

Allianz

Oriental Income

Monthly commentary

- The Fund aims at long-term capital growth by investing in Asia Pacific equity and bond markets.
- The Fund is exposed to significant risks of investment/general market, country and region, company-specific, emerging market, valuation, asset allocation and currency (such as exchange controls, in particular RMB), and the adverse impact on RMB share classes due to currency depreciation. Investing in bonds may be subject to specific risks such as interest rate, creditworthiness risk/credit rating/downgrading, and default.
- 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 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 October

The Fund underperformed the benchmark in October. Stock selection in the industrials sector was a key source of underperformance, led mainly by some profit taking among defense names in the region that had previously performed well.

A key detractor during the month was a leading media company in Japan. Its platform has broad reach across television media, data analytics, advertising, social media, and e-gaming. While advertising and media segments reported stable results, gaming underperformance, driven by sluggish sales of legacy titles, weighed on sentiment. We maintain conviction and believe artificial intelligence (AI)-driven analytics will be a key enabler for the business across segments.

Conversely, a top contributor was a large memory chipmaker listed in Korea. The company has made great advances from being a traditional memory supplier into a creator of AI chips, and has cemented strong leadership in next-generation high bandwidth memory, providing a sustainable competitive advantage, in our view.

Portfolio Review

Earlier in the year, we raised cash levels and added to fixed income given the high level of market and macro uncertainty, especially related to geopolitics. We have since reduced this more defensive exposure to take advantage of specific stock opportunities.

In October, for example, we added two Japanese companies. One is a specialist in high-precision motion control components used in industrial robots, semiconductor manufacturing, and aerospace systems while the other is a manufacturer of titanium and silicon products benefitting from strong ties to the aerospace and semiconductor industries. Overall in Japan, we are focused on stocks where we see potential for enhanced shareholder returns and an improved earnings outlook as a result of governance reforms and a more inflationary environment. Many of these names sit in the industrials and financials sectors.

Since last year we have increased the portfolio exposure to China. This is partly a reflection of improved valuations as well as increasingly supportive government policy action. The DeepSeek announcement also demonstrated China's impressive advances in technology and AI which, in our view, have not yet been widely understood. We have added to ecommerce/internet stocks as well as insurance and healthcare companies. Conversely, we have reduced the allocation to Taiwan.

A significant proportion of the fund remains invested in mid and small cap stocks, which can lead to shorter-term volatility but has historically been a key source of added value and an area where we believe we can find differentiated ideas that are mispriced.

Outlook and Strategy

Overall, we are optimistic on the outlook for Asia Pacific equities. Economic policy is broadly supportive across the region. Lower inflation combined with the weaker US dollar is providing 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.

We also believe that structural drivers remain in place for a more positive, longer-term outlook in Japan. In particular, the combination of inflation as well as ongoing governance reforms should contribute both to improved earnings as well as a greater focus on shareholder value. The surprise election of Sanae Takaichi as the new Prime Minister also sparked a market rally. She is closely linked to the policies of former Prime Minister Abe, including being an advocate of significant fiscal expansion.

In this environment, we are looking for opportunities to add to stocks that have been overly punished in the market volatility, as well as potential beneficiaries of Asian domestic policy stimulus measures to offset the tariff impact. Companies with strong balance sheets, exposure to long-term structural trends, and a competitive edge remain in focus.

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All data are sourced from Bloomberg, Allianz Global Investors, as at 31 October 2025 unless otherwise stated.

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