September 2017

# 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 | -0.64% | -0.29% | 10.68% | 37.57% | 51.83% | 6.12% | 5.35% |
| 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 * | -1.48% | 5.60% | 11.58% | 20.42% | 29.08% | 14.47% | 4.42% |
| Allianz Asian Multi Income Plus ($USD) | 0.43% | 5.24% | 11.13% | 10.91% | 16.15% | 14.45% | 4.16% |

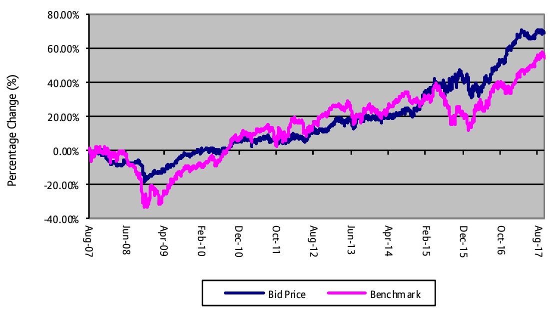
Ringgit appreciated 5.75% (YTD) and depreciated 2.08% (since inception).
* Source: Bloomberg.
The above performance of the Fund is calculated in Ringgit Malaysia on a NAV-to-NAV basis. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the 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 | RM2.196 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 29th September 2017) - Bid | 1.699 |
| 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*

- September was a roller coaster month for Asia Pacific equities. It ended with MSCI Asia Pacific ex Japan index down by 0.3%. This followed a sharp intra-month reversal when the two sectors previously leading the equity markets, technology and China real estate, both experienced a bout of profit-taking.
- In China, one of the catalysts was the announcement of further curbs on the residential property market. The market was surprised as significant policy changes were not anticipated before the upcoming National Congress. A cut in the Reserve Ratio Requirement (RRR), announced after month end and with effect from 2018, prevented a further decline and helped to offset expectations of slowing economic activity.
- Elsewhere across Asia Pacific, Taiwan was one of the weakest markets due to concerns over delays in the release of Apple's upcoming iPhone X and potentially weak demand for the iPhone 8. Australia was also lower as economically sensitive material stocks gave back some of their recent gains.
- Global government bond yields spiked in September on hawkish central bank comments and US debt ceiling extension, despite ongoing North Korea tensions. In Asia, S&P downgraded China's sovereign rating to A+ / Stable (from AA-/ Negative), reflecting concerns over increased economic and financial risks as a result of strong credit growth. However, there was little impact on China USD credits following a similar muted reaction to the Moody's downgrade move in May.
- Asian US dollar high yield bonds generated a positive return in September (J.P. Morgan Asian Credit Index – Non-Investment Grade: 0.51%) driven by carry and tighter credit spreads. High yield bonds outperformed investment grade bonds due to higher bond carry and lower sensitivity to US Treasury yields. The metals and mining sector performed well while performance of high yield property credits diverged which highlights the importance of security selection. Indonesian property credits generally performed well along with selected Chinese property credits. There was USD 30.9 billion of new US dollar bond issuances in Asia, bringing the YTD supply to around USD 220 billion, a record high.
- The Fund return was very slightly positive in USD terms supported by returns from the high yield bond holdings as well as from selective equity positions during the intra-month volatility. The monthly distribution was paid from income.
- At a stock level, Santos Ltd, the Australian oil and gas company, continued its good performance having been a laggard in H1 2017. The company is a beneficiary of higher oil and gas prices. We also believe the company is a good turnaround candidate, with the CEO appointed in 2016 taking significant restructuring actions to reduce the cost of production and repay debt.
- Impacted by the concerns over delays in the release of Apple's upcoming iPhone X, AAC Technologies, the smartphone component supplier was a detractor in September. We continue to hold an upbeat view on the company which is in the process of expanding into the development of optical lens. We believe there is potential for production to exceed market expectations, which will support future earnings and valuations.
- Our asset allocation at the end of the month was 65.1% invested in Asian equities and 30.3% 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 have exited selective positions where the growth outlook has deteriorated. In particular we reduced our telecoms position by selling out of a telecommunications services company, having received the special dividend in August. We also reduced exposure to Korea banks after their strong rally year to date. Combined with proceeds from fund inflows we have added to industrials and technology, with Mediatek and ASM Technology now appearing as top ten holdings. In both cases we believe the market has become overly bearish on their smartphone-related growth prospects.
- On the fixed income side, we increased our holdings in existing issues and will continue to opportunistically look for new issues. The Fund generally holds less volatile issuers for interest accrual. We also continued to access a more diversified portiolio of Asian USD high yield credits through the Allianz Dynamic Asian High Yield fund.
- At the end of the month we held 62 equities and 55 fixed income securities. The equity portfolio yield was 3.6% and the average fixed income coupon was 7.0% with an average credit rating of BB and duration of less than 3 years.

*Market Outlook and Strategy*

- Recent weeks have seen some significant profit-taking after the strong equity market rally year to date. We would not be surprised to see a further period of consolidation. Nonetheless, despite the heightened geopolitical tensions around North Korea, there remains a generally resilient tone to markets. Corporate earnings trends, with the exception of India, remain positive and valuations are still reasonable, especially compared to developed markets.
- In China, the upcoming National Party Congress will now come into focus. Specific policy announcements are unlikely, but commentators will be watching closely for signals of commitment to much-needed reform.
- In an environment of low and stable inflation globally, bond yields are likely to remain within a range at still low levels. From this perspective, Asian credit is an asset class that offers yield enhancement with relatively better fundamentals compared to other emerging market regions. While credit spreads are at tight levels from a historical basis, the hunt for yield amidst a continued low interest rate environment will likely keep spreads range-trading around current levels. With this backdrop, we expect returns for Asian high yield credit will be driven by good yield carry and security selection for the rest of the year.



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