Allianz Global Investors

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 June

Asia Pacific ex Japan equities rose in June, even as geopolitical jitters continued to linger in the background. South Korea was the strongest market, boosted by post-election reform optimism after the new president was inaugurated. A rally in global technology stocks also buoyed the market as well as leading to gains in Taiwan. Chinese equities benefitted from easing trade tensions with the US. Shares rose on news that the US and China had restored their trade truce, with the two sides agreeing a "framework" to implement the previous consensus reached in Geneva. Australian equities closed the month modestly higher. The ASX 200 Index reached a fresh record high on optimism surrounding renewed US and China trade talks early in the month before weakening as escalating tensions in the Middle East weighed on sentiment.

Indian equities also finished the month moderately higher. June delivered a series of favourable developments including softer inflation data, quarterly gross domestic product (GDP) growth at 7.4% year-on-year (above consensus expectations of 6.8%), a deeper than expected 50 basis point cut to the repo rate, and a 100 basis point reduction in the Cash Reserve Ratio (CRR). Elsewhere, ASEAN equities generally fell as investors rotated into safe-haven assets amid soaring tensions in the Middle East. In Thailand, the index hit a five-year low amid political turmoil as the country's Constitutional Court suspended the prime minister.

For fixed income, market sentiment was mixed in June with the positive development on trade talks being offset by the escalation of tension in the Middle East. However, despite all the uncertainties and volatilities in the market, Asia credit continued to demonstrate resilience with both Investment Grade (IG) and High Yield (HY) reporting positive return in June. On rate side, US treasury yields fell significantly during the month, driven by benign inflation data and dovish commentary from US Federal Reserve (Fed) governors backing earlier rate cut. In terms of performance, Asian credit

(JACI Composite) was up 1.2% in June. IG credits returned 1.2%, with spread and interest rate contributing 0.2% and 1.0% respectively. HY credits was up 0.8% with all of the return coming from interest rate.

Portfolio Review

The Fund return was positive in USD terms in June.

In the equity portfolio, the top contributor was chipmaker Taiwan Semiconductor Manufacturing (TSMC). The share price rallied after the company raised its guidance for this year, as the demand drag from tariffs appears more muted than two months ago, while AI demand remains robust.

On the negative side, the top detractor came from an Australia-listed clinical dermatology company based in the US. The company announced a set of disappointing sales for its flagship product prescription, which is used to treat excessive sweating. While the company is expected to continue deepening its presence in the dermatology sector over the long term, we will monitor the recovery progress of the stock.

The asset allocation at the end of the month was 69.1% invested in Asian equities and 30.1% in Asian fixed income.

During the month, the key portfolio activity for the equity sleeve was focused on high dividend paying companies. For example, we initiated a Korean telecom company which is actively investing in the artificial intelligence (AI) value chain We also initiated an Australia REIT with a diverse portfolio of high-quality assets to the portfolio. On the other hand, we exited two positions in China, including a beverage shop specialised in tea drinks, and a condiment producer.

Within the fixed income portfolio, we continued to look for alpha opportunities and switched out the outperformers. Also, we were actively managing portfolio duration given a very volatile rate market during the month. In addition, we were actively involved in the primary market to capture the new issue premium.

At the end of the month, we held 60 equities and 60 fixed income securities. The equity portfolio yield was 3.1% (based on forward 12-month estimates), and the average fixed income coupon was 5.9% with an average credit rating of BBB- and average duration of 2.4 years.

Market Outlook

Overall, we are quite cautious about the near-term outlook for regional equities. Global trade developments, especially the ongoing decoupling of the US and China, are likely to result in a weaker growth outlook. As well as putting pressure on corporate earnings, the visibility of growth is also reduced with some companies declining to provide their usual quarterly guidance. Offsetting this to some degree is a weaker US dollar, which has led to relative appreciation among many regional currencies and provides Asian central banks with scope to lower interest rates. In China, we think there will be more decisive policy changes including the government stepping up support for asset prices, not just in equities but in the crucial housing market as well.

On the fixed income side, with the Middle East conflict being temporarily resolved, market focus is now turning back to the US economy which should remain highly uncertain given Trump's unpredictable policies. As global investors reassess the concentration of risk in US credits, Asia stands out as a compelling destination for diversification, underpinned by the strong fundamentals with limited tariff exposure. Asian IG credits provide a resilient high-quality alternative to US issuers while HY credits offer the highest yield among peers with contained default risk. Technicals continued to be supportive to Asia credits with year-to-date net supply remained negative after factoring in coupon payments. As a result, we remain constructive on Asia credit with a slight preference of HY to IG. We maintain our long carry position, expect security selection to be the key long-term positive contributor and look to increase credit beta on the back of global-induced sell-offs.

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All data are sourced from Bloomberg, Allianz Global Investors and as at 30 June 2025 unless otherwise stated.

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