

Fund in Focus:

Allianz China A-Shares

Investment Outlook

Inflation Strategies – Hedge and Discriminate

Equity outlook has softened; rotate to value in Developed Markets, discriminate in Emerging Markets

We downgrade equities from Overweight to Neutral to reflect the rising risks, but the bull market is not likely to be over just yet, in our view. We downgrade bonds to an even further Underweight — corporate credit spread risk is overwhelmingly towards spread widening. Rotation theme is accelerating away from tech towards old economy sectors, in our view; Overweight inflation hedges are gold, commodities and real estate. A more discriminating approach to Emerging Markets (EM) will be to focus on pandemic control, inflation management and exposure to commodities. EM will have mixed results on the above three criteria - scoring well on one or two, but not necessarily all three. Our top picks are **China, Indonesia, South Korea** and (Asia Pacific but non-EM) **Australia**. [Read the full report here](#)

Lim Say Boon

Chief Investment Strategist, CGS-CIMB Research

Our Analysis

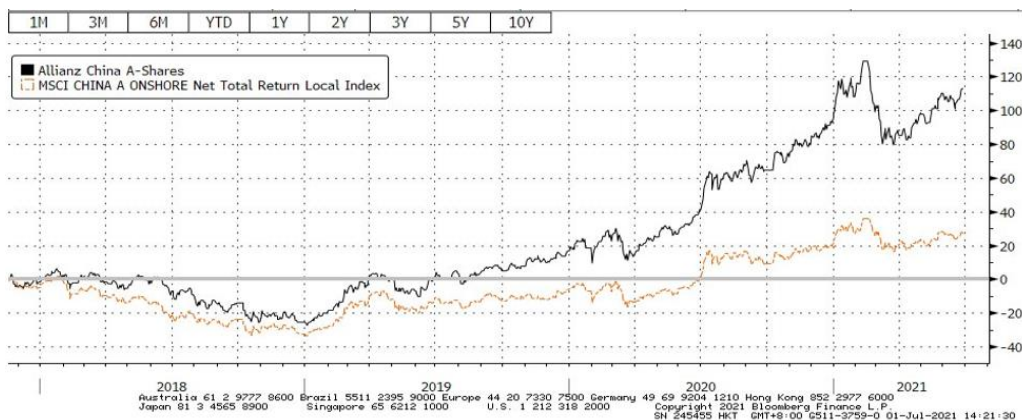
Allianz China A-Shares (ALCATUA LX) USD share class delivers cumulative returns of 422%, that is **14.44%** annualised returns since its inception in March 2009. Over the same period, iShares Core MSCI China ETF (2801 HK) only return 10.27% annualised.

- The consistent performance is attributable to its managers at the helm since inception and our CQM model rank the fund favourably for both share classes, rating it a 3 out of 4.
- The SGD share class (ALCATSA) is an ideal choice for investors looking to overweight their exposure to Chinese equities while avoiding USD risk. Plus it is a strong candidate to deliver alpha (excess performance) for its investors.

Beating its benchmark (6.88%) by more than 700bps is no mean feat and its outperformance comes mostly post 2015 bubble; delivering an annualised returns of 32.23% and 24.42% over the 3/5year period. The corresponding risk adjusted returns in terms of Sharpe ratio at 1.30 and 1.30 is equally impressive given that Chinese equities higher volatility relative to its global peers.

Jake Damien Chow, CMT (Chartered Market Technician)

Portfolio Manager, Discretionary Portfolio Management



Source: Bloomberg, CGS-CIMB Discretionary Portfolio Management (DPM) 29 June 2021

Fund House

Allianz Global Investors

NAV per unit

SGD 19.98 (29 June 2021)

Risk Profile

High (Equities)

Investment Objective

The Fund mainly invests in the A-Shares equity markets in China

Geographical Focus

China

Fund Manager

Anthony Wong, Sunny Chung

Bloomberg Ticker	ALCATSA LX
ISIN code	LU1997245094
Total expense Ratio	2.29%
Annualised Returns (3yr)	31.71%
Volatility (3yr)	21.17%
Sharpe Ratio (3yr)	1.42
Information ratio (3yr)	0.65
Sortino ratio (3yr)	1.38

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

Portfolio Strategy and Outlook

China A-Shares markets performed well in May. Most of the gains came in the second half of the month. This coincided with slightly weaker economic data which helped to ease concerns about further policy tightening. The new orders component of the purchasing managers' index (PMI) fell to 48.3 from 50.3, its lowest level since July 2020, while the overall PMI for small manufacturing companies dipped to 48.8 from 50.8.

Also notable in the month was the strength of the China currency, especially relative to the USD. The RMB has appreciated almost 11% against the dollar over the past year. The response from the People's Bank of China was to raise the foreign currency reserve requirement ratio from 5% to 7% effective June 15 – the first change since 2007.

By signalling the desire to contain further currency appreciation, it suggests policymakers are more concerned about downside risks to the real economy than they are concerned about an overheating economy.

This is especially the case with exporters already feeling the strains from the rise of raw material prices.

Overall, therefore, expectations of a more friendly policy environment, a robust Q1 results season and ongoing inflows from global investors – 24 May saw a record one day USD 3.4 billion net inflow to China A-Shares – have each contributed to the improved market sentiment.

Portfolio activity was limited in May and accordingly there was little change to portfolio positioning. The largest overweight positions at month end are Consumer Discretionary (4.3%) and Materials (3.1%). The largest underweights are Technology (-4.0%) and Financials (-2.9%)

Source: Allianz Global Investors, 31 May 2021

9 Top Picks from FundsPrimo

(our proprietary quantitative ranking model)

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	18.43	15.68	1.18	14.69
Fullerton Short Term Interest Rate Fund (FULSTIC SP) - Acc	SG	3	3.12	2.47	1.79	1.06
LionGlobal Short Duration Bond Fund (OCBSGBF SP) - Dist	Global	3	3.62	2.86	1.37	1.73

Multi Asset Funds

Fund Name (Bloomberg Ticker)	Geo Focus	CQM Rating #	Annualised Return (%)		Sharpe Ratio (3yr)	Volatility (%) (3yr)
			3Y	5Y		
First Sentier Bridge Fund (FSIBRGE SP) - Dist	APAC ex Jap	4	8.28	8.20	0.83	8.24
First Sentier Global Balanced Fund (FSIGLBA SP) - Acc	Global	4	8.09	7.10	1.03	6.19
Allianz Income and Growth (ALLIGAT LX) - Dist	Multi	3	12.36	11.81	0.79	14.00

Equities 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	30.74	29.75	1.62	20.36
Allianz China A-Shares (ALCATSA LX) - Acc	China	3	31.75	24.42*	1.42	21.17
Nikko AM Shenton Global Opportunities Fund (NASGLOU SP) - Acc	Global	3	17.16*	17.99*	1.21	14.83*

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

Footnote:

#Fund ratings based on our proprietary CQM ranking model (1 = Uninspiring, 2 = Average, 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 as such;

1 = Uninspiring, 2 = Average, 3 = Strong Performer, 4 = Outstanding

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 35-40* names drawn from our entire product universe approximately at 245* 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
Fixed Income Funds	<ul style="list-style-type: none"> 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. Investor will be exposed to interest rate risk. Investor is at risk of suffering losses from an adverse change in interest rate. Investor will be exposed to inflation risk. An investment return's purchasing power will be affected by inflation rates Investor will be exposed to liquidity risk. Investor face a risk of not being able to sell an investment that is declining in value 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
Equities Funds	<ul style="list-style-type: none"> Investor will be exposed to equity market risk. Adverse changes in the underlying asset will result in investor suffering losse Investor will be exposed to liquidity risk. Investor face a risk of not being able to sell an investment that is declining in value 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
Multi-Asset Funds	<ul style="list-style-type: none"> Investor will be exposed to currency risk. An investor will incur losses due to an adverse change in exchange rates 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 Investor will be exposed to interest rate risk. Investor is at risk of suffering losses from an adverse change in interest rate Investor will be exposed to inflation risk. An investment return's purchasing power will be affected by inflation rates Investor will be exposed to equity market risk. Adverse changes in the underlying asset will result in investor suffering losses Investor will be exposed to liquidity risk. Investor face a risk of not being able to sell an investment that is declining in value 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 Investor will be exposed to equity market risk. Adverse changes in the underlying asset will result in investor suffering losses

Glossary

Name	Definition
Alpha	Alpha (α) refers to excess returns 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.
Annualised return	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 objective comparison of the returns of any asset over any given period.
Beta	Beta (β) 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.
Core & Satellite also known as (Strategic & Tactical)	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 harvest market returns (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 outsize returns (alpha).
CQM	CQM is the abbreviation for "CGS-CIMB Quantitative Models". This family of proprietary models are built on machine learning techniques; using large amount of statistical inputs to evaluate and identify investment opportunities.
Information Ratio (IR)	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 skill, ability and consistency to generate excess returns relative to a benchmark, by incorporating a tracking error, or standard deviation component into the calculation.
NAV	Net Asset Value per share is the current dollar value of a single stock, mutual fund, exchange-traded fund (ETF).
Sharpe Ratio (SR)	Sharpe ratio a measure of historical risk-adjusted returns . 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.
Sortino Ratio	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 - downside deviation - instead of the total standard deviation of portfolio returns.
Volatility	Volatility is a statistical measure of the dispersion of returns 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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