

Allianz Asian Multi Income Plus

Monthly commentary

Investment Objective

The Fund aims at long-term capital growth and income by investing in equity and bond markets in Asia Pacific.

What Happened in March

Asia Pacific ex Japan equities were mixed in March with a wide divergence of returns across markets as erratic tariff news was digested. China equities made modest gains. Tech stocks led the way for the first half of the month, continuing to rally after a Chinese AI start-up's success sparked growing interest in the sector, but closed the month on a weaker note. India rebounded strongly after several months of weakness, led mainly by positive domestic fund flow. In contrast, Taiwan lagged with the Technology sector seeing a particularly sharp pullback in line with the semiconductor sector globally. The Korea market was also weak after Trump announced tariffs on all cars imported to the US. Australian equities slid further from their historical highs in January, with all sectors retreating with the exception of Utilities.

On the fixed income side, US Treasury yields were volatile in March, although overall yields remained unchanged on a month-on-month basis. For much of the month, escalating fears of a global trade war and slowing global growth dominated economic news, resulting in widened credit spreads. Across Asia, hopes of fresh stimulus measures from China aimed at boosting consumption supported market sentiments. Overall, Asia credit returns were flat in March, with positive interest rate returns offsetting negative spreads.

Portfolio Review

The Fund return was positive in USD terms in March.

In the equity portfolio, the top contributor came from a telecommunications provider in the Philippines gaining market share through lower cost subscription plans. This strategy aligns with the growing demand for higher-speed internet and increasing digital connectivity in the region beyond urban areas.

On the detractor side, chipmaker Taiwan Semiconductor Manufacturing (TSMC) lagged during the month. The share price retreated on concerns surrounding global semiconductor demand and potential impacts from US tariffs. The company has announced stronger-than-expected guidance for 2025, with demand for high performance computing chips continuing to be well supported by ongoing adoption of AI-related applications. We have maintained our position.

The asset allocation at the end of the month was 70.0% invested in Asian equities and 30.0% in Asian fixed income.

During the month, we added a grocery retailer from Australia and a jewellery brand based in Hong Kong to the portfolio. On the flip side, we exited our position in a medical device company in Australia.

Within the fixed income portfolio, we continued to look for alpha opportunities in the secondary market focusing on shorter end maturities. We also trimmed our exposure to commodity related names given rising uncertainties under current macro environment

At the end of the month, we held 59 equities and 57 fixed income securities. The equity portfolio yield was 2.6% (based on forward 12-month estimates), and the average fixed income coupon was 5.6% with an average credit rating of BB+ and average duration of 2.4 years.

Market Outlook

Shortly after the end of the month, Asian equity markets were turned on their heads by Trump announcing significantly higher-than-expected tariffs. After signalling restraint earlier in the year, China, in particular, retaliated with a strong tit-for-tat response. Although China basically matched US actions rather than escalating further - showing it is still open to negotiation - in practice, the outlook is highly uncertain. We expect a significant policy response from China focused on stimulating domestic demand.

While we are still facing significant uncertainty as Trump is disrupting the global economic / trade order with his tariff announcements and more time is needed to see where things settle, there could be channels for Asia to see some respite. Regional central banks have some propensity for policy easing, for example, especially if the US dollar continues to weaken. India is a more domestic demand-driven economy and is correspondingly less exposed to US tariff risk. India equity valuations have also come down significantly.

On the fixed income side, despite the macroeconomic uncertainties, we maintain a positive view on Asia credits due to strong technical factors such as declining default rates and reduced new issue supply. At the same time, we see Asia corporate fundamentals improving, and corporate earnings across the region have been strong. Most corporate sectors in the Asian high yield market are in the sweet spot of the credit cycle and will continue to provide decent carry returns, such as Indian Utilities, Macau Consumers, and select Asian Financials. While certain sectors are still in the downcycle, primarily China and HK Real Estate, these sectors present alpha opportunities due to market dislocations. In our view, the high-quality nature of the Asia investment grade market, combined with attractive all-in yields, presents an investment opportunity for investors seeking diversified returns.

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All data are sourced from Bloomberg, Allianz Global Investors and as at 31 March 2025 unless otherwise stated.

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