets in Korea.
- The Fund is exposed to significant risks of investment/general market, country and region, company-specific, currency and emerging market.
- 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.
- 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

The Korean equity market rebounded during March, as swift intervention by regulators provided comfort on potential contagion risks from turmoil in banking sector. The best performing sector was materials, driven by strength in EV battery names on potential tailwinds from US inflation reduction act. Energy sector also outperformed, on expectations of a recovery in oil demand. On the other hand the worst performing sector was financials, on potential for negative intervention from regulators. Consumer staples also underperformed, on disappointing pace of recovery of regional travel demands.

Portfolio Review

During March we increased our exposure to EV battery sector on improving regulatory backdrop and continuing strength in demand. In the meantime we reduced our exposure to materials sector on profit taking.

Outlook and Strategy

The outlook for global economy remain uncertain. Market expectations on US Federal Reserve's rate hike cycle have been quick to fluctuate, and may continue to be impacted by strong economic data prints or signs of distress in financial system. Ongoing trade dispute between US and China may influence the prospects of several key industries for Korea including semiconductor and EV battery. In Korea, we watch out for signs of weakness in domestic property market, which may result in further intervention by regulators on banks. We will closely monitor the impact of these developments to our portfolio.

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Source: Bloomberg, IDS, Allianz Global Investors, as at 31 March 2023 unless otherwise stated.

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