July 2019

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 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.

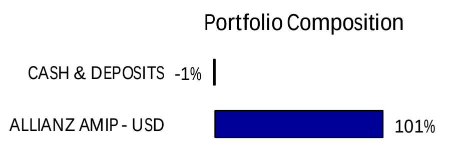
Performance Indicator

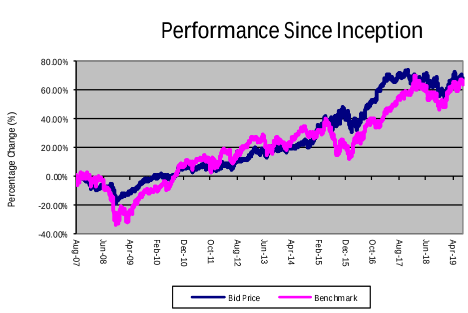
	1 month	6 months	1 year	3 years	5 years	10 years	YTD	Since Inception (Annualised)
Allianz Life Asia Multi-IncomePLUS Fund	-0.77%	4.48%	1.15%	13.23%	35.43%	76.08%	9.17%	4.41%
Benchmark: 2/3 MSCI AC ASIA Pac Ex Japan High Dividend Yield Total Return (Net) + 1/3 JP Morgan Asia Credit Index (JACI) - Non Investment Grade Index *	-1.54%	3.61%	3.46%	21.24%	22.82%	88.34%	9.29%	4.21%
Allianz Asian Multi Income Plus ($USD)	-0.35%	4.54%	0.89%	17.10%	11.44%	65.69%	11.15%	3.81%

Ringgit appreciated 0.42% (YTD) and depreciated 1.56% (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	RM2.093 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 2019) - Bid	1.678
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

- Equity markets in Asia Pacific ex Japan retreated over July. Returns at a country level were mixed. In particular, Chinese stocks slightly weakened over the month. China's economy expanded by 6.2% year-on-year in Q2, its slowest rate of growth in 27 years. However, data for June signalled that the slowdown may be stabilising, with retail sales, industrial production and fixed-asset investment all beating forecasts. In terms of capital market developments, the new Science and Technology Innovation Board, a NASDAQ-like board on Shanghai Exchange, launched in July.
- Elsewhere, Australian stocks continued to advance in July, with stocks reaching fresh highs. The Reserve Bank of Australia lowered interest rates once again in July, taking them to a record low of 1.0%. In contrast, South Korean stocks posted losses following news that Japan had imposed restrictions on exports of critical supplies for the semiconductor industry. In ASEAN, Indonesian stocks rose slightly, helped by a rate cut from Bank Indonesia. Singapore stocks also rose. Philippines closed the month flat, but equity markets in Malaysia and Thailand retreated.
- Asian USD high yield credits rose marginally in July, with the J.P. Morgan Asia Credit Non-Investment Grade Index rising by 0.58%. Returns were driven by interest accrual as the slight compression in credit spreads from 539 basis points (bps) to 537 bps was offset by higher 5 year US Treasury yields (1.83% from 1.77%). As trade tensions between US and China continued to make headlines, the market was positioning for the upcoming US policy rate cut and whether we would see 2 or 3 cuts in total this year. There was a healthy level of primary issuance in July and inflows into the asset class were sufficient to match the supply from primary issuance.
- Under such environment, the Fund return retreated in USD terms but was significantly less volatile than the overall equity market. Top detractor for the month was a dominant bank in Hong Kong. After rallying almost 20% in Q2 this year, the stock faced profit taking pressure following the announcement of a good H1 2019 result. We continue to hold on to this bank given its improving capital management and turnaround potential. The risk reward profile remains attractive given its reasonable valuation and stable dividend yield.
- On the positive side, a key contributor was Stockland, a diversified property developer based in Australia. The company announced the sale of a 50% stake in a residential asset which should improve its balance sheet. Stockland currently pays a dividend yield of ~6%.
- Our asset allocation at the end of the month was 64.5% invested in Asian equities and 34.9% in Asian fixed income, with the remainder in cash. We continue to maintain an asset allocation close to the 65:35 level.
- In July, we continued to diversify the portfolio by adding non-China exposure. For instance, we initiated two positions in Philippines, including the country's largest conglomerate and one of the largest banks in the country. We also increased exposure to Thailand by adding further to an existing position in an electricity power producer and initiating a position in the largest mobile phone operator in the country.
- On the fixed income side, we continue to hold the existing bonds for interest accrual and are selectively investing in both new and secondary issues. The Fund generally holds shorter dated, less volatile issuers. At the end of the month, we held 70 equities and 81 fixed income securities. The equity portfolio yield was 3.6% and the average fixed income coupon was 7.7% with an average credit rating of B+ and duration of less than 2 years.

Market Outlook and Strategy

- For the second time in a matter of months, President Trump has sparked a trade war which has impacted markets. The difference this time around is that China has reacted more strongly, in part by allowing its currency to weaken and thereby partially to offset the economic impact of the tariffs. The decision to allow the currency to decline through the symbolic level of 7 to the US dollar had already been flagged by the governor of the People's Bank of China some weeks ago, and is therefore not a complete surprise. However, combined with the global equity weakness, it has naturally triggered concerns about the outlook for global economic growth and the 'weaponisation' of the China currency.
- While the move clearly invites some short term uncertainty, our base case is that we do not expect to see prolonged weakness in the Chinese renminbi, which would be counter to China's strategic long term interests. As well as allowing the currency to weaken, we expect further monetary and fiscal stimulus to help maintain economic stability in China. As the market weakens amid the volatility, this also provides stockpicking opportunities. We continue to manage a broadly diversified portfolio with a good spread of exposure across sectors to help enhance resilience during periods of market volatility.
- The short term rise in risk aversion is unlikely to materially impact the returns from our Asian high yield bonds as we hold shorter dated higher quality bonds for interest accrual. We continue to expect further policy rate cuts this year and lower primary issuance given the weaker macro backdrop. These will provide some technical support to the market.

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