Allianz Total Return Asian Equity

Monthly commentary

Investment Objective

The Fund aims at long-term capital growth and income by investing in the equity markets of the Republic of Korea, Taiwan, Thailand, Hong Kong, Malaysia, Indonesia, the Philippines, Singapore and/or the PRC in accordance with the Sustainability Key Performance Indicator Strategy (Relative). In this context, the aim is to outperform the Sub-Fund's Sustainability KPI compared to Sub-Fund's benchmark to achieve the investment objective.

What Happened in November

Asia ex Japan equities delivered mixed returns in November. Donald Trump's landslide victory raised the prospect of higher tariffs on exports to the US, with a stronger dollar also presenting headwinds for many of the region's markets. While equities in Singapore closed higher, shares in China, Taiwan, and Korea lost ground.

Chinese equities consolidated after a very strong rally at the end of September and early October, spurred by a significant change in government policy focused on stabilising the economy and financial markets. 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 industry giant Samsung Electronics.

Portfolio Review

The Fund underperformed the benchmark in November. From a market perspective, stock selection in China was a key source of detraction. At the sector level, stock picks in the Technology and Consumer Discretionary areas were relatively weak.

A key detractor was a Korea-based memory chipmaker. The share price has suffered on fears that excess inventory levels in memory chips will lead to weaker pricing power. Domestic political developments have also been weighing on the market more broadly. We do not see the fundamentals of this business being significantly impacted by domestic politics. Overall, we believe longer-term artificial intelligence (AI) demand will accelerate the need for high bandwidth memory, where the company is a key global provider.

Conversely, top picks during the month came from the India market, where a real estate developer and banking giant HDFC Bank were solid contributors. The former performed well due to a strong revenue increase and a credit rating upgrade. The successful operations of its malls also bolstered investor confidence. HDFC Bank rallied due to robust Q2 reported results for financial year (FY) 2025, as well as an increased weighting in the MSCI India Index at the November rebalancing.

During the month, we initiated two new names in Singapore, including a large internet/ecommerce player. Similarly in Korea, we repositioned into a new name in the internet search and ecommerce space and exited a couple of names in the Industrials and Consumer Staples areas. We also continue to find select opportunities in the China market, where we are finding high quality business with sound earnings delivery trading on attractive valuations.

At a sector level, Financials, Information Technology, and Real Estate are the primary overweight positions, while Industrials, Consumer Discretionary, and Consumer Staples are among the main underweights. Top names in the portfolio at month-end include Taiwan Semiconductor Manufacturing Company (TSMC), Tencent, and Alibaba.

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, rising consumption power, and reordering of supply chains associated with “China +1” are boosting the growth outlook across ASEAN markets and India.

Connect with Us | sg.allianzgi.com | +65 6438 0828 | Search more Allianz Global Investors

Like us on Facebook **Allianz Global Investors Singapore**

Connect on LinkedIn **Allianz Global Investors**

Subscribe to YouTube channel **Allianz Global Investors**

All data are sourced from Bloomberg and Allianz Global Investors dated 30 November 2024 unless otherwise stated.

The information presented here is intended for general circulation and does not constitute a recommendation to anyone; it also has not taken into account the specific investment objectives, financial situation or particular needs of any particular person. Information herein is based on sources we believe to be accurate and reliable as at the date it was made. We reserve the right to revise any information herein at any time without notice. No offer or solicitation to buy or sell securities and no investment advice or recommendation is made herein. In making investment decisions, investors should not rely solely on this publication but should seek independent professional advice. However, if you choose not to seek professional advice, you should consider the suitability of the product for yourself. Past performance of the fund manager(s) and the fund is not indicative of future performance. Prices of units in the Fund and the income from them, if any, may fall as well as rise and cannot be guaranteed. Distribution payments of the Fund, where applicable, may at the sole discretion of the Manager, be made out of either income and/or net capital gains or capital of the Fund. As a result of the payment, the Fund's net asset value is expected to be immediately reduced. The dividend yields and payouts are not guaranteed and might change depending on the market conditions or at the Manager's discretion; past payout yields and payments do not represent future payout yields and payments. Investment involves risks including the possible loss of principal amount invested and risks associated with investment in emerging and less developed markets. The Fund may invest in financial derivative instruments and/or structured products and be subject to various risks (including counterparty, liquidity, credit and market risks etc.). Past performance, or any prediction, projection or forecast, is not indicative of future performance. Investors should read the Prospectus obtainable from Allianz Global Investors Singapore Limited or any of its appointed distributors for further details including the risk factors, before investing. The duplication, publication, extraction, or transmission of the contents, irrespective of the form is not permitted, except for the case of explicit permission by Allianz Global Investors. This publication has not been reviewed by the Monetary Authority of Singapore (MAS). MAS authorization/recognition is not a recommendation or endorsement. The issuer of this publication is Allianz Global Investors Singapore Limited (79 Robinson Road, #09-03, Singapore 068897, Company Registration No. 199907169Z).

ADM-4113464