

#### Investment Outlook

##### Equities allocation - Focus on Valuation Buffers

As we move towards the end of monetary accommodation, our focus is on which markets offer the best valuation buffers against the likely rises in interest rates and the risk-free rate.

US – neutral weight: The US has the highest NTM valuation amongst the above country/regional markets.

Europe – small overweight: European stocks may face less inflation pressure and possibly less rate risk than their US counterparts.

Japan – overweight. Among the DMs, Japan has possibly the lowest risk of rate increases. Its inflation remains the lowest among the DMs.

China – overweight: China’s policy conservativeness through the pandemic has allowed it to keep its policy ammunition which I would expect it to slowly utilize if the economy slows into 2022.

[Read the full commentary here](#)

Lim Say Boon

Chief Investment Strategist, CGS-CIMB Research

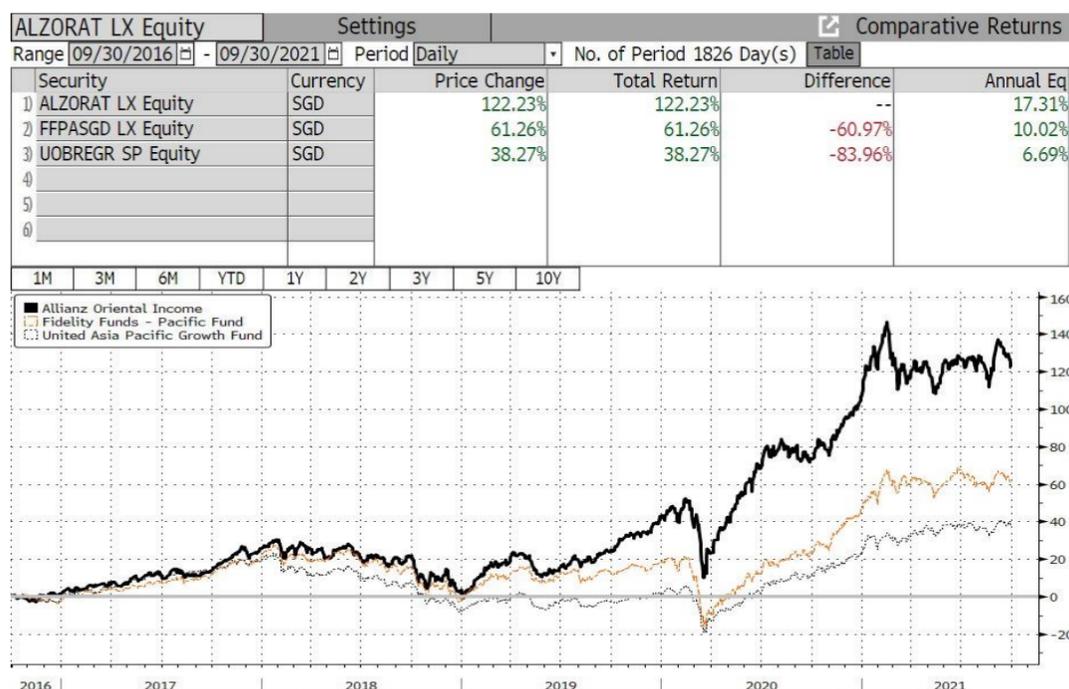
##### Fund Analysis - A cut above the rest

- Allianz Oriental Income (ALZORAT LX) generated cumulative total returns of 196.90%, or **9.37% annualised returns** since inception in November 2009; beating its benchmark MSCI AC APAC total return index of 134.94%, or 7.29%. Its 3-5yr **Information ratio** at 1.44-0.88 is a testament of consistent outperformance.
- It has been delivering **high risk-adjusted returns** with its 3-5yr **Sharpe ratio** between **1.20-1.11**; substantially higher than our universe average at 0.59-0.58. Lead manager Stuart Winchester has been at the helm since inception and his deputy Ian Lee since 2014 provides management stability. Our CQM model rates the fund a **3 out of 4**, with a score of 64.56.
- An ideal choice for investors looking to allocate to an **outperforming** APAC focus fund. It’s top 5 geographical exposure is Japan (24.7%), Taiwan (21.2%), China (14.0%), S.Korea (8.7%) and N.Zealand (8.8%).

To showcase relative outperformance against its peers, we decided to compare Allianz Oriental Income (bold black line) against Fidelity Pacific Fund (orange) and United Asia Pacific Growth Fund (black dotted lines) shown below. We observed consistent outperformance over last 5 years, especially post COVID recovery period. It’s 3yr **Sortino ratio** at 1.18 is **remarkably higher** than our universe segment average at 0.54, validating our analysis of the fund’s superior risk-adjusted returns.

Jake Damien Chow, CMT (Chartered Market Technician)

Portfolio Manager, Discretionary Portfolio Management



Source: Bloomberg, Morningstar and CGS-CIMB Discretionary Portfolio Management 30 Sep 2021

##### Fund House

Allianz Global Investors

##### NAV per unit

SGD 29.34 (4 Oct 2021) – Acc share class

##### Risk Profile

High

##### Investment Objective

Aims to provide long-term capital growth in equity and bond markets

##### Geographical Focus

Asia Pacific Region

##### Fund Manager

Stuart Winchester, CFA

Ian Lee, CFA

Bloomberg Ticker

ALZORAT LX

ISIN code

LU0417516571

Inception date

11 Aug 2009

Total expense Ratio

1.85%

Annualised Returns (3yr)

23.48%

Volatility (3yr)

19.48%

Sharpe Ratio (3yr)

1.20

Information ratio (3yr)

1.44

Sortino ratio

1.18

Click on [factsheet](#) & [product highlight sheet](#)

Source: Bloomberg and Morningstar, 4 Oct 2021

#### Fund Commentary

##### What happened in August

From a country perspective, positive stockpicking in Japan was offset by an underweight in India. From a sector perspective, strong stockpicking in Materials and Industrials was offset by weaker selection in Health Care.

On a single stock basis, our overweight positions in Lasertec, a Japanese semiconductor equipment supplier, and Mainfreight, a New Zealand based air freight & logistics provider, helped most. Conversely, overweight positions in Koh Young Technology (a Korean semiconductor equipment supplier), a Chinese biotech company, and an Australian pharmaceutical firm, weighed on returns.

##### Portfolio Strategy and Outlook

During the month, we sold our holdings in two Chinese companies – a pharmaceutical company and an advertising company, as well as a Japanese health care technology provider. Furthermore, we added a Korean interactive home entertainment provider, a Chinese polysilicon and solar cell manufacturer, and a Japanese health care equipment supplier, to the portfolio.

At the end of the month, the top holdings were Lasertec (Japan), Mainfreight, and Koh Young Technology (Korea).

From a regional perspective, the Fund has an overweight exposure to Taiwan and New Zealand, whereas Japan, China and India are underweight positions. At a sector level, the portfolio has overweight positions in Information Technology and Health Care, whilst only holding selective positions in the Financials, Communication Services and Consumer Discretionary sectors.

Source: Allianz Global Investors, August 2021

## 9 Top Picks from FundsPrimo

(our proprietary quantitative ranking model)

### Equity Funds

Fund Name (Bloomberg Ticker)	Geo Focus	CQM Rating #	Annualised Return (%)		Sharpe Ratio (3yr)	Volatility (%) (3yr)
			3Y	5Y		
Fidelity Funds – Global Technology Fund (FFGTAAU LX) - Acc	Global	4	28.09	25.78	1.45	20.31
Allianz Oriental Income (ALZORAT LX) - Acc	APAC	3	22.20	17.30	1.20	19.34
BlackRock Global Funds – European Fund (BGEUA2U LX) - Acc	Europe	3	19.39	14.54	1.21	16.31

### Fixed Income Funds

Fund Name (Bloomberg Ticker)	Geo Focus	CQM Rating #	Annualised Return (%)		Sharpe Ratio (3yr)	Volatility (%) (3yr)
			3Y	5Y		
Franklin Global Convertible Securities (FGCSAAU LX) - Acc	Int'l	4	16.26	14.31	1.10	14.62
BlackRock Global Funds – China Bond Fund (BGRBA2U LX) - Acc	China	3	8.37	6.18	1.36	5.87
Fidelity European High Yield Fund (FFEHYUH LX) - Acc	Europe	3	6.73	5.94	0.62	10.21

### Multi Asset Funds

Fund Name (Bloomberg Ticker)	Geo Focus	CQM Rating #	Annualised Return (%)		Sharpe Ratio (3yr)	Volatility (%) (3yr)
			3Y	5Y		
BlackRock – ESG Multi-Asset Fund (BGFSAA2 LX) - Acc	Int'l	4	10.49	9.49	1.16	8.47
Allianz Income and Growth (ALIGH2S LX) - Dist	Multi	4	11.04	10.62	0.80	14.00
Fullerton Asia Income Return Fund (FULFTRA SP) - Dist	APAC	4	10.73	7.78	0.90	11.93

To access the full list of our FundsPrimo or our full product list, please contact your sales representative

Footnote:

# Fund ratings screened based on our proprietary screening model (1: Uninspiring, 2: Fair, 3: Strong Performer, 4: Outstanding)

\* Data from a share class with a longer history

Acc = accumulation fund

Dist = distribution fund

## Methodology of FundsPrimo

(CQM Mutual Fund Screener)

CQM mutual fund screener is a multiple regression model that can handle vast amount of data. The aim is to objectively identify fund managers that consistently stand out in our three pillars of investment performance metrics which are predictive of future performance when constructed into a model.

First pillar: Relative outperformance: we apply "Information Ratio" to assess the funds' performance relative to their benchmarks/peers.

Second pillar: Risk-adjusted returns: we apply "Sharpe Ratio" to evaluate portfolio returns adjusted for every unit of risk it bears.

Third pillar: Downside volatility: we apply "Sortino Ratio" to determine a manager's ability in mitigating downside risk during market declines.

This model uses all available statistical data from these three pillars to populate a numerical score for each fund within their asset class universe before ranking them into 4 different quartiles thus deriving a CQM rating with 1 being the worst, and 4 being the best.

For inclusion into FundsPrimo, the investment team only select the top-ranking funds (average 15 percentile across product universe) from three different asset class segments such as; equities, fixed income and multi-asset. FundsPrimo therefore comprises of between 50-60\* names drawn from our entire product universe approximately at 331\* funds currently.

In addition, we have also handpicked and showcase 9 top-ranking funds with the least overlapping geographical exposure within FundsPrimo to help our advisors/clients to identify the right funds faster.

\*figures are subject to change.

## Key Risks

Type	Key Risks
<b>Fixed Income Funds</b>	<ul style="list-style-type: none"> <li>• Investor will be exposed to credit risk of the issuer. Investor will incur losses to their investment if the issuer is unable to meet their contractual obligations or failure to repay the loan.</li> <li>• Investor will be exposed to interest rate risk. Investor is at risk of suffering losses from an adverse change in interest rate.</li> <li>• Investor will be exposed to inflation risk. An investment return's purchasing power will be affected by inflation rates</li> <li>• Investor will be exposed to liquidity risk. Investor face a risk of not being able to sell an investment that is declining in value</li> <li>• Investor will be exposed to country risk. Adverse change in geopolitical environments may result in a decline of an investment's value resulting in losses</li> </ul>
<b>Equities Funds</b>	<ul style="list-style-type: none"> <li>• Investor will be exposed to equity market risk. Adverse changes in the underlying asset will result in investor suffering losses</li> <li>• Investor will be exposed to liquidity risk. Investor face a risk of not being able to sell an investment that is declining in value</li> <li>• Investor will be exposed to country risk. Adverse change in geopolitical environments may result in a decline of an investment's value resulting in losses</li> </ul>
<b>Multi-Asset Funds</b>	<ul style="list-style-type: none"> <li>• Investor will be exposed to currency risk. An investor will incur losses due to an adverse change in exchange rates</li> <li>• Investor will be exposed to credit risk of the issuer. Investor will incur losses to their investment if the issuer is unable to meet their contractual obligations or failure to repay the loan</li> <li>• Investor will be exposed to interest rate risk. Investor is at risk of suffering losses from an adverse change in interest rate</li> <li>• Investor will be exposed to inflation risk. An investment return's purchasing power will be affected by inflation rates</li> <li>• Investor will be exposed to equity market risk. Adverse changes in the underlying asset will result in investor suffering losses</li> <li>• Investor will be exposed to liquidity risk. Investor face a risk of not being able to sell an investment that is declining in value</li> <li>• Investor will be exposed to country risk. Adverse change in geopolitical environments may result in a decline of an investment's value resulting in losses</li> <li>• Investor will be exposed to equity market risk. Adverse changes in the underlying asset will result in investor suffering losses</li> </ul>

## Glossary

Name	Definition
<b>Alpha</b>	Alpha ( $\alpha$ ) refers to <b>excess returns</b> earned on an investment above the benchmark return and is commonly used to describe an investment strategy's ability to beat the market, or its "edge". Active portfolio managers seek to generate alpha in diversified portfolios, with diversification intended to eliminate unsystematic risk.
<b>Annualised return</b>	Annualised return or annualised total return is the geometric average of an investment's earnings in a year. It shows an investor what they would earn if the annual return was compounded over a period of time and allows <b>objective comparison of the returns</b> of any asset over any given period.
<b>Beta</b>	Beta ( $\beta$ ) is a measure of the volatility - or systematic (non-diversifiable) risk - of a security or portfolio compared to the market as a whole. It effectively describes the activity of a security's returns as it responds to swings in the market.
<b>Core &amp; Satellite also known as (Strategic &amp; Tactical)</b>	This strategy splits the portfolio is split into 2 segments; the "core" is usually the largest and passively managed by allocating to low cost funds to <b>harvest market returns</b> (beta). The "satellite" is usually smaller allocations and actively managed where investors can overweight in specific sectors, regions or styles in an attempt to ride economic and market trends to produce <b>outsize returns</b> (alpha).
<b>CQM</b>	CQM is the abbreviation for "CGS-CIMB <b>Quantitative Models</b> ". This family of proprietary models are built on machine learning techniques; using large amount of <b>statistical inputs</b> to evaluate and identify investment opportunities.
<b>Information Ratio (IR)</b>	Information ratio is a measurement of portfolio returns beyond its benchmark, usually a market/sector/industry index, compared to the volatility of those returns. IR is often used as a measure of a portfolio manager's level of <b>skill, ability and consistency to generate excess returns</b> relative to a benchmark, by incorporating a tracking error, or standard deviation component into the calculation.
<b>NAV</b>	Net Asset Value per share is the current dollar value of a single stock, mutual fund, exchange-traded fund (ETF).
<b>Sharpe Ratio (SR)</b>	Sharpe ratio a measure of historical <b>risk-adjusted returns</b> . The higher the ratio, the greater the investment return relative to the amount of risk taken, and thus, the more attractive the investment. This ratio can be used to evaluate a single stock or investment, or an entire portfolio.
<b>Sortino Ratio</b>	Sortino ratio is a variation of the Sharpe ratio that differentiates harmful volatility from total overall volatility by using the asset's standard deviation of negative portfolio returns - <b>downside deviation</b> - instead of the total standard deviation of portfolio returns.
<b>Volatility</b>	Volatility is a statistical measure of the <b>dispersion of returns</b> for a given security or market index. In most cases, the higher the volatility, the riskier the security. Volatility is often measured as either the standard deviation or variance between returns from that same security or market index.

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