

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 November

Asia Pacific equities were broadly down in November, although there was diverging performance across the region. Trump's victory raised the prospect of higher tariffs on exports to the US, triggering an initial sell-off in China equities before they stabilised later in the month. A stronger dollar also presented headwinds, especially for the smaller ASEAN markets.

China equities delivered mixed returns over the month. Onshore market rose slightly, boosted by Beijing's announcement of a substantial stimulus package aimed at refinancing local authority debt, although the rally faded as the month progressed. However, offshore stocks declined. Australian stocks advanced, with key indices touching a fresh record high towards month-end as the market posted its strongest monthly gain since July. Taiwan and South Korea equities lost ground. Taiwan equities slid amid concerns over slower growth and a correction in the semiconductor market. Korea equities were also weaker as Technology stocks fell, despite a new value-up plan announcement from an appliance and consumer electronics company. ASEAN markets were mixed. Singapore stocks rallied strongly, led by the Financials sector, but the Philippines, Indonesia and Thailand stocks were weaker.

On the fixed income side, the performance of Asian credit markets in October and November demonstrated resilience to rate fluctuations and global macroeconomic headlines, as well as its lower correlation with other global credit markets. Asian credit spreads overall withstood a choppy session for US Treasuries and ended the month on a more positive note. Asian investment grade (IG) spreads traded in a 15 basis point (15 bps) range intra month and ended November just 4 bps wider, while high yield (HY) credits gave back some October gains with the wider sector dispersion.

Portfolio Review

The Fund's return was negative in USD terms in November.

In the equity portfolio, the top detractor was an ecommerce platform and cloud service provider in China. The share price pulled back amid the broader market correction. In general, the company has been refining its business strategy to improve competitiveness in the weaker macro environment. Looking ahead, the company should benefit from more supportive government policies designed to improve domestic demand.

On the positive side, a key contribution came from our position in Pro Medicus. This Australian company has a focus on imaging and patient management software in the healthcare sector. A series of recent contract wins has highlighted how Pro Medicus continues to displace older legacy systems as health care clinics and hospitals increasingly move to the cloud. After the share price strength, we reduced our position size to take some profit.

The asset allocation at the end of the month was 69.2% invested in Asian equities and 30.6% in Asian fixed income, with the remainder in cash.

In terms of portfolio activity for the equity sleeve, over the month we initiated a position in an online location sharing and communications platform in Australia. On the other hand, we exited a number of smaller positions as sources of funding, including a household appliance maker in China and a natural resources company in Australia.

For the fixed income sleeve, we continued to extend portfolio duration by switching out some shorter-dated issues to longer-dated bonds.

At the end of the month, we held 60 equities and 60 fixed income securities. The equity portfolio yield was 2.5% (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 2.1 years.

Market Outlook

We maintain a constructive longer-term view on the regional outlook. The peak of the US rate cycle should provide a supportive overall backdrop. Overall, valuations generally remain at reasonable levels. However, a key market concern since the US elections has been to what extent higher US tariffs, across Asia and especially in China, will become a major risk factor. As such, recent weeks have seen China equities erasing some of the earlier gains that were driven by positive policy measures. Our view is that the "shock factor" of a Trump presidency will be somewhat less the second time around, and that China authorities will react with further domestically focused stimulus measures in the event of a major hike in tariffs. This comes in addition to the measures required to address the more structural problems in China, especially related to the property sector as well as the broad-based deflationary pressures. Across the region, we are finding a number of attractively valued structural growth stories in South Asia that are less impacted by geopolitical risks. In particular, the more favourable demographics and rising consumption power is boosting the growth outlook across ASEAN markets and India.

On the fixed income side, while market volatility may be set to pick up in 2025 due to global geopolitical uncertainties, we think such volatility will mainly be expressed via local rates and foreign exchange (FX), less so in credit. We take comfort in the healthy corporate fundamental backdrop in Asian credits and supportive technicals. Most Asian issuers do not have large direct exposures to the US market and stronger sovereign fundamentals across the board versus eight years ago provides an additional buffer. Higher all-in yield of Asian credit, moderate supply and stable-to-improving

credit fundamentals have kept spread volatility in check and will adequately support the market into year-end. Idiosyncratic headlines may bring reassessment of risk premium in a sector or country of risk, particularly given tight valuation, but we are not overly concerned about default risk in Asian credit given favourable credit cycle. We will continue to take market correction, if any, as opportunities to buy into the credits that we have high conviction in.

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