May 2018

Allianz Life Asia Multi-IncomePLUS Fund

Investment Objective

The Allianz Asian Multi-IncomePLUS (the "Fund") feeds into Allianz Asian Multi Income Plus- USD ("CIS") and aims to achieve stable income stream and potential capital appreciation by investing primarily in Asian local currency denominated fixed income and quasi-fixed income instruments.

Investor Profile

The Fund is designed for investors who are generally risk averse and require stable returns.

Performance Indicator

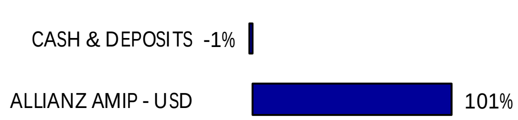
	1 month	6 months	1 year	3 years	5 years	YTD	Since Inception (Annualised)
Allianz Life Asia Multi-IncomePLUS Fund	0.66%	-0.30%	0.60%	20.95%	42.35%	-0.71%	4.87%
Benchmark: 2/3 MSCI AC ASIA Pac Ex Japan High Dividend Yield Total Return (Net) + 1/3 JP Morgan Asia Credit Index (JACI) - Non Investment Grade Index *	-1.63%	1.43%	7.41%	18.03%	28.06%	-0.86%	4.45%
Allianz Asian Multi Income Plus ($USD)	-0.86%	2.97%	9.67%	14.75%	16.13%	1.70%	4.39%

Ringgit appreciated 1.90% (YTD) and depreciated 1.40% (since inception).
* Source: Bloomberg.
The above performance of the Fund is calculated in Ringgit Malaysia on a NAV-to-NAV basis. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the investment-linked product. Past performance is not an indication of future performance.

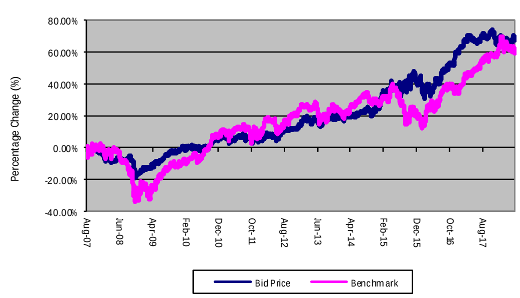
Facts on CIS

Name	Allianz Asian Multi Income Plus- USD ("Allianz AMIP - USD")
Type	Managed Fund
Fund Manager	Allianz Global Investors Singapore Limited
Fund Currency	USD

Portfolio Composition



Performance Since Inception



Key Fund Facts

Fund Size	RM2.164 million
Risk Profile	Moderate Investor
Launch Date	4th June 2007
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit[1] (as at 31st May 2018) - Bid	1.674
Management Fee	1.00% p.a
Other Charges[2]	Include but not limited to government tax, auditor fee, custodian fee, & transaction charge

1. The price per unit of the Fund is the total market value of assets in the Fund divided by the total number of units of the Fund. To ensure fair treatment to all unit holders, transaction costs of acquiring and disposing of assets of the Fund are recouped by making a dilution or transaction cost adjustment to the NAV per unit of the Fund. Allianz Life Insurance Malaysia Berhad retains the right to suspend issuance or redemption of units of the Fund under exceptional circumstances, e.g. temporary closure of any stock exchange, as disclosed in the fund brochure.
2. Expenses directly related to and necessary in operating the Fund.

Allianz Life Insurance Malaysia Berhad (104248-X)
Level 29, Menara Allianz Sentral , 203 , Jalan Tun Sambanthan, Kuala Lumpur Sentral , 50470 Kuala Lumpur.
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Manager's Comment

Market Commentary

- Overall, Asia Pacific equity markets rose slightly over May. Markets were volatile, however, amid confusion over whether a summit between North Korea and the US would go ahead. Ongoing trade tensions between China and the US also added to investor concerns.
- Chinese equities posted modest gains. On 1 June, it was announced that 233 Chinese A-shares entered the major MSCI Emerging Markets Index, prompting overseas demand for selected stocks. In economic news, China's official manufacturing purchasing managers' index jumped to 51.9 in May, up from 51.4 in April.
- Australian equities ended the month slightly higher. The Reserve Bank of Australia kept interest rates on hold, but the government cut taxes for lower and middle-income earners: elections are predicted for later this year. Taiwan shares also gained, but South Korean equities ended the month lower. In general, ASEAN markets underperformed their more developed counterparts, with emerging market currencies under pressure given the resurgent US dollar.
- Asian USD credits unchanged in May based on the J.P. Morgan Asia Credit Index. Investment grade credits rose by 0.37% while high yield bonds corrected by -1.23%. Investment grade credits eked out a positive return due to interest accrual while credits benefitted from lower Treasury yields due to a flight to safety on Italian election concerns. Credit spreads continued to widen in Asia, negating the impact of lower US Treasury yields. High yield credit spreads in particular were hit by idiosyncratic risk and a default in the Chinese energy sector issuer.
- In this environment the fund return was positive in USD terms and the monthly distribution was paid from income.
- Sa Sa International was again one of the top contributors in May. This Hong Kong-based cosmetics retailer's share price continues to be supported by encouraging sales number for its core HK and Macau business. Since early this year Sa Sa has seen a recovery in sales momentum due to a combination of higher tourist arrivals to Hong Kong and lower rental costs. This is leading to a sharp earnings recovery and consequently a re-rating of the stock.
- Mediatek was a detractor in May. This Taiwanese semiconductor company faced some profit-taking pressure after rallying more than 70% from the bottom in 2017. We remain positive on the fundamentals of this name. Led by new management, the company has diversified away from previous reliance on Samsung smartphones, which created significant earnings volatility. With the recovery of Android smartphones demand and a more stable earnings outlook, we believe Mediatek is well positioned to regain market share.
- Our asset allocation at the end of the month was 66.3% invested in Asian equities and 29.9% in Asian fixed income, with the remainder in cash. We continue to maintain an asset allocation close to the 65:35 level.
- The core of the equity portfolio is companies with sustainable dividends and long-term growth potential. We initiated a position in an Indonesian telco XL Axiata in May as a turnaround story. The stock has de-rated significantly over the past year in the face of extreme competitive pricing pressure. With an improvement in the structure of the Indonesia telecom industry, we believe this pricing pressure will ease and the company can benefit from an earnings recovery. At its low point, the valuation was less than one times price to book and the company is likely to reintroduce its dividend when the earnings recovery becomes stronger.
- On the fixed income side, we increased our holdings in a number of existing and new issues. We will continue to opportunistically look for more attractively priced issues. The Fund generally holds less volatile issuers for interest accrual. We also continued to access a more diversified portfolio of Asian USD high yield credits through the Allianz Dynamic Asian High Yield fund.
- At the end of the month we held 71 equities and 79 fixed income securities. The equity portfolio yield was 3.3% and the average fixed income coupon was 6.9% with an average credit rating of BB and duration of less than 3 years.

Market Outlook and Strategy

- We continue to manage a broadly diversified portfolio which should be resilient during periods of market volatility as we have seen so far this year. We have been looking to take advantage of individual stock volatility in the recent choppy market conditions, for example by adding to stocks such as XL Axiata when they get overly sold down in weak sentiment. Companies such as these where we see potential for recovery in cash flows, which in turn will feed through into future dividend growth, have performed well this year.
- As well as being diversified by sector, we also have a good spread of exposure geographically. In addition to the bigger markets like China, Hong Kong and Australia, the portfolio is well represented in South Korea, Taiwan and the ASEAN markets.
- Asian bond markets have seen weaker market technicals, with significantly reduced market liquidity as supply and demand conditions deteriorated. On the supply side, the rising interest rate environment and tight liquidity in the onshore Chinese market provided an impetus for Chinese issuers to issue more bonds with longer maturities before interest rates rise further. Meanwhile on the demand side, Chinese investor demand has reduced due to a clamp down on leveraged products and, more generally, investors have become more cautious amid a rising rate environment, preferring shorter-dated bonds. Despite this, Asian credit fundamentals remain broadly stable and positive. Our focus on stronger shorter dated issues for interest accrual should hold up well in this kind of environment. Following the correction in the secondary market, valuations have become much more attractive for long term investors and we will use this opportunity to gradually pick up more attractive bonds.

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