Market Review and Outlook

May 2022

The content of this document is supplementary to the Monthly Fund Factsheets.

For the following funds:

Allianz Life Master Bond Fund ("MBF")
Allianz Life Master Equity Fund ("MEF")
Allianz Life Master Dividend Fund ("MDF")
Allianz Life Master Dana Ekuiti ("MDE")
Allianz Life Master ASEAN Plus Fund ("AMAF")
Allianz Life Managed Fund ("MF")
Allianz Life Equity Fund ("EF")
Allianz Life Dynamic Growth Fund ("DGF")
Allianz Life Equity Income Fund ("EIF")
Allianz Life Bond Fund ("BF")
Allianz Life Dana Padu ("DP")
Allianz Life ASEAN Plus Fund ("AAF")

Market Review

May was a volatile month with the global economy being continually impacted by the monetary policy tightening measures of several central banks to rein in inflation, the prolonged Russian – Ukrainian conflict and the lockdown of parts of the Chinese economy as part of its dynamic zero Covid policy. Consequently, the global equity market as evinced by the MSCI World Index continued its decline by easing 0.16% mom. In the US, the Dow Jones Index was flattish, with a meagre +0.04% mom increase. This was despite its Federal Reserve (Fed) decision to raise its Fed fund rate by 50bps during the month as it had already provided ample signalling in prior months. April 2022 headline inflation in the US was still elevated at +8.3% yoy which prompted the Fed Chair to state that he could not guarantee a so – called 'soft landing' for the economy in his efforts to tamp down inflation which would remain his top priority. On the employment front, the US unemployment rate was maintained at 3.6% in April which is the lowest level post – Covid and comparable to levels prior to the pandemic.

In Europe, the Stoxx 50 Index fell 0.36% mom as the Russian – Ukrainian conflict continued unabated with attempts at diplomatic solutions appearing to bear little fruit. Instead, the European Union (EU) decision to ban 70% of imports of Russian oil by ship and up to 90% by the year's end could have further impact on their own economies as Russia has supplied as much as circa 40% of the European Union's energy needs. To fill in the energy supply void, Europe would have to source alternatives from the existing supplies from the global market which could worsen inflation. On that note, May 2022 Monetary Union Index of Consumer Prices flash inflation in the European Union (EU) surged to a new record high of +8.1% yoy, which was 4x the European Central Bank's (ECB) target of +2%. yoy. To that end, the ECB, which is already lagging its US and British peers, has flagged for rate hikes to begin in 3Q22. On the other hand, the Shanghai Composite Index rebounded +4.57% mom. Unlike the broader world, China continued to struggle with the proliferation of the Covid – 19 Omicron variant. Throughout the month, Beijing, Shanghai and Tianjin imposed stringent pandemic curbs which inadvertently hampered economic growth. To counter the weak loan demand due to Covid lockdowns and a property slump, the People's Bank of China (PBOC) reduced its 5 - year Loan Prime Rate (LPR) to 4.45% from 4.60%, its largest reduction since 2019.

During the month, Brent oil maintained its relentless upward trajectory with a +12.3% mom surge to USD122.84/ bbl on the back of the aforementioned moves by the EU to cut off Russian crude. Palm oil price instead fell by 14.0% mom to RM6607/ MT as the Indonesian government lifted a temporary ban on palm oil exports that it enforced in late April to lower the prices of domestic bulk cooking oil. There was also an increase in Malaysia's palm oil inventory by +11.5% mom to 1.64m MT in April 2022.

Over in the ASEAN region, equity markets were somewhat lacklustre during the month under review. Malaysia's FBMKLCI corrected 1.90% mom as investors were surprised by Bank Negara Malaysia's (BNM) move to raise the Overnight Policy Rate (OPR) by 25bps to 2.00% as global inflationary pressures have increased sharply. That said, BNM also iterated that growth was on firmer footing, driven by strengthening domestic demand amid sustained export growth. On our economic front, 1Q22 GDP growth recorded a +5.0% yoy growth which was ahead of consensus expectations, being driven by sustained recoveries in private consumption as well as services sectors. Nonetheless, April 2022 Consumer Price Index (CPI) came in at 2.3%, which was well within BNM's inflation forecast for 2022.

Net foreign equity inflow in May 2022 amounted to RM77.3m, -90.6% mom. Singapore's Straits Times Index also tumbled 3.71% mom as 1Q22 GDP growth momentum decelerated to +3.7% yoy from +6.1% yoy in 4Q21. Its April 2022 Non – oil Domestic Exports (NODX) grew by +6.4% mom, -1.3 ppt mom and was also slightly below consensus estimates as the impact of China's Covid – 19 city lockdowns kicked in to disrupt global supply chains. Singapore's inflation level was also disconcerting with its April 2022 CPI All Items stubbornly high at +5.4% yoy, the same as March 2022 and at levels last seen in 2012. In Indonesia, the Jakarta Composite Index dropped 1.11% mom despite 1Q22 GDP growth coming in within consensus expectations at +5.01% yoy but -0.96% qoq. The Bank of Indonesia elected to keep its key 7 – day reverse repurchase rate stable at its low of 3.5% in May 2022 but adjusted its reserve requirement ratio (RRR) from 5.0% against IDR deposits to 9.0% by September 2022. Lastly, the Stock Exchange of Thailand slid 0.24% mom on the back of the abovementioned China Covid – 19 driven economic slowdown, expectations of Fed rate hikes and supply chain disruptions caused by the Russia – Ukraine conflict. Apart from that, its 1Q22 GDP growth was +2.2% yoy and ahead of consensus expectations.

For the bond market, despite reaching year-to-date highs in the first two weeks of May, most US Treasuries (UST) yields ended the month stronger as investors steered away from equities and sought shelter in bonds. Fed Chairman Jerome Powell continued to assert that Fed would continue raising rates until inflations show signs of retreat thereby reinforcing expectations that the Fed would continue its 50bps hikes in upcoming Fed meetings.

Back at home, the 11th May Monetary Policy Committee (MPC) meeting, as mentioned, BNM surprised the bond market with a pre-emptive 25bps hike, lifting the OPR off the record low of 1.75% which had been maintained since July 2020. With the domestic growth now on a firmer footing, the MPC decided to begin reducing the degree of monetary accommodation. It mentioned that global inflationary pressures have increased sharply due to a rise in commodity prices, strained supply chains and strong demand conditions, particularly in the US. However, despite the surprise OPR hike, the local government bonds staged a rally post-MPC as yields rallied 3-32bps mom across the curve as investors sought safety in bonds

Foreign funds turned net buyer in May with a purchase of RM0.5b of Ringgit bond holdings (April: -RM2.2b), bringing YTD inflow to RM0.9b. Foreign share of both MGS and MGS+MGII decreased to 37.4% (April: 37.6%) and 24.7% (April: 25.0%) respectively. Foreign reserves increased by USD0.3b mom to USD112.8b as of end-May 2022.

Market Outlook

We believe that investors would keep a keen eye on how the Fed's and other central banks' upcoming rate hike decisions could effectively suppress the burgeoning global inflation concerns. Furthermore, there are heightened geopolitical risks emanating from the Russia – Ukraine conflict which if allowed to prolong, might further strain the already stretched global supply chains. Over in China, global investors would be monitoring the progress of their dynamic zero Covid – 19 policies in controlling the recent outbreaks and its impact on their economy. Domestically, there could be political concerns brewing on the horizon as the 15th General Election (GE15) which must take place before the end of July 2023 might be pushed back to 2H22, as the Pakatan Harapan's Memorandum of Understanding (MoU) of Transformation and Political Stability with the government is only valid till end July 2022. In addition, our government has begun posturing for the gradual removal of blanket fuel subsidies and its eventual replacement by a more targeted system as it has become prohibitively expensive for the government should oil price hover above USD100/ bbl.

For equities, we maintain our prudent yet sensible posture towards our equity market's longer term growth trajectory and, where opportunities arise, would direct monies into fundamentally good investments. We are also inclined to engage in some trading activities should market volatility present us with good opportunities. We are partial towards sectors exhibiting robust growth prospects but remain cognizant for signs that market volatility might dictate a shift of investment direction.

Locally, bond yields are expected to remain volatile in tandem with the UST yield movements. The markets have been jittery over the aggressive Fed rate hike path as upside risks to inflation persist, while there are simultaneous downside risks to growth as the ongoing Ukraine conflict is set to further worsen the global supply chain constraints. BNM mentioned at the recent MPC meeting that any rate hike would be done in a measured and gradual manner, ensuring that monetary policy remains accommodative to support sustainable economic growth in an environment of price stability. Hence, further OPR hike(s) could be expected in 2H22, after BNM kickstarted its policy normalization cycle in May 2022.

We think the risk-reward of MGS has improved with the Ringgit rates market well priced for BNM normalisation. We would remain cautious of the bond market volatility arising from both external and internal fronts, which would impact local yields. Moreover, we would maintain our strategy to accumulate bonds at favourable valuations skewing towards good quality names.

For Allianz Life Global High Payout Fund:

Target Fund Manager's Comment (For Allianz Global High Payout Fund)

What helped?

- The Fund outperformed global equity markets as well as its customised benchmark.
- Dividend stocks did exceptionally well in the past month. The strategy could strongly profit from its exposure to sustainable dividend stocks.

What hurt?

- Growth stocks with low or no earnings and cash flow did not do well in May. Our strategy is only minimally allocated to Growth names with expected recovery in earnings and dividends and hence did not suffer from the performance of this segment.

Market Review and Outlook

Global equities continued to weaken in the first half of May, undermined by rising concerns over the outlook for global growth and central banks' more hawkish stance. However, stocks found support in the second half of the month, helped by signs that China may ease the lockdown in Shanghai, and ended May with relatively flat returns.

US equities continued their weak trend for much of May. The S&P 500 Index briefly entered an official bear market, having fallen 20% from its peak in early-January, before a late-month rally helped the index close the month with flat returns. In contrast, the tech-heavy Nasdaq, which was already trading in bear-market territory, continued to decline, reaching its lowest level since late-2020. Despite some downbeat guidance from several high-profile companies, in general Q1 earnings have beaten forecasts. Approximately 90% of S&P 500 companies have reported Q1 results so far, with around 80% topping expectations, according to FactSet.

European equities closed May little changed (in EUR terms): while euro-zone markets generally advanced, overall European returns were dragged down by weak results in non-euro-zone markets, Switzerland and Denmark. Stronger-than-expected economic data for May and robust corporate earnings growth, particularly in the Energy sector, helped to lift sentiment. The first cracks in Europe's hitherto united response to Russia's invasion of Ukraine started to appear, but European Union (EU) nations finally agreed to ban the majority of Russian oil imports. The European Commission also announced a EUR 300 billion REPowerEU plan aimed at ending the EU's dependence on Russian fossil fuels and tackling the climate crisis through a green transformation.

For Allianz Life Asia Multi-IncomePLUS Fund:

Target Fund Manager's Comment (For Allianz Asian Multi Income Plus)

Market Review

Equity markets in Asia ex Japan delivered mixed returns in May. Despite concerns over the outlook for the global economy and a more hawkish tone from many central banks, some of the markets were supported by the improving sentiment with China starting to ease pandemic-related restrictions in Shanghai and Beijing. In such a backdrop, China and Hong Kong equities ended the month in positive territory. Developed markets such as Taiwan and Korea also managed to reverse the negative performance towards the end of May. Australia was slightly down as the Reserve Bank of Australia raised rates by 25 basis points (bps). Within ASEAN, the Philippines and Thailand equities posted gains, while Indonesia and Malaysia declined as commodity prices retreated.

Asian USD high yield credits corrected in May, driven by weakness in Chinese property issuers following the missed coupon payment of a large developer. The JP Morgan JACI Non-Investment Grade Index lowered by -2.78% mainly driven by wider credit spreads that rose from 799 bps to 839 bps. This was, however, mitigated by lower US Treasury yields, with the 5-year benchmark rate decreasing from 2.95% to 2.82%. Market turnover remains low while the new issue market is still inactive.

In this environment, the Fund return was slightly negative in USD terms in May.

In terms of single stock, the top detractor was Reliance Industries, the Indian conglomerate. The stock saw some profit taking after a strong period of performance. Overall, the company's more cyclical businesses have benefitted from rising commodity prices which are leading to improved cash flow generation. The company also continues to make progress in its rollout of ecommerce and digital operations as well as expansion into new energy areas such as solar, batteries and hydrogen.

Conversely, the top contributor was Hon Hai Precision Industry, the world's leading smartphone and computer assembler. The company reported resilient Q1 earnings as its closed-loop production in China helped mitigate impacts of COVID lockdowns. In addition to its core consumer electronics business, we expect the company to benefit from future growth drivers such as electric vehicle assembly as well as its cloud and networking offerings.

The asset allocation at the end of the month was 67.4% invested in Asian equities and 30.1% in Asian fixed income, with the remainder in cash.

In terms of equity portfolio activity, in May we exited our position in two chip designers in Taiwan, and a building materials company in Australia. We used the proceeds to add to selective positions that are poised to benefit from travel recovery in the region. For example, we initiated a position in a leading retail beverage and hospitality operator in Australia.

For the fixed income sleeve, we invest in bonds with the aim of long-term interest accrual. In May, we sold our exposure to an issuer with idiosyncratic credit concerns while looking to diversify the portfolio.

At the end of the month, we held 67 equities and 92 fixed income securities. The equity portfolio yield was 3.0%, and the average fixed income coupon was 5.5% with an average credit rating of BB and duration of 2.7 years.

Market Outlook

We remain in extremely uncertain times with low visibility around future economic developments globally. Tighter monetary policy around the world amid rising inflationary pressures, and the strength of the US dollar, are also combining to create a challenging environment for regional equities.

Looking ahead, a potential bright spot could be a more stable economic backdrop in China through H2. In recent weeks, there has been increasing urgency to stabilise the macro environment. Premier Li Keqiang – the second ranking leader of the Communist Party after Xi Jinping – held an unusual video conference towards the end of May with more than 100,000 local government officials to stress the importance of stabilising the economy.

This move followed the announcement of new infrastructure spending, tax breaks for businesses, incentives for car sales, an easing of loan terms, cuts in mortgage interest rates and instructions for banks to increase lending. As long as further extreme COVID-related lockdowns are avoided, we expect this change in policy stance to be reflected in improved growth momentum as we head towards the important National Party Congress in Q4.

Asian high yield credit markets should consolidate in the short term. We expect the market to be bifurcated with most of the volatility driven by distressed Chinese property developers while other issuers remain more stable. We are focused on higher quality issuers and aim for diversification within the portfolio.

For Allianz Life Amanah Dana Ikhlas:

Collective Investment Schemes Fund Manager's Comment (For Maybank Malaysia Balanced-I Fund)

Market Review

The Malaysian bond market rebounded in the month of May after months of weakness, with govvies yields lower by 15-40bps in a month that saw a surprise 25bps OPR hike and a better-than-expected 1Q2022 GDP growth (5% YoY vs consensus' 4.0% YoY). BNM increased OPR to 2.00% from the historical low of 1.75%, in a bid to remove the extraordinary accommodative monetary policy adopted at the height of the pandemic, while reiterating that rate normalization "will be done in a measured and gradual manner". Despite this, bond market continued to show recovery on a previously oversold market, as risk-off sentiment took hold globally. Demand was also strong as govvies auction during the months were well taken up. Meanwhile, corporate bond also adjusted lower across the rating curve on healthier demand from govvies gains. On inflation, Malaysia reported a 2.3% YoY increase in headline CPI for April (Mar: 2.2% YoY), driven by food and transport costs.

While global markets ended the month broadly flat to slight negative, this masked the downbeat performance during the period. Expectations of policy tightening and concerns of a slowdown in China's growth pushed investor sentiment lower. Equity markets did, however, see a reprieve following Fed's pushed back against the speculation of more aggressive hikes during the latter part of the month as well as China's effort to cushion the slowdown. Struggling with the strict Zero-Covid policy, the State Council announced policies including fiscal, credit to support corporate and household sectors with the emphasis on stabilizing labor market. Shanghai re-opened and reduced mobility restrictions following the easing Covid-19 cases. At the same time, the US indicated that that it may consider removing some tariffs on Chinese imports to easy inflation pressure.

Asean markets were mostly lower with KLCI also falling by 1.9% mom. Performance was mainly dragged by glove makers and plantations stocks. In local currency terms, Philippines was the only gainer in the region by 0.6% mom. Thailand, Indonesia, and Singapore fell on month-on-month basis by 0.2%, 1.1% and 3.7% respectively. Foreigners were however still net buyers in Malaysia for the month to the tune of RM77m (US$18m) though lower vs. previous months, bringing year-to-date to RM7.4bn (RM1.8bn). Similarly, foreign net inflows were also seen in Thailand (US$592m), Philippines (+US$350m) and Indonesia (+US$243m) but were largely due to the MSCI Index rebalancing. Against the USD, the Sing dollar was the outperformer (on month-on-month basis) gaining 0.9% while the Baht, Peso and Rupiah fell 0.1%, 0.2% and 0.6% respectively. The Ringgit was the worst performer, sliding 0.8%.

May's corporate reporting season were softer with the ratio of earnings beat to misses were lower relative to 4Q2021 results i.e., of February 2022. Overall, earnings showed resilience despite escalating costs. Missed expectations were sectors in construction, glove makers, property, gaming, chemicals and automotive as these experience lower topline growth, higher operating costs, and Covid-19 related challenges. Beats were in commodity related stocks, consumer, and REITs given the higher prices (CPO) and recovery in demand. Within expectations were in financials, telecommunications, and oil & gas. Moving forward, we believe there are rising risks of weaker corporate earnings due to margin pressure on persistent high inflation. In that regard, corporates that are able that have better pricing power and/or ability to manage costs would be key in current environment.

In commodities, Brent oil was up around 12% mom to closed at US$119.9/bbl as the European Union leaders agreed to pursue a ban on Russian oil and hopes of recovery in oil demand following the easing of lockdowns in China. On the other hand, CPO fell 9.1% mom RM6,787 as Indonesia lifted its export ban while grains fell on the expectations of the resumption of the Black Sea shipping routes. Aluminum also succumbed to weakness, dropping 9% mom, while gold and silver fell 3.1% and 5.9% respectively amid the turbulence in risky assets.

Market Outlook

After the further rebound in 1Q2022 GDP growth of 5% YoY (4Q2021: +3.6% YoY, full year 2021: +3.1% YoY), Malaysia GDP growth is expected to continue its rebound, with projected annual GDP growth for 2022 at 5.3% to 6.3%. The rebound is driven by improving domestic demand and labour markets, as lockdown measures are relaxed, and economy sectors as well as international borders reopen. Bond yields have moved higher on continued recovery, as well as the hawkish tilt by central banks globally to contain high inflation rates. US Federal Reserve has hiked twice in 2022 with a cumulative 75bps increase. BNM also delivered a surprise 25bps OPR hike in its May meeting, bringing OPR to 2.00%, with BNM commences its policy normalization in a "measured and gradual manner". Meanwhile, the geopolitical tensions between Ukraine and Russia is expected to increase demand for safe haven assets such as fixed income especially in Asian EM markets as both opposing blocs introduced sanctions against each other. Additionally, given the flush liquidity in the banking system, this will continue to lend support to the local bond market as yield pickup remains decent as compared to the low yielding fixed deposits and money market funds.

The global economy data has shown some resilience in the face of surging inflation and a modest rebound is seen despite the rising energy prices which is evident in the latest the corporate earnings. However, visibility of earnings outlooks has become increasingly cloudy moving forward as the rising energy prices does not seem to be abating amid the supply concerns. Moreover, the tightening of the Fed the rising inflation would lead to negative spillover to growth and margin compression. Recession risks are not our base case at this juncture, but risks are certainly rising.

For Malaysian sukuk, we believe our preference for corporate bonds (which are less volatile and provide higher yields compared to govvies) and strong credit selection will continue to protect our portfolio. We prefer strong AA-rated and A-rated papers for yield pickup and potential long-term upgrade. We maintain our underweight duration bias as we assume a more defensive stance given our expectation of a higher yield curve on continued economic recovery and rising US Treasury yields driven by US Feds interest rates hikes. We will continue to trade opportunistically and will also look into new primary issuances that offer higher yields, as well as bonds in the secondary market that has oversold.

For Malaysian equities, we have maintained our defensive stance and will lower the allocation for equity to 40-45% which suggests a higher cash position within the equity allocation and likely take a more tactical trading position. In equity selection we are more inclined for defensive characteristics and fundamentally sound stocks that may outperform in these volatility market conditions. Besides this, we remain focus on the recovery and structural theme such as financials, materials, and energy albeit prices have corrected in recent weeks due to the bearish sentiment.

For Allianz Life All China Equity Fund:

Target Fund Manager's Comment (For Allianz All China Equity)

Market Review

The Fund lagged the benchmark in May. The main detractor was stock selection in the Consumer Discretionary and Industrials sectors. The close-to-benchmark sector allocations helped mitigate the impact of the high level of market volatility. There was a significant dispersion of returns during the month between the best performing and the worst performing sectors (Energy 8.4% compared to Real Estate -6.7%, USD).

At a single stock level, a key detractor was a real estate developer, our preferred holding in the China A-share property developer space. Having been a strong performer in recent months, the stock saw some profit taking in May. The company's stronger financial position – when many competitors are facing a severe liquidity squeeze – should enable it to gain market share in coming years.

On the other hand, a key contributor was an oil & natural gas equipment and services company, which is a beneficiary of higher energy prices. The company recently reported quarterly earnings showing a high level of order backlog which should lead to superior longer-term growth prospects.

Market Outlook

May was a calmer month for China equities. China A-shares were relatively range bound and ended the month with modest gains. Offshore equities initially sold off quite sharply before recovering and also ending in positive territory (USD).

The main focus during the month was a sharp fall in the number of new COVID cases. Having peaked at close to 30,000 in mid-April, by the end of May there were only around 200 new cases being reported daily across the country. As a result, major cities such as Shanghai and Beijing started to ease their lockdowns.

Another feature of recent weeks has been the increasing urgency to stabilise the macro environment, especially ahead of the important National Party Congress which is scheduled to take place in Q4 2022.

Premier Li Keqiang – the second ranking leader of the Communist Party after Xi Jinping – held an unusual video conference towards the end of May with more than 100,000 local government officials to stress the importance of stabilising the economy. This move followed the announcement of new infrastructure spending, tax breaks for businesses, incentives for car sales, an easing of loan terms, cuts in mortgage interest rates and instructions for banks to increase lending.

As long as further extreme COVID-related lockdowns are avoided, we expect the increasingly supportive macro policy to be reflected in renewed economic growth momentum as we move into H2.

There was little change to portfolio positioning in May. Prior to this we had added to areas which should benefit from the stronger fiscal stimulus, especially municipal infrastructure spending. At month end, the onshore / offshore allocation is close to benchmark with around 48% in China A-shares. The largest overweight sector position is Information Technology (2.7%) and the largest underweight is Consumer Discretionary (-2.0%).

For Allianz Life Global Artificial Intelligence Fund:

Target Fund Manager's Comment (For Allianz Global Artificial Intelligence)

Market Review

Global equities continued to weaken in the first half of May, undermined by rising concerns over the outlook for global growth and central banks' more hawkish stance. However, stocks found support in the second half of the month, helped by signs that China may ease the lockdown in Shanghai, and ended May with relatively flat returns. As expected, the US Federal Reserve (Fed) raised rates by 50 basis points (bps) for the first time since 2000 and indicated that it intended to increase rates by the same amount at its next two meetings in June and July. The European Central Bank (ECB) also signalled that it will likely start to increase rates as soon as July, although the increase is expected to be gradual. At a sector level, Energy stocks surged as oil prices regained a two-month high of USD 120 a barrel, but consumer-related sectors slumped on worries over higher costs and fears over higher interest rates hit valuations in the Real Estate sector.

Information Technology and related stocks underperformed the broader market during the period. Mega-cap technology shares, which had been relative outperformers through the market turbulence, succumbed to selling pressures amid a spate of mixed earnings results and headlines. Hardware stocks, led by a multinational technology giant, sold off on reports of manufacturing disruptions due to the extended COVID lockdowns in China. Relatedly, internet and ecommerce stocks fell on concerns that goods companies might pull back on ad spend in the wake of supply chain challenges. Software traded mixed despite generally solid quarterly results. Finally, semiconductors outperformed the technology sector and broader market as quarterly earnings came in better than expected and guidance suggested that supply/demand dynamics remained in favourable states.

During the period, the Fund in USD underperformed on a gross of fees basis versus the custom benchmark (50% MSCI All Country World Index/50% MSCI World Information Technology Index).

Contributors

Our position in ON Semiconductor was one of the top contributors. The company's chip solutions are used in power and data management applications with key end markets being the Automotive, Industrial, and Communications segments. Shares gained after the company reported solid quarterly results with revenues and profit margins beating expectations. Management noted customer demand remains robust and supports their mid-term revenue outlook. Profits continue to be supported by ON's pivot to higher-value products and manufacturing efficiencies. We maintain a favourable view on the company as we believe the more focused company can realise a higher earnings power and valuation over time.

Our recently initiated position in solar power solutions provider, Enphase Energy, was also among the top contributors. In the prior period, the company reported strong quarterly results and guidance for the current quarter. Management offered supportive commentary noting that demand continues to exceed supply in the short term. In recent meetings, the company has reinforced their positive view on the opportunity for rapid growth in Europe as customers on the continent look to accelerate their shift away from natural gas amid geopolitical tensions with Russia. We believe that the company remains a key beneficiary of increasing residential solar installations, backup storage systems, and expansion of smart monitoring systems.

Detractors

Our position in a social networking platform operator was one of the top detractors. During the period, the company lowered its revenue and earnings outlook for the current quarter. The management noted a more rapid deterioration in the current macro environment than when they initially gave guidance in the prior month. We believe the company faces more acute pressures than other ad-centric companies given its greater exposure to product companies whose supply chains are still impacted by supply chain issues. Despite these issues, we remain constructive on the long-term opportunities for the company to grow its audience and innovate on both its user experience and ad platforms.

Our position in electric vehicle (EV) maker, Tesla, was also among the top detractors. Shares continued their slide from the prior month with founder, Elon Musk, selling shares to finance his take-private bid for a social network, Twitter. In April, the company released fiscal quarter results that exceeded estimates on both revenue and operating margins and reiterated their growth outlook despite ongoing supply-chain challenges. We remain confident that estimates are likely to remain solid amid strong demand and ramping supply. We believe the world is now embracing EVs and the move towards sustainable transport has reached an inflection point. We also believe that Tesla is positioned to lead this transition given its lead over the competition and continued rapid innovation.

Purchases and Sales

During the period, we exited our position in a lending platform provider after the company reported disappointing quarterly results. The company's credit models, which outperformed in the early pandemic period, have reverted sharply and are now underperforming peer benchmarks. We believe the company's artificial intelligence-based (AI-based) credit models will over time be more scalable while optimising the credit decisioning process for financial institutions and other lenders. However, we believe the dynamic macro environment will necessitate more time and data points to adjust, and the company's processes for handling these scenarios needs to evolve. Based on this view, we saw further downside potential with a long process of recovery and chose to move on to higher conviction ideas.

Among those ideas, we added a business and consumer payments company, as we believe the company's mobile payment service platform is set to extend its growth trajectory following compelling product releases through the integration of recently purchased financial technology company. We also increased our position in a leading social media company as we are constructive on the company's opportunity to monetise its short videos platform and find the valuation compelling considering the cash generation inherent in the business.

Market Outlook

In the latest period, markets continued to grapple with the familiar themes of monetary policy, elevated inflation, geopolitical concerns, and recession risks. The end of the month brought a respite in the selling pressures with the Personal Consumption Expenditures (PCE) Index, a measure of inflation, showing some moderation along with several Fed governors coalescing around a potential pause in rate hikes, following sequential 50 bps increases, through the summer. We believe a Fed pivot, or a less hawkish stance, is one of several factors that could improve market sentiment but that a more sustained uptrend is predicated on greater clarity around the economic and earnings growth trajectory. In that regard, we have seen companies adopting a more defensive posture in managing their business given the increasingly uncertain macro environment.

Through the Q1 earnings season, company outlooks have been mixed with some discretionary spend areas, including work-from-home beneficiaries, calling out significant softening in their businesses. Some consumer bellwethers have reported steady top-line trends but bloated inventories and overstaffed conditions. Meanwhile, some Technology and Media companies have announced hiring freezes or even small-scale layoffs. While it is likely that tightening of financial conditions could impact the growth outlook, we see companies taking prudent actions and proactively shoring up their operations in anticipation of potential moderation in economic activity. That said, we believe companies and consumers are well-situated to ride out an economic soft patch given record low unemployment and healthy balance sheets.

With this complicated backdrop, investors have shown a preference for defensive sectors that have higher visibility of earnings. Looking ahead, we expect cyclical and other high-beta areas will face pressures amid slowing economic growth. We have moderated some of our cyclical exposure along with upgrading the portfolio in names that we believe can continue to grow profitably in the face of ongoing inflationary pressures and tighter financial conditions. While markets are likely to remain choppy in the near term, we are optimistic that oversold areas may be stabilising as valuations come into historical support ranges. Business fundamentals remain healthy as enterprises are committing to multi-year digital transformation projects to enhance their competitiveness and drive long-term growth.

While we navigate through this volatility, we remain focused on investing in companies driving innovation and change. Concerns regarding interest rate policy, inflationary pressures, and a host of other macro uncertainties have contributed to the market's year-to-date swoon. The market reaction to these concerns is understandable. However, as we look at the ascendency of some of the largest companies in the world over the past 25+ years, we believe the single largest driver of their success has been their ability to innovate. We remain encouraged that the pace of technological innovation continues to advance at an accelerating pace driven by the adoption of AI. As such, our focus remains on identifying the companies we believe can leverage the ongoing innovation cycle to drive long-term shareholder value for our investors.

AI infrastructure outlook

We expect healthy demand for the ongoing build-out of AI infrastructure in the coming years. As AI training progresses past the pilot stage, the next phase will be about the new types of processing and storage needed to deploy AI from the cloud to billions of edge devices. We continue to believe the global rollout of 5G will accelerate going forward, and the resulting higher bandwidth will enable the collection of more data from billions of mobile and Internet of Things (IoT) devices.

Within AI Infrastructure, we maintain a constructive view on the semiconductor space. In line with the upswing in other pro-cyclical areas, semiconductors have performed well fundamentally and in terms of share price. Looking forward, demand across many areas of end demand remains strong and supply is relatively constrained. We think these dynamics should remain in place over the next several quarters and are supportive of further upside in semiconductor shares.

AI applications outlook

We are seeing AI get embedded into an increasing number of software applications and systems to help make more intelligent decisions. AI is helping to drive higher levels of automation, better recommendations, faster decision-making, and significant cost savings. As AI continues to advance, we expect software and apps to offer even more personalised services, made possible through an increased understanding of user behaviour and search patterns, allowing companies to deliver more human-centric experiences in real-time. Smart assistants will begin to move from passive to proactive interactions by anticipating the user's needs rather than simply waiting for instructions. AI and machine learning will continue to automate mundane tasks and complicated analyses to free up employees to focus more time and attention on creative and strategic tasks. The recent introduction of quantum cloud computing could lead to significant breakthroughs in AI and machine learning in the coming years as researchers design new algorithms to exploit the exponentially faster computing power. We are just beginning to see AI become a part of more applications, which could potentially create an even bigger market opportunity than past IT transformation eras.

AI-enabled industries outlook

We are seeing more companies begin to leverage AI to drive innovation. Many of our portfolio holdings in the Automotive, Consumer, Health Care, and Finance sectors are already seeing the early benefits from AI, which is allowing them to introduce unique products and services enabling them to outperform their industry peers. We expect to see more industries roll out AI projects across more of their operations to accelerate their digital transformation. We believe companies will continue to adopt AI technologies such as facial recognition for identification and fraud detection, autonomous vehicles and robots for transportation and logistics, robotic process automation (RPA) and virtual digital workers to automate repetitive office tasks, predictive maintenance powered by IoT to minimise maintenance costs and equipment down time and augmented and virtual reality (AR/VR) to create engaging experiences and entertainment.

Overall, we continue to believe we are at the very early stages of massive disruptive change brought about by advancement in AI and its deployment. We believe that these changes will drive meaningful growth for companies that are able to take advantage and drive disruption within their respective industries. While it is expected at times that markets may question the underpinnings of this growth, we believe the compounding effect from AI disruption will create long-term shareholder value. We believe that stock picking will be imperative to capturing the benefits of this opportunity, especially in an environment characterised by disruption and change.

For Allianz Life Oriental Income Fund:

Target Fund Manager's Comment (For Allianz Oriental Income)

Market Review

Asian equities recovered from weakness early in the month to finish close to flat in May. Concerns over the outlook for the global economy and a more hawkish tone from many central banks were counterbalanced by optimism that the Chinese authorities were starting to ease pandemic-related restrictions in Shanghai and Beijing. While China cut mortgage rates to support its flagging property market, many other countries in the region raised borrowing costs as they followed the US central bank in raising rates to counter surging inflation. In Japan, the government announced a supplementary budget, worth the equivalent of USD 21 billion, to help households and small companies cope with high energy and food costs.

In this environment, China equities advanced modestly. The authorities rolled out a broad package of support measures largely targeted towards businesses struggling to cope with lockdowns, and issued a renewed pledge to support the Technology sector. Other North Asia markets such as Taiwan and Korea also recorded gains, with Technology stocks recovering somewhat following a period of weakness. Elsewhere, ASEAN markets were mixed. The Philippines and Thailand posted gains while Indonesia, Singapore and Malaysia retreated.

Market Outlook

The Fund lagged the benchmark during the month. At a country level, the key detractor was stock selection in Korea and Taiwan, especially in the Technology sector. Weakness in smartphone and personal computer (PC) end user demand raised concerns over the earnings outlook for parts of the semiconductor supply chain.

At a single stock level, a top contributor was a titanium products manufacturer. This is a position we initiated earlier in the year. Russia is the world's largest titanium producer, a critical material used in the aerospace industry. Following the invasion of Ukraine, we expect there will be significant supply chain changes that will benefit companies such as the abovementioned company, which has sufficient spare capacity to absorb new business opportunities.

Conversely, the top detractor was Koh Young Technology. This is a Korean small cap stock and a global leader in inspection equipment for consumer and auto electronics. There was no fundamental news in the period. We see significant future growth potential from artificial intelligence-based smart factory solutions, which should help shift the market perception of Koh Young from a hardware maker to more of a software company over time.

In recent months we have repositioned the portfolio for the changed operating environment, especially rising inflationary pressures and higher input costs. In particular, we have looked to add to stocks where we see stronger pricing power – for example in upstream areas such as Energy, as well as industries such as dry bulk shipping where a lack of new supply over many years has left incumbent operators in a strong position.

Overall, we maintain a high level of exposure to the Technology sector and in some instances have used share price weakness to add to high conviction positions. However, we have reduced exposure to parts of the semiconductor supply chain where we see near-term headwinds. From a country perspective, the portfolio is overweight in Taiwan, with underweight exposures in Japan and India. From a sector perspective, other than Technology, the portfolio is overweight in Industrials and Energy, balanced by limited holdings in Financials and Communication Services.

We remain in extremely uncertain times with low visibility around future economic developments globally. Tighter monetary policy around the world amid rising inflationary pressures, and the strength of the US dollar, are also combining to create a challenging environment for regional equities. Looking ahead, a potential bright spot could be a more stable economic backdrop in China through H2. In recent weeks, there have been announcements of new infrastructure spending, tax breaks for businesses, incentives for car sales, an easing of loan terms, cuts in mortgage interest rates and instructions for banks to increase lending.

We remain relatively cautious on the near-term outlook in Japan where performance is generally more correlated to the global economic outlook. Higher commodity and energy prices will increase costs and squeeze margins, especially for downstream manufacturers. In addition, the tightening of policy in the US and other central banks remains a further headwind.

For Allianz Life Total Return Asian Equity Fund:

Target Fund Manager's Comment (For Allianz Total Return Asian Equity)

Market Review

Asian equities recovered from weakness early in the month to finish close to flat in May. Concerns over the outlook for the global economy and a more hawkish tone from many central banks were counterbalanced by optimism that the Chinese authorities were starting to ease pandemic-related restrictions in Shanghai and Beijing. While China cut mortgage rates to support its flagging property market, many other countries in the region raised borrowing costs as they followed the US central bank in raising rates to counter surging inflation.

In this environment, China equities advanced modestly. The authorities rolled out a broad package of support measures largely targeted towards businesses struggling to cope with lockdowns, and issued a renewed pledge to support the Technology sector. Other North Asia markets such as Taiwan and Korea also recorded gains, with Technology stocks recovering somewhat following a period of weakness. Elsewhere, ASEAN markets were mixed. The Philippines and Thailand posted gains, while Indonesia, Singapore and Malaysia retreated.

The Fund outperformed the benchmark during the month. At a country level, the key contributors were stock selection in India and Taiwan. From a sector perspective, stock selection was notably positive in Financials and Consumer Discretionary.

The top contributor over the month was HDFC Bank in India. The stock bucked the weaker trend of the overall India market. There was no company-specific news. Overall, we view the merger with a mortgage lender HDFC Ltd, announced in early April, as an opportunity to increase exposure to the fast-growing housing segment as well as providing cross-sell opportunities.

Conversely, the top detractor was Reliance Industries, the Indian conglomerate. The stock saw some profit-taking after a strong period of performance. Overall, the company's more cyclical businesses have benefitted from rising commodity prices which are leading to improved cash flow generation. The company also continues to make progress in its rollout of ecommerce and digital operations, as well as expansion into new energy areas such as solar, batteries and hydrogen.

From a country perspective, the portfolio has an overweight position to Southeast Asia including Singapore, Thailand and Indonesia, and is underweight the North Asian markets of Korea, Taiwan and China/Hong Kong. At a sector level, the Fund is overweight Financials, Consumer Staples and Energy, whilst being underweight Consumer Discretionary, Industrials and Utilities.

In recent months, we have repositioned the portfolio to weather the higher inflation and interest rate environment, either through adding to more upstream industrial exposure which benefits from pricing power and stronger cash flows, or through adding to stocks which have a more defensive and stable earnings outlook. In the last month, we also added to Financials which should benefit from higher net interest margins. While we maintain a high level of exposure in bellwether tech names such as Taiwan Semiconductor Manufacturing Company (TSMC) and Samsung Electronics, we have reduced exposure to tech elsewhere, especially the semiconductor supply chain.

Market Outlook

We remain in extremely uncertain times with low visibility around future economic developments globally. Tighter monetary policy around the world amid rising inflationary pressures, and the strength of the US dollar, are also combining to create a challenging environment for regional equities.

Looking ahead, a potential bright spot could be a more stable economic backdrop in China through H2. In recent weeks, there has been increasing urgency to stabilise the macro environment. Premier Li Keqiang – the second ranking leader of the Communist Party after Xi Jinping – held an unusual video conference towards the end of May with more than 100,000 local government officials to stress the importance of stabilising the economy.

This move followed the announcement of new infrastructure spending, tax breaks for businesses, incentives for car sales, an easing of loan terms, cuts in mortgage interest rates and instructions for banks to increase lending. As long as further extreme COVID-related lockdowns are avoided, we expect this change in policy stance to be reflected in improved growth momentum as we head towards the important National Party Congress in Q4.

For Allianz Life Global Income Fund:

Target Fund Manager's Comment (For Allianz Global Income)

Market Review

Market weakness persisted into May before risk assets and fixed income staged a sharp rally into the month-end. Signs of peaking inflation, interest rate stability and diminishing US Federal Reserve (Fed) tail risk were offset by global recession fears, the Ukraine crisis and overseas COVID policies. In addition, more corporations highlighted the difficult operating environment. Margin pressures, currency headwinds, ongoing supply chain issues, inventory build-up, declining advertising budgets and evolving consumer behaviours were some of the factors recently cited as impacting earnings and sales visibility.

US economic data was mixed in the month. Manufacturing and services surveys retreated but remained in expansionary territory and the Fed's preferred measure of inflation – the Core Personal Consumption Expenditures (PCE) Price Index – eased on a year-over-year basis. In addition, US travel was very robust with airport screenings closely tracking pre-pandemic levels. On the other hand, consumer sentiment and home sales fell, and weekly jobless claims rose during May.

The Fed raised rates by 50 basis points (bps) to a range of 0.75% to 1.00%. Powell signalled a half percent hike would also be appropriate at both June and July Federal Open Market Committee (FOMC) meetings, ruling out a 75-bps increase. Meanwhile, the yield curve compressed and steepened.*

Against this macro backdrop, risk assets delivered uneven performance and fixed income advanced for the period. Global equity markets, as measured by the MSCI World Index, returned +0.08%^ with non-US developed stocks outperforming their US counterparts. Global convertible securities and high-yield bonds declined with new issuance remaining subdued. Global fixed income, as measured by the Bloomberg Global Aggregate Index, returned +0.27% driven by US market strength.**

The Fund returned negatively in the month. Positive individual contributors were concentrated in Energy-related companies focused on oil & gas production, retail distribution, refining and oilfield services (Schlumberger). Other notable outperformers included positions in banking (Wells Fargo), semiconductors, auto manufacturing and lithium production.

On the downside, end market demand concerns weighed on Apple (technology hardware). Cybersecurity exposure detracted despite better-than-expected results and guidance from a global industry leader. China-related headwinds pressured shares of an electric vehicle manufacturer and consumer spend uncertainty impacted a wholesale retailer. Select chemical, real estate and pharmaceutical holdings also lagged.

Regarding notable positioning changes over the period, exposure to Financials, Materials and Consumer Discretionary declined, whereas exposure to Communication Services, Energy and Health Care increased.

Market Outlook

The market outlook remains highly uncertain amid a long list of concerns: decelerating US economic growth, slowing earnings momentum, a hawkish Fed, shifting yield curve, elevated inflation, rising interest rates and an geopolitical crisis, among others. We address each risk below.

Economy: Global growth is decelerating as economies contend with conflict-driven shocks, rising interest rates, global monetary policy tightening, higher energy prices and continued COVID lockdowns. As the US economy normalises, quarterly gross domestic product (GDP) growth could fluctuate before firmer growth resumes. After contracting in Q1, the US economy should expand in Q2 driven by low unemployment and consumer and business spending.

Earnings: Revenues and earnings may be impacted by slower economic growth, tighter financial conditions, a stronger US dollar and headwinds emanating from or exacerbated by the Ukraine crisis. On the other hand, corporate pricing power and operating leverage could offset the impact of higher input costs, wages and supply chain disruption.

Fed: Fed tail risk has lessened with Powell ruling out a 75-bps increase this summer. It is also possible the Fed does not tighten as aggressively as the market suggests with inflation set to slow, helped by yearly comparisons, asset price declines, demand destruction, price discounting, and easing of supply bottlenecks. Additionally, financial conditions have already tightened due to higher yields and a stronger dollar.

Yield curve: Inversions tend to precede recessions, but the lead-lag time has varied considerably. This signal may be less effective today due to distortions caused by quantitative easing. Alternatively, quantitative tightening could have the opposite effect, steepening the yield curve. As of month-end, the curve (2s10s) was positive sloping.*

Inflation: The Fed's preferred measure of inflation – the Core PCE Price Index – eased on a year-over-year basis and inflation expectations such as 2- and 5-year breakevens have rolled over. Rising inventories, higher financing costs and slower sales could lead to lower prices for goods. Prices for services however could be stickier due to changes in consumer behaviour. After inflation peaks, markets will be focused on where the measure settles in the future.

Interest rates: The 10-year US Treasury yield rose to 3.13% in early May, returning to the upper bound of its trading range over the last decade.* By month-end, the yield settled lower at 2.84% on signs of peaking inflation.* A rising interest rate environment accompanied by faster economic growth and moderate inflation would be a welcome development.

Ukraine: The effects of the crisis are numerous and far-reaching, but systemic financial risks appear contained.

Against this backdrop, risk assets sold off sharply to start the year. The S&P 500 Index fell 20% from peak to trough – well below its average intra-year drawdown of 13.5%.# Convertible securities are down -15.0% year-to-date, far surpassing 2011's annual return of -5.2%.* Similarly, high-yield bonds declined more than 10% at the year's low, easily exceeding 2015's annual return of -4.6%.*

The quarters ahead will determine if the worst has passed, or further declines await. Regardless, several factors are worth highlighting. First, examining the past four rate hike cycles, the S&P 500 Index gained +15.3% on average from initial hike to last hike.# Second, the S&P 500's forward price-to-earnings multiple fell to 17.4x in May from 21.4x in December and price-to-free cash flow resides well below its long-term average.# Finally, substantial corporate liquidity may point to additional stock buybacks, increasing dividend payments and rising mergers and acquisitions (M&A) activity – three elements that could also support equities.

Convertible securities should continue to provide benefits to investors, including an attractive asymmetric return profile and a low correlation to core fixed income. Today, the asset class exhibits more defensive characteristics, given the market's elevated conversion premium and closer proximity to the bond floor. This dynamic should allow for greater downside protection if equity volatility persists and/or valuations correct further. If underlying equities strengthen from here, convertible securities are positioned to participate in the upside.

Credit's risk/reward opportunity is also compelling after a historic start to the year. In addition to a favourable technical backdrop, high-yield credit statistics and fundamentals are healthy and near-term refinancing obligations remain very low. Accordingly, many high-yield market strategists expect a low default rate environment in 2022. Rising interest rates remain a key risk for high-grade corporates. That said, the investment opportunity has improved on the back of sharply higher yields and a positive fundamental outlook. Both credit markets are trading at significant discounts to par, offering attractive total return potential and downside cushioning.

All data are sourced from Allianz Global Investors dated 31 May 2022 unless otherwise stated.
* Source: BofA Merrill Lynch, as at 31 May 2022
^ Source: MSCI, as at 31 May 2022
** Source: Bloomberg, as at 31 May 2022
# Source: FactSet, as at 31 May 2022

For Allianz Life Thematica Fund:

Target Fund Manager's Comment (For Allianz Thematica)

Market Review

Global equities continued to weaken in the first half of May, undermined by rising concerns over the outlook for global growth and central banks' more hawkish stance. However, stocks found support in the second half of the month, helped by signs that China may ease the lockdown in Shanghai, and ended May with relatively flat returns.

Central banks turned more hawkish. The US Federal Reserve (Fed) raised rates by 50 basis points (bps) for the first time since 2000 and indicated that it intended to increase rates by the same amount at its next two meetings in June and July. The European Central Bank (ECB) also signalled that it will likely start to increase rates as soon as July, although the increase is expected to be gradual. Many other central banks, in both developed and developing markets, hiked rates, but Japan and China remained outliers.

In the commodity markets, oil prices ended the month near a 2-month high of USD 120 a barrel as the Organisation of the Petroleum Exporting Countries (OPEC) appeared to be reluctant to further accelerate production. Wheat prices also moved higher as Russia said it would only allow Ukrainian stores to be shipped following the lifting of western sanctions. Elsewhere, gains in many raw materials were limited by concerns over slowing growth in China.

Market Outlook

In May, the main detractor was the Digital Life theme. The themes Health Tech, Clean Water and Land, and the Pet Economy also resulted in negative contributions. The Next Generation Energy theme on the other hand, was a significant positive contributor. The themes Infrastructure and Intelligent Machines were also positive contributors. The Next Generation Energy theme has now also become a positive contributor for the year-to-date (YTD) period. Strongest positive contributor YTD remains the Infrastructure theme.

Not surprisingly, the list of top single stock contributors for the month of May is dominated by companies held within the Next Generation Energy theme. As the lithium price saw a strong spike YTD on the back of concerns over supply/demand imbalances, top contributors include companies that are involved with lithium supply such as Livent, Albemarle or a specialty lithium chemicals company.

Solar-related stocks such as a home solar panel and battery storage company, and a smart energy technology company also performed well in May. Portfolio performance also benefitted from stocks related to Energy Infrastructure such as Schlumberger and Baker Hughes held within the Infrastructure theme.

Furthermore, underweight positions in a tech giant and an electric vehicle manufacturer were top positive contributors. On the negative side, in particular cyber security related holdings such as a web performance and security company, a cloud security company, and a cyber security technology company held in the Digital Life theme were key detractors in May.

We have recently slightly increased our exposure to the Next Generation Energy theme. The recent outperformance of the theme is well in line with our view that in addition to the original target of decarbonisation, the new goal of energy independence across Europe provides strong additional tailwinds for the theme accelerating the timeline for energy transition investments significantly. The European Commission has just presented the REPowerEU Plan as a response to the market disruption due to the conflict between Russia and Ukraine. The plan is based on several pillars like energy savings, diversification of energy supplies, and accelerated roll-out of renewable energy to replace fossil fuels in homes, industry, and power generation calling for additional investments of more than EUR 200 billion until 2027.

We continue to see the theme Intelligent Machines as well supported. Inflation is currently creating the largest concern for investors. This is also a major concern for corporates as they are currently suffering from rising input costs like wage increases and higher raw material prices. In addition to that, many industries are facing a shortage in labour which puts pressure on the overall profitability of companies. Monotone jobs (supermarket, logistic centres, airport security) could be more easily done with the support of machines and robots which helps companies overcome the shortage of labour for unpopular jobs and deal with rising minimum wages.

To defend their margin levels, companies all over the world are looking for solutions for more automation and digitisation to increase overall efficiency. Increasing order flow for automation companies currently gives evidence to this trend. The stronger demand is based on the capital expenditure upcycle across petrochemicals, chemical, metallurgy and mining sectors. Additional demand for automation solutions is expected to come from the high investments in the semiconductor industry which is highly automated and spends huge amounts for new plants in countries like Germany (Saxony-Anhalt) or the US (Arizona).

Due to the supply chain issues globally driven by the COVID crises, it is fair to expect some de-globalising effects which require companies to build up regional supply chains. As this requires creating manufacturing capacity in Europe and North America, it is fair to say that due to the already high level of automation, any new facilities will have similar if not even higher levels of automation.