February 2018

# Allianz Life Asia Multi-IncomePLUS Fund

Allianz

## 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

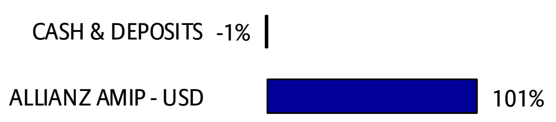
| | 1 month | 6 months | 1 year | 3 years | 5 years | YTD | Since Inception (Annualised) |
|---|---|---|---|---|---|---|---|
| Allianz Life Asia Multi-IncomePLUS Fund | -1.35% | -1.81% | 0.42% | 24.55% | 43.38% | -0.42% | 5.02% |
| Benchmark: 2/3 MSCI AC ASIA Pac Ex Japan High Dividend Yield Total Return (Net) + 1/3 JP Morgan Asia Credit Index (JACI) - Non Investment Grade Index * | -2.31% | 4.75% | 13.55% | 24.83% | 29.94% | 2.04% | 4.85% |
| Allianz Asian Multi Income Plus ($USD) | -2.17% | 7.32% | 15.26% | 18.44% | 19.00% | 3.17% | 4.64% |

Ringgit appreciated 3.28% (YTD) and depreciated 1.29% (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.

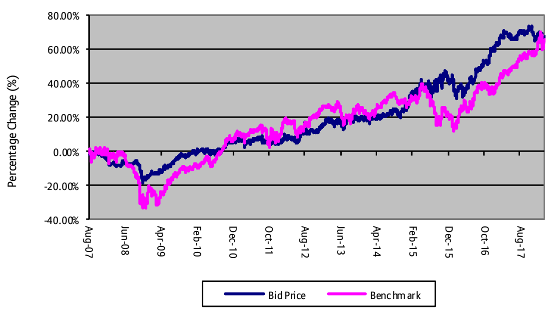
## Facts on CIS

| | |
|---|---|
| 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 | RM2.17 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 28th February 2018) - Bid | 1.679 |
| 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

*Market Commentary*

- Asia Pacific markets experienced significant volatility during the month, with the sell-off in US and European markets affecting investor sentiment. MSCI AC Asia Pacific ex Japan fell close to 9% in the first seven trading days before recovering part of their losses. That said, returns for the overall region were buoyed by slight gains in one of the largest markets, Australia, which helped to offset losses in most other regional markets.
- Australian equities held steady, overcoming the resignation of the country's scandal-plagued deputy prime minister. Having held interest rates at 1.5% since August 2016, the Reserve Bank of Australia indicated that there was no need for a near-term rate rise as inflation was expected to increase only gradually to its target range of 2% to 3%. Inflation was 1.9% on a year-on-year basis in Q4 2017.
- In contrast, Chinese equities were among those with the weakest returns. Sentiment was affected by news that China's official manufacturing purchasing managers' index had fallen to 50.3 in February. This was the largest monthly drop since 2011. The sharp slowdown was primarily attributed to the timing of the Lunar New Year holidays. In other developments, President Xi's consolidation of power intensified as the country looked ready to remove the two-term limit on its presidency.
- Asian USD high yield bonds corrected by -0.62% (J.P. Morgan Asian Credit Index – Non-Investment Grade) in February, outperforming investment grade bonds. High yield bonds enjoy higher interest accrual with a shorter duration, thus outperforming in an environment of rising US Treasury yields. There was a surge in new issuances in February ahead of the Lunar New Year holiday period. These were generally well absorbed by the market as the new issues were more attractively priced than existing secondary issues. We continue to expect more issuance this year but at a less frantic pace now that we have crossed the pre-holiday rush.
- In this environment, the Fund retreated slightly in USD terms but was significantly less volatile than overall equity markets. The monthly distribution was paid from income.
- Hankook Tire, a Korea-based tire producer that we initiated this month, immediately became one of the top contributors in February. This company had de-rated significantly in the second half of 2017 following weak results. We believe there is a good turnaround potential given its product-mix improvement, increase of new plant utilization and strong balance sheet. The upcoming car replacement cycle and attractive valuation levels should, in our view, also provide further support.
- GF Securities was a laggard last month. The Chinese broker retreated in February after a strong return of more than 10% in the first month of 2018. We believe GF is in good position to gain further market share and benefit from the financial reform going forward. With the whole sector having lagged during 2017, valuations are also now at more reasonable levels.
- Our asset allocation at the end of the month was 65.4% invested in Asian equities and 31.4% 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. Over the month, we initiated positions in two Korean stocks which have lagged and where we see turnaround potential. Hankook Tire was one and it has become one of our top 10 holdings. The other was a Korean bank, which has demonstrated aggressive efforts in asset cleanup under the leadership of a new CEO.
- On the fixed income side, we increased our holdings in a number of both 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 64 equities and 69 fixed income securities. The equity portfolio yield was 3.2% 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 believe that the recent market correction has been long expected and as we are closer to the peak of the global central bank liquidity stimulus, this may well remain a feature of markets in coming months. That said, we remain positive on the fundamentals of Asia Pacific companies. Upbeat earnings momentum, improving cash flows, and healthy balance sheets should continue to remain supportive. We therefore view this pullback as a healthy reset, given the frothy market conditions of recent months.
- Our key positioning continues to be broadly diversified so that the portfolio should benefit from resilience at times of market volatility. In particular, we have good exposure to financials which should benefit in a rising interest rate environment, and consumer stocks which provide stable returns but have generally lagged over the last year.
- We are constructive on Asian USD high yield bonds on a stable total return view driven by attractive carry while we expect credit spreads will trade within a range, barring a significant negative macro event. Asian credit fundamentals are broadly stable, default rates are expected to remain moderately low, while the maturity schedule for 2018 is manageable. In the near-term, we are slightly cautious given recent volatility in global bond markets. For this year, we are watchful of market supply and demand dynamics and will adjust the portfolio in line with changes in technical and valuation trends. As Chinese corporates remain the largest issuer by country, we keep a close eye on macro-economic trends, policy decisions and market developments in China to assess the impact on credit markets and investor sentiment.