January 2020

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.

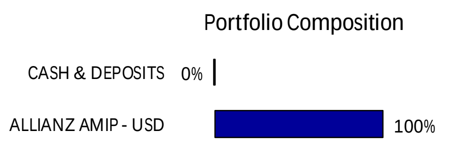
Performance Indicator

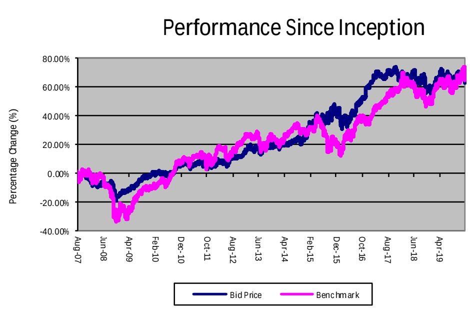
	1 month	6 months	1 year	3 years	5 years	10 years	YTD	Since Inception (Annualised)
Allianz Life Asia Multi-IncomePLUS Fund	-3.61%	-3.04%	1.31%	-0.67%	21.42%	63.52%	-3.61%	3.97%
Benchmark: 2/3 MSCI AC ASIA Pac Ex Japan High Dividend Yield Total Return (Net) + 1/3 JP Morgan Asia Credit Index (JACI) - Non Investment Grade Index *	-3.94%	0.54%	4.16%	17.73%	25.69%	81.17%	-3.94%	4.08%
Allianz Asian Multi Income Plus ($USD)	-3.45%	-1.64%	2.82%	12.10%	14.24%	50.67%	-3.45%	3.51%

Ringgit appreciated 0.33% (YTD) and depreciated 1.42% (since inception).
* Source: Bursa.
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	RM1.984 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 January 2020) - Bid	1.627
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.
Allianz Life Call Centre : 603-2264 1188
www. allianz.com.my

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Manager's Comment

Market Commentary

- Equity markets in Asia Pacific ex Japan delivered mixed returns over January. While Australia and New Zealand advanced, returns were negative elsewhere. News that the US and China had signed a "phase one" trade deal helped to lift sentiment mid-month, but stock markets later retreated amid growing fears over the potential impact of the coronavirus outbreak on global growth and the technology supply chain. In particular, Chinese stocks initially rallied, with the CSI 300 Index reaching the highest level since February 2018 but eventually closed January lower. As the coronavirus outbreak rapidly spread beyond Wuhan, travel within and in/out of the country was curtailed and factories closed for an extended period.
- Elsewhere in the region, concerns about the potential disruption to the global technology supply chain weighed on Taiwan and South Korea. Hong Kong stocks also fell, with the territory imposing curbs on travel to/from mainland China. ASEAN markets also declined with Thailand and Philippines equities falling the most.
- Despite growing concerns on the coronavirus outbreak, Asian USD High Yield credits had a good start to the year, returning 0.78% in January based on the J.P. Morgan Asia Credit Non-Investment Grade Index. Returns were driven mainly by interest accrual and a strong flight to safety rally in US Treasury that saw yields dip from 1.69% to 1.31%. This rally was partially offset by wider credit spreads (535 to 553 basis points). Strong inflows into the asset class due to attractive valuations supported the market despite a surge in supply prior to the Lunar New Year holiday period.
- Under this environment, the fund return was negative in USD terms in January. The monthly distribution was paid from income.
- The top detractor was a South Korea-based oil refinery company as the oil price fell on expectations of weaker global economic activity. We remain positive on this name as a beneficiary of the International Maritime Organization's (IMO) regulations regarding tighter emission standards. The company has completed the upgrade of facilities so it will be less affected by the margin decline in high-sulfur fuel oil and should see faster earnings growth once gasoil margins improve.
- On the positive side, the top contributor for the month was James Hardie Industries, an Australia-based producer of fibre cement building materials. The company continues to deliver strong growth. In particular, their North America business improved with the uptick in US housing construction activity, better plant utilisation and lower pulp and freight costs. The stock also distributes a stable dividend yield of circa 3% which enhances the total return potential.
- Our asset allocation at the end of the month was 65.8% invested in Asian equities and 32.7% in Asian fixed income, with the remainder in cash. We continue to maintain an asset allocation close to the 65:35 level.
- In January, we initiated a new position in a well-known Hong Kong-based jewelry retailer. The share price of this company had come off significantly since H2 2019 due to concerns over the impact on the broader retail sector amid ongoing political unrest in Hong Kong. However, the company continues to demonstrate solid growth in its China business which will support the overall outlook. The stock also has an attractive dividend yield of circa 6%.
- 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 68 equities and 68 fixed income securities. The equity portfolio yield was 3.6% and the average fixed income coupon was 7.8% with an average credit rating of BB- and duration of less than 2 years.

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Market Outlook and Strategy

- Overall, our base case is the coronavirus will have a relatively short and sharp impact on economic activity over the coming months. At this stage, it is the effect of the measures taken by the Chinese government and others to control the virus – very different to the reaction to SARS in 2003 – which are primarily responsible for the economic impact, rather than the effects on public health. Despite the government intervention in China, the apparent ease of person-to-person communication and rapid spread mean that the virus will be difficult to contain, and it is likely therefore to trigger more disruptions before authorities are able to get it under control. This is clearly not a crisis that will be resolved overnight. But we expect restrictions on movement to be gradually lifted in coming months and economic activity to recover accordingly.
- Although this is a very serious situation, fundamentally we do not see the virus having a long term impact on the value of the companies we invest into. What it will do is push back the timing of earnings growth that was previously expected. We believe that in many cases this is now discounted, and therefore further significant weakness in our view is a long term buying opportunity. The Fund maintains a well-diversified portfolio with a good spread of exposure across sectors.
- Asian high yield credit spreads remain attractive on a relative basis. Demand and supply dynamics remains favourable as net new issuance supply is expected to be circa 50% lower than 2019. We thus expect slightly higher than coupon returns this year due to mild credit spread compression. We will continue to focus on shorter-dated higher quality bonds for income accrual.

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