Information on Investment Performance and the market condition as of 31 December 2023

This announcement applies to the list of products only:

1. My Double Plus 15/6 (Participating)
2. My Double Plus 18/10 (Participating)
3. My Double Plus 22/15 (Participating)
4. My Double Plus 25/20 (Participating)
5. Krungsri Max Savings 18/8 (Participating)
6. Krungsri Saver 20/5 (Participating)
7. Krungsri Saver 20/10 (Participating)
8. Smart Saving 18/8 (Participating)

The announcement does not apply to any other product that is not in the list above.

Overview

Every year, Allianz Ayudhya Assurance Pcl. ("Company" / "We") declare the dividends that are allocated to the participating products of our customers. The actual dividend amount allocated to your policy is stated in your billing notice/anniversary notice. The dividend declared depends on the investment performance of the assets supporting the product portfolio and its outlook.

About Participating Product (Par)

Participating policies provide guaranteed benefits, as well as non-guaranteed benefits in the form of dividends. The guaranteed benefits are those that the Company promises to pay regardless of how the investments in the Participating Fund perform. In addition, the Company may pay non-guaranteed benefits either in the form of cash dividend, surrender dividend, maturity dividend or Paid-Up Additional Sum Assured (PUA), if applicable, according to your policy contract. Dividends are not guaranteed and may go up or down from one year to the next and may even be zero depending on the past investment performance, future investment outlook and other relevant factors.

The Company manages your participating policy with care and discipline, bearing in mind the following key considerations: (1) fairness to policyholders, (2) policyholders' reasonable expectation and (3) long-term sustainability of dividends. We manage your participating policy as described below:

The money that you pay, in the form of premiums, is pooled with the payment of other participating customers. The premiums, after allowing for the cost of your insurance benefits and operating expenses, are invested to yield investment returns that support the guaranteed and non-guaranteed benefits for all participating policyholders.

To calculate the dividends to allocate to each policy, the Company will determine the Reference Rate based on the past investment returns of the assets invested as well as a forward-looking view on the future investment and economic outlook. To reduce the fluctuation of returns allocated to your policy, the Company may apply the concept of "smoothing" such that the Company may adjust the Reference Rate down when investment performance in the past year has been exceptionally good in order to be able to adjust the Reference Rate up in future years when the investment performance is poor.

Our investment strategy

While seeking competitive yet stable returns over the medium to long term, the overarching objective of investing the fund is to ensure that the fund is able to meet the guarantees promised for each policy. To achieve this objective, we employ a rigorous and disciplined approach in determining the strategic asset allocation, which defines the nature of the assets and how much we invest in each category including fixed income, equities and other asset classes. We monitor our investment position regularly and make changes to the asset allocation when appropriate.

Our investment performance

In 2023 and the past 6 years, the investment portfolio underlying our products listed above generated an investment return as per the table below.

Year	2017	2018	2019	2020	2021	2022	2023
Annualized return	6.7%	2.6%	3.1%	3.1%	3.1%	3.0%	3.1%*

**2023 Return is based on the latest year to date return as of September 2023, annualized to 12 months.*
Note: Please note that past performance is not an indicator of future performance and the amount of non-guaranteed dividend.

Current Thailand investment and economic environment

(Source: Bank of Thailand, Office of the National Economic and Social Development Council, and The Thai Bond Market Association)

Economy in 2023

The 3Q23 GDP came in at a disappointing 1.5% YoY and 0.8% QoQ growth due mainly to a steep fall in inventories and falling government expenditures. Overall, the GDP in 3Q23 is 0.8% lower than pre-pandemic levels and the GDP for the first 9 months of this year is reported at 1.95% vs 2.6% in 2022. However, readings of key drivers were not at all bad with a large consumption beat, in-line tourism, investment growth and exports. The continued weak outlook is expected for exports and the Thai economy is likely to be driven more by the services sector than manufacturing, which has a weak recovery momentum. This is in a way in line with the global trend of post-COVID recovery of the services sector while the demand for goods has softened.

This trend could continue into next year with weak global demand keeping Thai exports weak and the economy will have to rely more on the extent of the tourism recovery. Nonetheless, policy rate cuts are not likely, given that the Bank of Thailand anticipates the potential inflationary impact of the fiscal stimulus set in May 2024. Expect growth in 2024 could improve due to fiscal measures, but flag concerns on fiscal sustainability and the current account. The National Economic and Social Development Council (NESDC) revised the range of its full-year 2023 growth forecast to just 2.5% from 2.5%-3.0%. The NESDC expects full-year GDP growth in 2024 to range from 2.7% to 3.7%.

Interest Rates in 2023

Thai bond yield has been greatly volatile during the first 9 months of 2023 alongside investors' expectation on the economic situation development and interest rate market movement in the US, which responds to the view of "higher interest rate for longer period". The Thai bond yield had been most steepened in mid-2022 in tandem with both US and Thai policy rate movements to combat rising inflation. Short-term Thai bond yields gradually adjusted upwards with less magnitude than the US but the medium-to long-dated Thai bond yields started to come off in the fourth quarter of 2022 due to investors' concern over economic recession and the sign of peak inflation. At the end of 2022, Thai bond yield ended at 1.64% for 2-year term, and 3.36% for 20-year term.

In 2023, this trend had continued during the first half of the year. The 2-year yield had picked up by 40 basis points from its peak in June 2022 and by 52 basis points from last year end. The 20-year yield had conversely lowered by about 68 basis points from June last year and by 27 basis points from end-2022. In the third quarter of 2023, the short-term yield had continued higher with 39 basis points in 2-year term but the 20-year yield had turned up by about 55 basis points from the second quarter end; nonetheless, the hike did not catch up to its peak in mid-2022.

In terms of corporate investment, we see that credit spreads have become narrower. On the supply side, credit spread should remain tight as corporate issuers are more cautious on their funding costs and balance sheet leverage. On the demand side, investors are seeking good credit quality with yield pick-up. Hence, credit spread has been contracting for the good names. In September 2023, we see credit spread contraction by 5-30 basis points in the A to AAA quality spaces.

Although our Enhanced Par bond portfolio has benefited from the ride on the interest rate movement and higher average bond investment yield made in the first 9-month 2023 improves recurring yield on the bond portfolio to 3.23% in September 2023 from 2.96% in December 2022, such yield improvement was also negatively offset by unrealized loss on market value of bonds caused by rising interest rates.

We believe that the Thai bond market will remain volatile with the recent observation of yields lowering noticeably in November 2023 from the sign of future lowering inflation pressure and still local demand for bond investment. Nonetheless, the tension among Russia-Ukraine-US and Israel-Hamas war could drag on and the Thai bond market outlook could turn to a steepening yield curve, if borrowing plans from both government and state-owned enterprises to support Thai economic and business activities are viewed to be too high and the risk-on mode from the optimistic global economic growth in next year.

Equilities in 2023

In 2023, Fed's action dominated equity markets as investors are betting against interest rate plot. The sign of a dovish speech in each meeting led to a brief rally while a hawkish tone cause a market correction. The developed markets rallied after a drastic decline in 2022 as investors were factoring in increasing interest rate environment. MSCI World All Country Index 9M2023 return was -0.4%. S&P500 9M2023 return was +8.5%. MSCI Europe 9M2023 return was +6.5%. The relieved rally in 2023 was due to better-than-expected corporate earnings and reduced recession risk. Investors' focus is now on Fed statement and interest rate plot. A sign of dovish stance would be a support to equity markets. In the Thai market however, the SET underperformed massively compared to global markets. SET 9M2023 return was –11.8%. The Thai market's poor performance was due to concerns that the new government policies to focus on consumption stimulus could increase Thailand public debt and cause high inflation pressure in the long term.