December 2017

Allianz Life Asia Multi-IncomePLUS Fund

Investment Objective

The Allianz Asian Multi-IncomePLUS (the "Fund") feeds into Allianz Asian Multi Income Plus- USD ("CIS") and aims to achieve stable income stream and potential capital appreciation by investing primarily in Asian local currency denominated fixed income and quasi-fixed income instruments.

Investor Profile

The Fund is designed for investors who are generally risk averse and require stable returns.

Performance Indicator

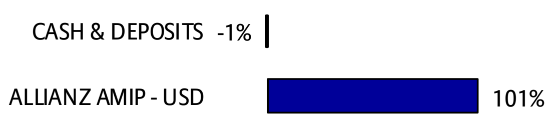
	1 month	6 months	1 year	3 years	5 years	YTD	Since Inception (Annualised)
Allianz Life Asia Multi-IncomePLUS Fund	0.42%	0.36%	5.31%	32.03%	46.48%	5.31%	5.14%
Benchmark: 2/3 MSCI AC ASIA Pac Ex Japan High Dividend Yield Total Return (Net) + 1/3 JP Morgan Asia Credit Index (JACI) - Non Investment Grade Index *	2.31%	7.27%	19.27%	25.36%	29.01%	19.27%	4.72%
Allianz Asian Multi Income Plus ($USD)	1.25%	6.96%	18.55%	18.14%	16.45%	18.55%	4.41%

Ringgit appreciated 9.48% (YTD) and depreciated 1.64% (since inception).
* Source: Bloomberg.
The above performance of the Fund is calculated in Ringgit Malaysia on a NAV-to-NAV basis. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the investment-linked product. Past performance is not an indication of future performance.

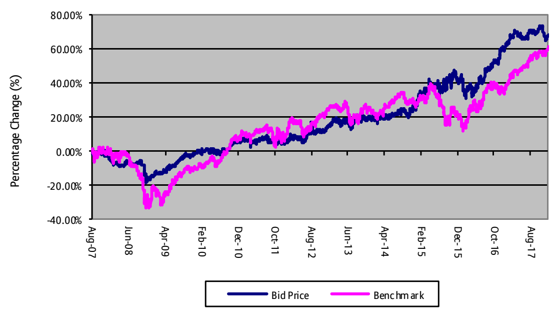
Facts on CIS

Name	Allianz Asian Multi Income Plus- USD ("Allianz AMIP - USD")
Type	Managed Fund
Fund Manager	Allianz Global Investors Singapore Limited
Fund Currency	USD

Portfolio Composition



Performance Since Inception



Key Fund Facts

Fund Size	RM2.179 million
Risk Profile	Moderate Investor
Launch Date	4th June 2007
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit[1] (as at 29th December 2017) - Bid	1.686
Management Fee	1.00% p.a
Other Charges[2]	Include but not limited to government tax, auditor fee, custodian fee, & transaction charge

1. The price per unit of the Fund is the total market value of assets in the Fund divided by the total number of units of the Fund. To ensure fair treatment to all unit holders, transaction costs of acquiring and disposing of assets of the Fund are recouped by making a dilution or transaction cost adjustment to the NAV per unit of the Fund. Allianz Life Insurance Malaysia Berhad retains the right to suspend issuance or redemption of units of the Fund under exceptional circumstances, e.g. temporary closure of any stock exchange, as disclosed in the fund brochure.
2. Expenses directly related to and necessary in operating the Fund.

Allianz Life Insurance Malaysia Berhad (104248-X)
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Allianz Life Asia Multi-IncomePLUS Fund

Manager's Comment

Market Commentary

- Equity markets in Asia Pacific ex Japan rose over December, with investor sentiment continuing to be buoyed by optimism over the health of the global economy. However, returns at a country level remained mixed.
- Chinese equities rallied modestly, helped by economic data that pointed to solid domestic growth and healthy global demand. However, profit-taking in select technology stocks continued to weigh on performance in South Korea and Taiwan. Meanwhile, while hopes of stronger Chinese demand for raw materials helped to lift returns in Australia, this was partly offset by a weak performance in the financials and utilities sectors. On balance, ASEAN markets outperformed their more developed counterparts. Indonesia was the strongest ASEAN market; credit rating agency Fitch unexpectedly upgraded the country's credit rating during the month, citing its resilience to external shocks, economic stability and conservative fiscal management. Asian USD high yield bonds returned 0.31% (J.P. Morgan Asia Credit Index) in December, bringing the 2017 total return for the asset class to 6.9% in USD terms. In December, returns were driven mainly by carry while credit spreads were flattish. With strong risk appetite, single B credits outperformed BB. Despite a slowdown into year-end, we still saw USD 17.9 billion of new USD bonds issued in December, taking the full year supply to just over USD 300 billion – a record high.
- The Fund return was positive in USD terms. The monthly distribution was again paid from income. At a stock level, Li & Fung, the Hong Kong-based consumer products exporter that we initiated in November, immediately became the top contributor in December. The stock had previously de-rated significantly and we believe there is a good turnaround potential given the strong balance sheet and continuous actions taken to cut its cost base. The recently announced divestment of its product business further improves the company's return profile and cash flow, and the upcoming payment of a special dividend should keep the stock well supported.
- On the negative side, Guangdong Investment was a laggard last month. The company has historically strong and stable cash flow from the Hong Kong water business which accounts for 70% of its revenue. The Greater Bay development as well as potential price re-negotiation in 2019 with the Hong Kong & Macau governments will provide further growth potential. There has been no deterioration in fundamentals and we remain positive on the stock, which also has a more than 4% dividend yield.
- Our asset allocation at the end of the month was 65.5% invested in Asian equities and 31.5% in Asian fixed income, with the remainder in cash. We continue to maintain an asset allocation close to the 65:35 level.
- The core of the equity portfolio is companies with sustainable dividends and long-term growth potential. In recent weeks, we have taken profits in selective stocks, notably in the technology sector, and rotated into laggard companies. For example we took advantage of recent weakness and added to our holding in Hite Jinro, the leading Korean soju and beer brand, given the potential sales growth from its new product launch and upcoming Winter Olympics. The stock has become one of our top 10 holdings. On the fixed income side, we increased our holdings in a number of both existing and new issues. We will continue to opportunistically look for more attractively priced issues. The Fund generally holds less volatile issuers for interest accrual. We also continued to access a more diversified portfolio of Asian USD high yield credits through the Allianz Dynamic Asian High Yield fund.
- At the end of the month we held 58 equities and 60 fixed income securities. The equity portfolio yield was 3.5% and the average fixed income coupon was 6.9% with an average credit rating of BB and duration of less than 3 years.

Market Outlook and Strategy

- As we enter 2018 we continue to believe that the fundamentals of Asia remain positive. Corporate earnings and cash flows continue to improve and balance sheets are generally strong. After the strong and concentrated rally in 2017, it would not be surprising to see a period of market rotation or consolidation However, given this has been such an earnings-led rally, equity valuations remain reasonable and should provide a degree of protection in any market pullback.
- We continue to maintain a broadly diversified portfolio that will benefit if the market rotation away from technology to other areas continues. In particular we have good exposure to financials which should benefit in a rising interest rate, and consumer stocks which provide stable returns but have generally lagged over the last year.
- We remain constructive on Asian US dollar high yield bonds on a stable total return view driven by attractive carry while we expect credit spreads will trade within a range, barring a significant negative macro event. Asian credit fundamentals are broadly stable and default rates are expected to remain moderately low at around 2-3% while the maturity schedule for 2018 is manageable.
- Asian credit issuance reached an all-time high of just over USD 300 billion in 2017 which was well supported by strong demand, but the recent large supply from Chinese issuers post the 19th Party Congress in October caused some indigestion. We expect supply will continue to be strong in the months ahead on increasing National Development and Reform Commission (NDRC) approvals which will provide a range of investment opportunities. However, we are watchful of market technicals (supply and demand dynamics) and will adjust the portfolio in line with changes in technical and valuation trends.

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