

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 April

Asia ex Japan equities rebounded strongly in April, led by the Technology-heavy markets of South Korea and Taiwan, as the accelerating global artificial intelligence (AI) and semiconductor upcycle lifted chip leaders and their wider supply chains. In China, onshore A-shares outperformed offshore markets, with large internet platforms a source of funding rotation into companies offering more direct exposure to AI-related themes. Australian equities ended the month higher, although weak economic data weighed on sentiment. Indian equities also recovered part of their earlier losses, supported by continued strength in domestic inflows that helped offset ongoing foreign investor outflows. Overall, ASEAN markets lagged. Indonesia remained under pressure as investors mulled the prospect of MSCI's potential downgrade from emerging market to frontier status.

For fixed income, April saw a recovery in Asia credit markets supported by improving global sentiment and expectations of a potential easing in Middle East tensions. This led to a broad-based tightening in credit spreads across both investment grade (IG) and high yield (HY) segments. Asia credit spreads tightened by 10 basis points (bps) in IG and 48 bps in HY. The JACI (Asia Credit Index) returned 0.80% for the month, with gains largely driven by HY performance (2.04%) while IG posted more modest returns (0.62%). Performance was broad-based, with all countries ending in positive territory.

Portfolio Review

The Fund's return was positive in USD terms in April.

In the equity portfolio, a top contributor was Unimicron Technology, a Taiwanese manufacturer of integrated circuit (IC) substrate and printed circuit boards (PCB). The company recently delivered strong earnings. Structural supply constraints in the high-bandwidth memory (HBM) market further reinforced confidence, positioning Unimicron as a key beneficiary of the AI-driven semiconductor cycle.

On the other hand, a detractor was a Chinese AI company focused on the development and commercialisation of large-scale foundation models and AI applications. After a strong rally earlier in the year, the share price was weaker in April amid profit taking and some near-term caution around valuation and the timing of monetisation, despite continued progress in product development and adoption.

The asset allocation at the end of the month was 69.6% in Asian equities and 30.6% in Asian fixed income.

During the month, we initiated two new positions including a Taiwanese semiconductor chipmaker, as well as a Chinese manufacturer of power engines and systems, which should both be well positioned to benefit from accelerating global AI computing demand. Conversely, we exited our position in another Taiwanese semiconductor company within the same space, as well as a South Korean automobile manufacturer.

Within the fixed income sleeve, we increased our allocation to HY bonds to enhance portfolio income. In addition, we remained active in the primary market, selectively deploying capital into attractive new issuance opportunities.

At the end of the month, we held 68 equities and 80 fixed income securities. The equity portfolio yield was 2.8% (based on forward 12-month estimates), and the average fixed income coupon was 6.1% with an average credit rating of BB+ and average duration of 2.7 years.

Market Outlook

While markets have settled somewhat since the onset of the Middle East conflict, Asia ex Japan equities continue to face a more volatile near-term outlook primarily via higher energy prices and risk sentiment rather than direct business exposure. Uncertainty around a weaker global economic outlook adds another layer of caution. However, much of the fears have been overshadowed by the strength of AI supply chain stocks in South Korea and Taiwan.

Elevated oil prices have a significantly different impact on key markets around Asia. Overall, we see China's diversified economy as relatively well positioned for extreme scenarios, especially after years of building self-reliance across energy, food, and supply chains. China has looked to reduce exposure to oil and gas and to hedge this via pipelines from Russia and Central Asia. Conversely, India is more vulnerable to events in the Middle East. It imports most of its oil and gas from the Gulf, relies heavily on the Strait of Hormuz for energy flows, and depends on the region for a large share of remittances, meaning any disruption can quickly feed through to inflation, the currency, and growth.

Looking beyond these near-term risks, we remain on the positive side on the outlook for Asia ex Japan equities over the long term. In particular, we expect Technology to remain a feature going forward. Companies with strong fundamentals, exposure to long-term structural trends, and a competitive edge remain in focus.

On the fixed income side, spreads have broadly retraced to pre-conflict levels, reflecting a sharp improvement in risk sentiment as tensions eased. This recovery has been swift and partly driven by a reduction in elevated cash levels at the height of the tensions. While the macro backdrop has stabilised, uncertainty remains elevated. In particular, we need to be mindful of the persistence of higher oil prices and the potential second-order impact on inflation and growth trajectories.

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