

January 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	0.95%	-0.06%	3.91%	27.01%	42.79%	0.95%	5.19%
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 *	4.46%	9.05%	20.54%	28.68%	34.09%	4.46%	5.12%
Allianz Asian Multi Income Plus (\$USD)	5.45%	10.64%	20.25%	22.55%	20.01%	5.45%	4.90%

Ringgit appreciated 4.09% (YTD) and depreciated 1.22% (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

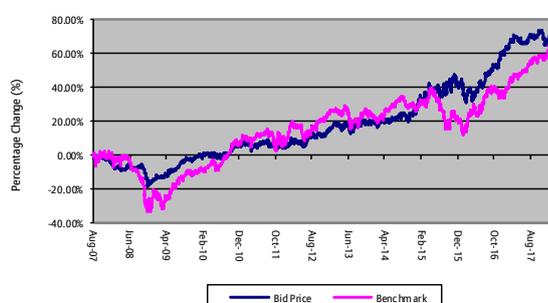
## Key Fund Facts

Fund Size	RM2.199 million
Risk Profile	Moderate Investor
Launch Date	4 <sup>th</sup> June 2007
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit <sup>1</sup> (as at 30th January 2018) - Bid	1.702
Management Fee	1.00% p.a
Other Charges <sup>2</sup>	Include but not limited to government tax, auditor fee, custodian fee, & transaction charge

## Portfolio Composition



## Performance Since Inception



- 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.
- Expenses directly related to and necessary in operating the Fund.

## Disclaimer:

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## Manager's Comment

### Market Commentary

- January saw a generally strong start to the new year for Asia Pacific ex Japan markets. There was a high degree of rotation with many of last year's winners seeing some profit-taking and laggard sectors performing well, especially in cyclical areas. As a result, returns at a country level varied considerably.
- Chinese equities delivered double-digit gains and became the standout market in the region. China's economy grew 6.9% in 2017, an increase from the 6.7% expansion recorded in 2016 and the first time in seven years that the rate of growth has picked up. Stronger exports, infrastructure spending and credit growth were behind the stronger-than-expected outcome. Elsewhere, Taiwan, South Korea and Hong Kong all delivered solid gains.
- Australian equities were the exception, however, as concerns over the strength of the Australian dollar weighed on sentiment, as did rising bond yields, although weaker-than-expected inflation allayed some of the concerns over higher rates. Smaller ASEAN markets such as the Philippines and Indonesia were also down in US dollar (USD) terms.
- Asian USD high yield bonds returned 0.25% (J.P. Morgan Asian Credit Index – Non-Investment Grade) in January. In an environment of rising US Treasury yields, high yield credits performed better than investment grade as they etched out a small positive return due to greater buffer from higher coupons and lower duration. With positive market sentiment, lower-rated bonds performed well as did frontier markets such as Mongolia, Pakistan and Bangladesh. The year commenced with a highly active primary market which saw US\$33bn of new USD bonds issued in January, driven by Chinese corporate issuers.
- The Fund finished the first month of the year with positive return in USD terms.
- Our Chinese bank holdings had a good rally during the month and Bank of China was one of the top contributors. In our view, the significant recovery in State-owned Enterprise (SOE) profitability and cash flows should lead to a reduction in bank credit costs. Rising bond yields have helped to stabilize bank margins and strategic projects such as One Belt One Road also provide asset growth opportunities. This combination is likely to lead to a positive earnings surprise, especially for this name given its cheapest price-to-book valuations in the sector.
- On the negative side an Australian building materials manufacturer was a laggard last month. The stock faced some profit-taking pressure after gaining more than 20% in 2017. Nonetheless we remain positive on the company's turnaround potential based on the improvement in their US operations and the general housing market recovery in US. It was encouraging to see the stock rebound to an all-time high in early February after announcing strong results.
- 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 took profits in selective stocks that have performed strongly. One holding we exited during the month was a Korean life insurance company after its strong 2017 performance. On the other hand, we rotated into laggard companies. Specifically, we added positions in several banks and consumer names. 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 61 equities and 63 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 three years.

### Market Outlook and Strategy

- The early days of February have been characterized by a sharp period of profit-taking. The trigger has been the US, where inflation fears and rising rates appear to have been the catalyst for the sell-down. In the very short term, market correlations around the world are high. But once we work our way through this uncomfortable period, we should find a more reassuring outlook. We continue to believe that the fundamentals of Asia Pacific remain positive. Equity markets remain buoyed by improving corporate earnings, cash flows as well as strong balance sheets. Valuations remain at reasonable levels in our view, especially after the recent pullback.
- Our key positioning continues to be broadly diversified so that the portfolio will benefit as the market rotates away from 2017 winners such as technology to other areas. 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.

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