July 2021

Allianz Life Asia Multi-IncomePLUS Fund

Investment Objective

The Allianz Life Asia Multi-IncomePLUS (the "Fund") feeds into Allianz Asian Multi Income Plus- USD ("CIS") and aims to provide long term capital appreciation and income by investing primarily in equites, trusts and interest bearing securities with a focus on the Asia Pacific Region.

Investor Profile

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

Performance Indicator

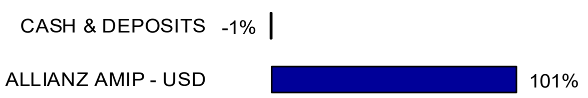
	1 month	6 months	1 year	3 years	5 years	10 years	YTD	Since Inception (Annualised)
Allianz Life Asia Multi-IncomePLUS Fund	-2.49%	0.16%	12.02%	15.73%	29.55%	77.29%	3.78%	4.77%
Benchmark: 2/3 MSCI AC ASIA Pac Ex Japan High Dividend Yield Total Return (Net) + 1/3 JP Morgan Asia Credit Index (JACI) - Non Investment Grade Index	-2.66%	3.29%	14.19%	16.05%	35.98%	60.27%	3.45%	4.45%
Allianz Asian Multi Income Plus ($USD)	-4.47%	-3.63%	14.43%	16.39%	35.10%	40.40%	-0.46%	4.31%

Ringgit depreciated 5.19% (YTD) and depreciated 1.53% (since inception).
Source: Bloomberg and https://sg.allianzgi.com/
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.

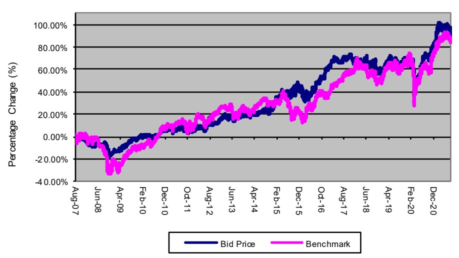
Facts on CIS

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

Portfolio Composition



Performance Since Inception



Key Fund Facts

Fund Size	RM2.287 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 July 2021) - Bid	1.920
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.

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Manager's Comment (For Allianz Asian Multi Income Plus- USD)

Market Commentary

- Overall equity markets in Asia Pacific ex Japan declined over July. Rising COVID-19 cases across many countries in the region was one of the headwinds. Furthermore, sentiment was negatively impacted by tightening regulation in China which announced sweeping restrictions for its education sector such that core parts of business activities could no longer operate on a for-profit basis. In this backdrop, investor confidence in Chinese stocks in general was hit and Chinese stocks sold off sharply.
- Elsewhere, Australian equities advanced modestly although coronavirus cases were on the rise, prompting the Australian authorities to impose lockdowns in certain areas. Rising COVID-19 cases across the region along with the steep sell-off for Chinese equities weighed on stocks in Korea, Taiwan and Hong Kong. ASEAN markets were also weak with the only exception of Singapore which outperformed.
- Asian USD high yield bonds further weakened in July as idiosyncratic concerns from June on one of the largest property developers in China continued to dampen sentiment in the Chinese property sector. Outside of Chinese property, the rest of the Asian high yield market was more stable. The JP Morgan JACI Non-Investment Grade Index corrected by -3.64% driven by wider credit spreads (727 basis points (bps) from 611 bps). There were no defaults in July, but the wider credit spreads were due to poor market sentiment exacerbated by weak market liquidity. The US Treasury 5-year yield decreased sharply from 0.89% to 0.69% as market participants continued to adjust expectations for a less aggressive tightening and tapering by the US Federal Reserve (Fed).
- In such an environment, the Fund return was negative in USD terms in July.
- A key detractor over the month was the leading e-cigarette producer in China. The stock has seen significant weakness along with many Chinese new economy names given the concerns over tightening regulations. We previously saw this company as a structural beneficiary of the rising penetration of e-cigarettes in China. However, given the regulatory overhang, we decided to exit the position.
- On the positive side, the top contributor was Unimicron Technology, a printed circuit board (PCB) manufacturer and a global leader in ABF substrates, also known as Ajinomoto build-up film. The company benefits from multiple growth drivers, including 5G smartphones which will drive chipset performance enhancement. Tight supply in the industry also supports advanced players like Unimicron Technology for stronger pricing power and higher margins.
- The asset allocation at the end of the month was 67.0% invested in Asian equities and 30.9% in Asian fixed income, with the remainder in cash. We maintain an asset allocation close to the 65:35 level.
- In terms of equity portfolio activity, we have been looking to add selectively to companies which have come back to more attractive valuations and where the growth outlook is more certain. For example, in July we initiated a position in a Taiwan-based tech company in the smartphone supply chain. We also added to a technology platform for biologics drug development as the company is rapidly gaining market share on a global basis.
- For the fixed income sleeve, we invested in bonds with the aim of long-term interest accrual. Portfolio turnover was low in July as we look to reinvest proceeds from maturing bonds.
- At the end of the month, we held 76 equities and 124 fixed income securities. The equity portfolio yield was 2.5% and the average fixed income coupon was 7.2% with an average credit rating of BB- and duration of around 2 years.

Market Outlook and Strategy

- While the short-term nervousness in China equity markets is understandable, the longer-term consequences of recent regulatory events are likely to reinforce policy support in a number of other sectors. It is increasingly clear, for example, that China will focus on channelling resources to finance innovation in key strategic areas which are viewed as critical to selfsufficiency in an increasingly polarised world. In contrast, consumer facing apps are not seen as advancing the country's long-term interests.
- Looking ahead, our base case is that the intensity and tone of the recent regulatory crackdown will be lessened. A key point is that China's domestic capital markets must be developed further if long-term industrial policy goals are to be met. And if domestic stock markets are destabilised, then fund raising for all sectors is threatened. In this context, we see recent events as a speed bump which may delay, but not ultimately derail, China's goal of liberalisation of its financial markets.
- Elsewhere in the region, while the current COVID-19 situation might postpone the recovery of the economies, this has helped ease concerns about policy normalisation. Our equity portfolio will continue to be broadly balanced between structural growth and dividend growth stocks, with a good spread of exposure across sectors.
- Following the correction in July, index yields are at the top end of trading ranges while yields for weaker credits are near the highs from last March. This is against a backdrop of still manageable default risk. In fact, default rates for this year are expected to be about 2.4-2.6%, which are lower than the previous year. The wider credit spreads reflect poor sentiment and market liquidity rather than higher default rates. The current environment thus could potentially provide a good opportunity for the asset class.

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Investment Strategy & Approach

Investors should realize that there are risks of investing in the Funds as listed below:-

- **Market Risk** – The value of the Fund's investment assets may be affected by changes in economic fundamentals, interest rate movement, regulatory policy, political and industrial developments. These market factors may result in fluctuations in the value of the Fund's investment assets. This risk may be mitigated by ensuring a rigorous review of macroeconomic factors and asset allocation strategy.

- **Currency Risk** – For foreign investment, fluctuations in currency exchange rates may have an impact on the value of the Fund's investment assets. This risk may be minimized by engaging in foreign currency hedging.

- **Country/Foreign Investment Risk** – This risk refers to the risks of investing in foreign markets. The value of the foreign investment assets directly or indirectly held by the Fund may be affected by country-specific factors, such as the country's economic fundamentals, social and political stability and regulatory policy. This risk may be mitigated by ensuring a rigorous review of macroeconomic factors and asset allocation strategy.

- **Specific Security Risk** – The value of the assets in particular securities and money market instruments may be affected by company-specific factors, such as business situation, financial condition and corporate governance of the company. This risk may be minimized through diversification of investments in a wide scope of companies belonging to a multitude of sectors.

- **Sector Risk** – The value of the Fund's investment assets may be adversely affected by the changes in sector-specific factors, such as the business condition, industry outlook and demand/supply dynamic of the industry. This risk may be minimized through portfolio diversification and control on sector concentration risk.

- **Liquidity Risk** – If an asset has insufficient liquidity, there is the risk that the asset cannot be sold or can only be sold at a significant discount to the purchase price. The lack of liquidity of an asset may cause its purchase price to increase significantly. The risk is managed by including liquidity factor into security selection and further mitigated by diversification.

- **Target Fund Risk** – As the Fund is a feeder fund, it will invest into a Target Fund which is being managed by a Target Fund Manager. While we would make every effort to ensure that the objectives of the Target Fund are appropriately aligned with those of ours, we do not have control over the Target Fund Manager's investment in terms of its approach, intelligence, operations and management. In the unlikely event of any mishandling of the Target Fund, the NAV of our Fund, which is investing predominantly into the Target Fund, could be similarly adversely affected.

Overall, on top of regulatory limits imposed by Bank Negara Malaysia, we have put in place tight internal investment limits for all asset class with oversight by risk officer to ensure that the Fund does not take on excessive risk, albeit we cannot guarantee the total elimination of risks associated with investing in the Fund.