

Resilient income: pure yield

How to play for yield – without playing the yield curve

September 2026



Pressure coming from both directions

Investors are caught between the inflation-led erosion of cash, and the mechanical losses bonds suffer when interest rates go up.

Against this market backdrop, how can they generate **resilient income**?

The income challenge: inflation

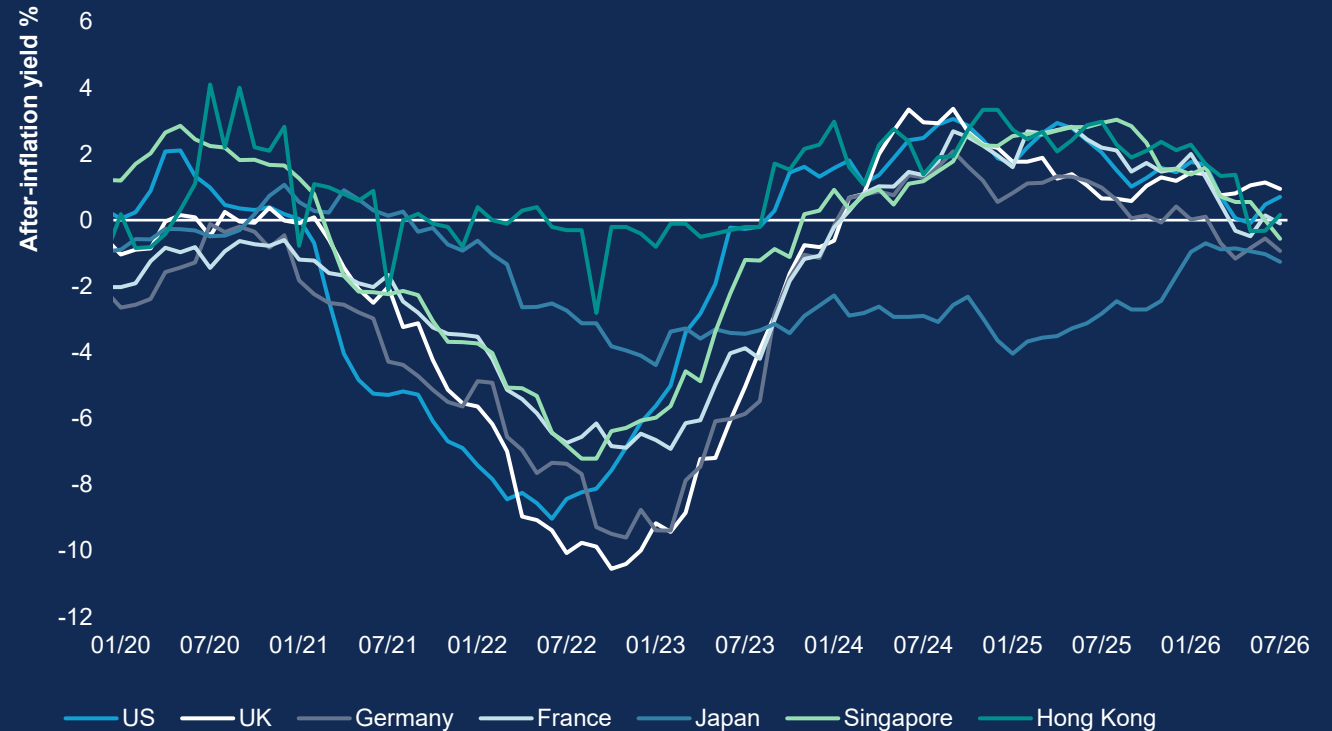
Technological and geopolitical shifts in the global economy are putting upward pressure on prices

The artificial intelligence (AI) boom and Middle East conflict are among the factors causing episodes of high inflation, which **eat into traditional fixed income returns**.

The chart shows a proxy for cash deposit rates across seven developed economies.

After subtracting inflation, **yields hover around zero to negative**.

» Investors face an increasingly challenging backdrop in which to pursue **real (inflation-adjusted) returns**



Source: Allianz Global Investors, Bloomberg, data 31 Dec 2019 – 1 Aug 2026. Calculations based on 1-year Treasury Bill yield from one year ago minus reported year-on-year change in official Consumer Price Index. For illustrative purposes only.

The income challenge: interest rates

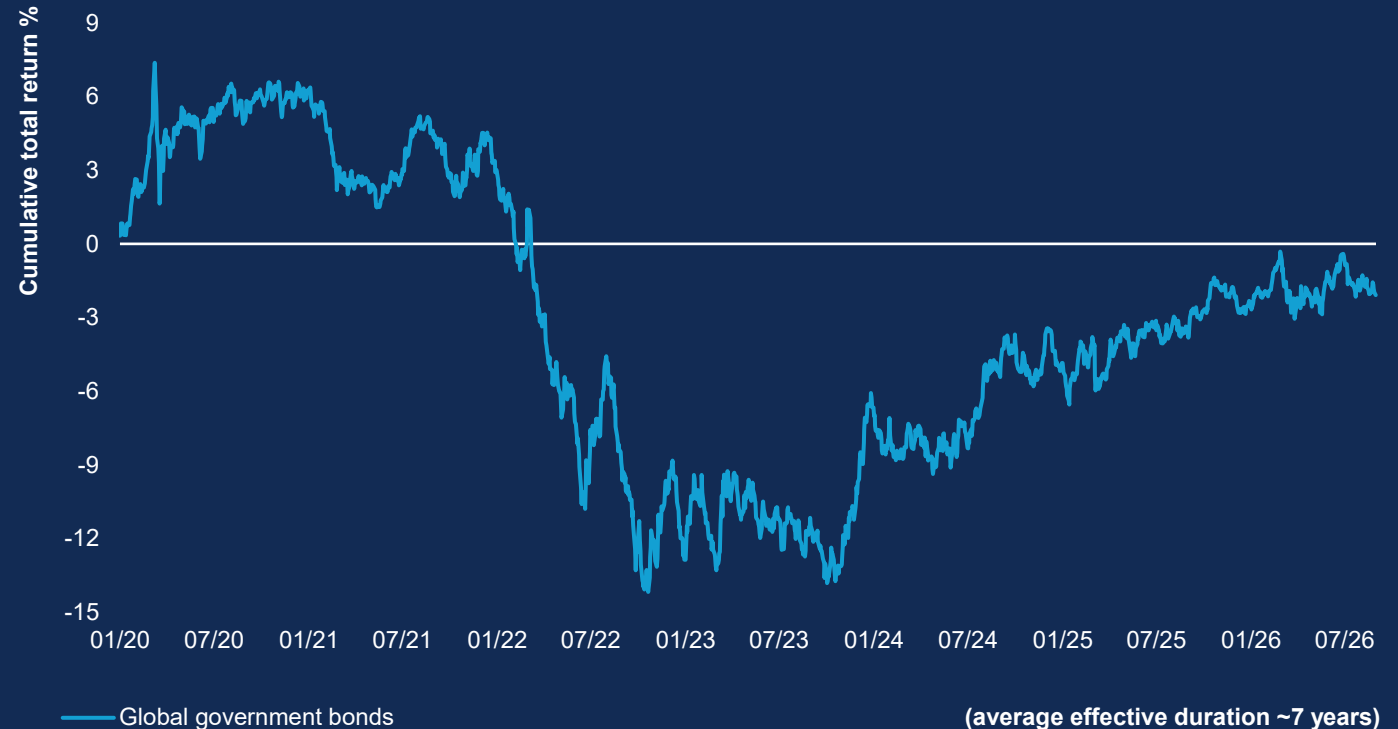
Traditional fixed income suffers mechanical losses when interest rates go up

The chart shows that longer duration fixed income has **still not recovered from its latest rates-driven drawdown**.

A combination of factors including a pandemic, rising inflation and the AI build-out have brought an end to the era of ultra-low interest rates.

We have entered a new regime of higher inflation, higher rates and fiercer competition for capital.

» **Investors holding long-term bonds are most exposed to the impact of rising interest rates.**
(See **A guide to fixed income** in the appendix.)



Our approach: **pure yield**

Short duration fixed income strategies may help solve this challenge

These strategies may profit from **stable yield income**, without necessarily having to venture into riskier long-maturity debt.

This means potentially avoiding long-maturity bonds that typically come under more pressure from a sudden change in inflation, interest rates or an issuer's creditworthiness.

» Play for yield, **without playing the yield curve**



For illustrative purposes only. A performance of the strategy is not guaranteed and losses remain possible. The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. We assume no obligation to update any forward-looking statement. Past performance does not predict future returns.

The **pure yield** approach

Short duration fixed income asset classes can offer **low interest rate sensitivity** and **high visibility on credit risk**, giving investors a path to yield that doesn't require travelling up the yield curve



Floating rate notes



Multi sector credit



Emerging market corporates



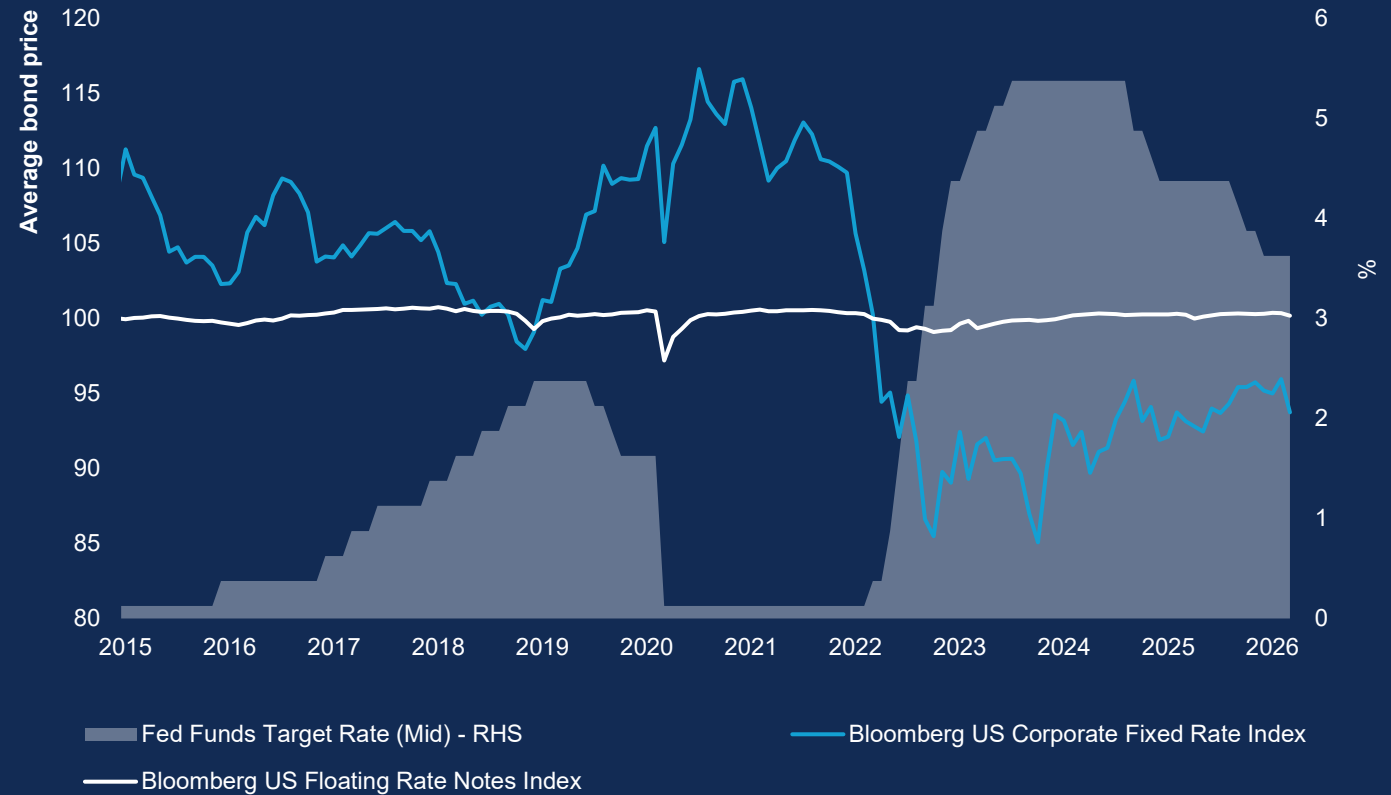
Trade finance

Stay afloat with **floating rate notes**

Manage duration risk with instruments that adjust their coupon based on a reference rate

Floating rate notes are corporate bonds with variable coupons that keep up with central bank interest rates and protect against duration losses.

The chart shows how an index of US floating rate notes has delivered **stable performance** during a period of changing interest rates and volatile US corporate bond returns.



» See **How floating rate notes work** in the appendix

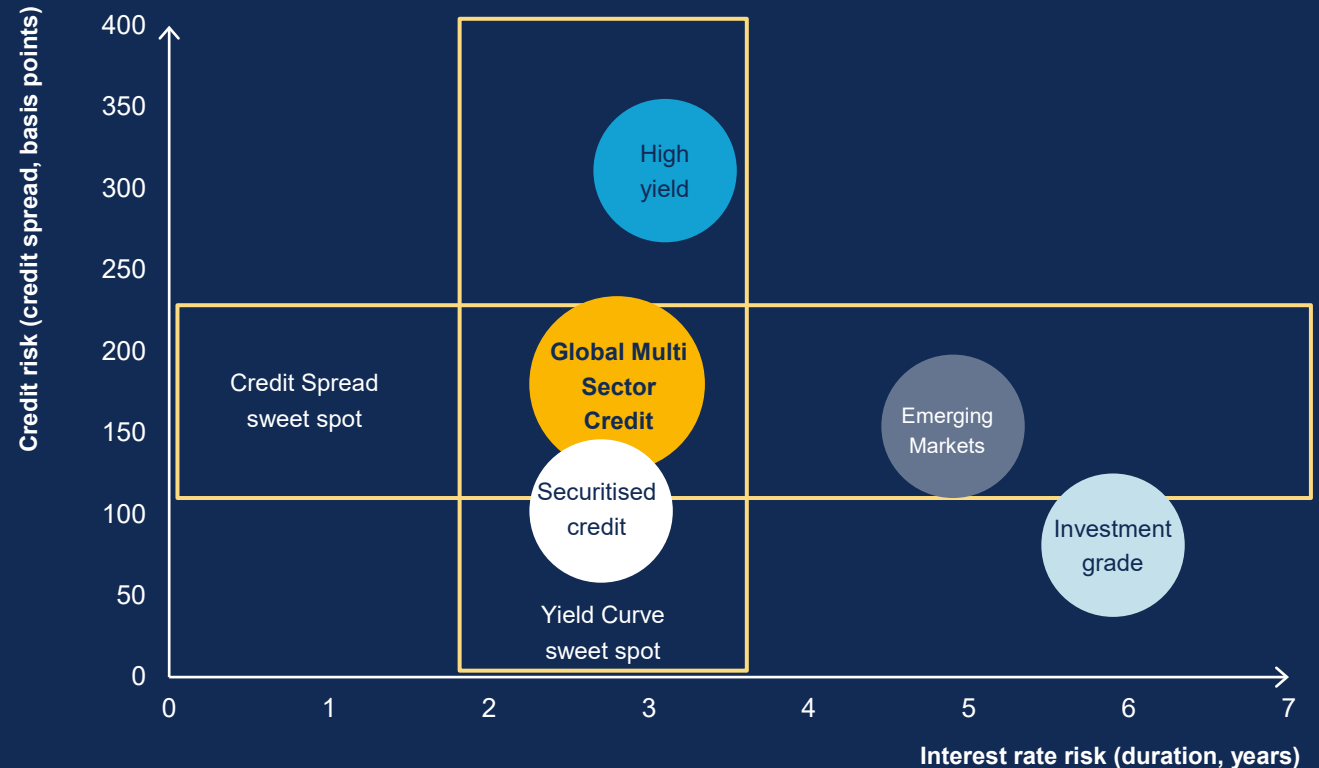
Build resilience with multi sector credit

We believe diversifying by sector and region can help manage duration and credit risk without sacrificing returns¹

The chart shows how an index of global multi sector credit occupies the “sweet spot” of credit and interest rate risk, unlike some other fixed income asset classes.

We believe freedom from sector and geographical biases can allow for highly diversified yield income without having to take on more duration or credit risk.

» **Global multi sector credit employs diversification to smooth out volatility**



¹Diversification does not guarantee a profit or protect against loss.

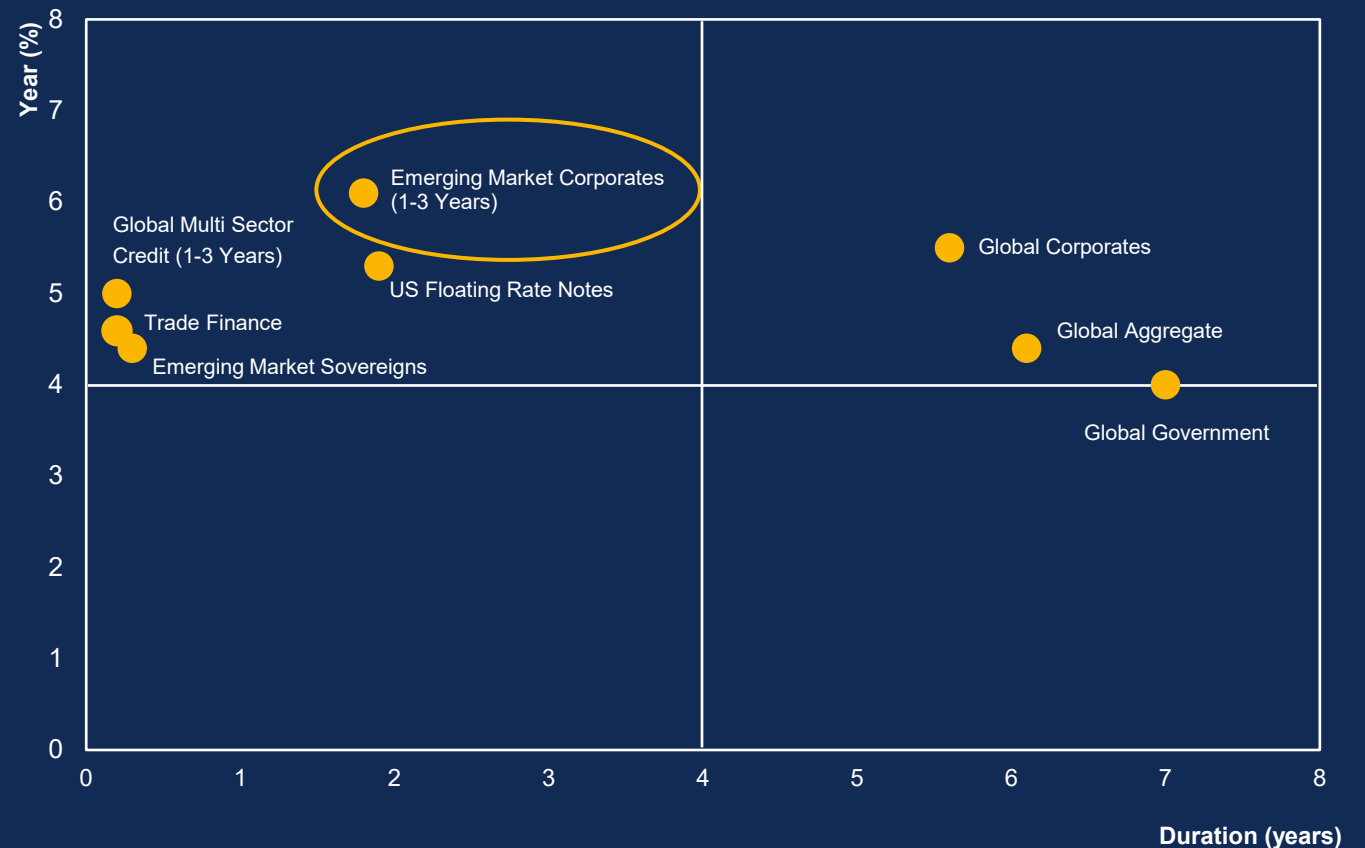
Elevate with emerging market corporates

Emerging market corporate bonds may offer attractive yields without taking on additional interest rate risk

The chart shows how an index of emerging market corporate bonds with one to three-year maturities sits squarely in the top left quarter, offering an attractive combination of high yield and relatively low duration risk.

Compared with their global peers, emerging market corporates offer comparable credit quality but often higher income per unit of duration risk.

» Emerging market corporate bonds are relatively uncorrelated with other major asset classes



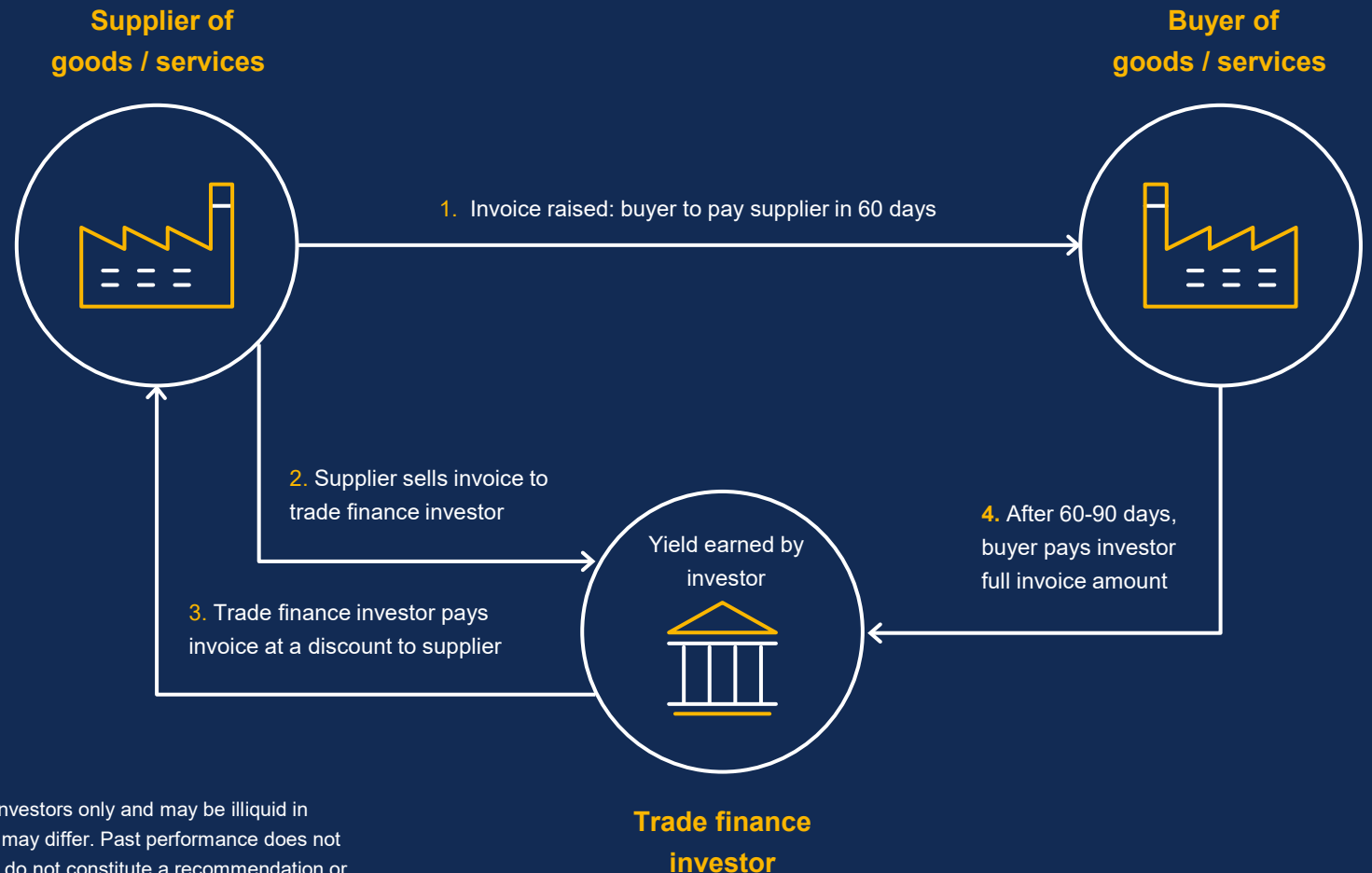
Minimise volatility with **trade finance**

Trade finance investing seeks to generate income by financing real-world transactions

The diagram shows how a trade finance investor earns income by acting as intermediary between a buyer and supplier.

The ultra-short maturity of trade finance loans means investing in the asset class can **earn a yield premium** at minimal duration and default risk.

» **Trade finance transactions employ short-term, self-liquidating exposures**



Source: Allianz Global Investors, 2026. Trade finance investments are designed for professional investors only and may be illiquid in nature. The above description is simplified and for illustrative purposes only. The actual contracts may differ. Past performance does not predict future returns. Securities mentioned in this document are for illustrative purposes only and do not constitute a recommendation or solicitation to buy or sell any particular security.

Is now the time for pure yield?

Caught between inflation's erosion of cash value and the reality of rising rates, investors are searching for a third way.

Short duration is not a retreat. We believe it's a deliberate choice to shield income from unforeseen risks and make it more resilient – the **pure yield** way.¹

¹The views and opinions expressed herein, which are subject to change without notice, are those of the issuer companies at the time of publication.

Appendix

Fixed income made simple

A guide to fixed income



Yield is the fixed interest or coupon that is paid to a bondholder every year.

Bond yields generally move in the same direction as the official interest rates set by central banks and the cash deposit rates offered by commercial banks. However, yields can be higher or lower than those rates. That's because yields are set daily by investors who also price in the risk – known as **credit spread** – that the bond issuer could one day fail to make payments. The riskier the issuer, the higher the yield.

A bond yield is expressed in percentage points or basis points (1% = 100 basis points) and moves inversely with the market price of the bond. When bond prices go up, the yield falls. When bond prices go down, the yield rises.

You may hear the terms “yield” and “carry” being used interchangeably sometimes, but there is one difference. **Carry** is the net income bond investors receive after subtracting for financing costs, that is in cases where they buy a bond using borrowed money.

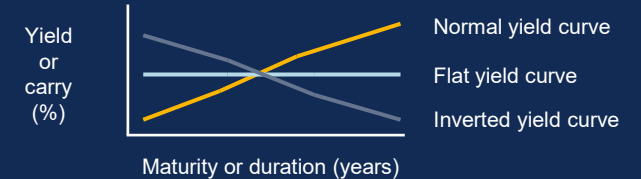


Maturity measures the number of years that remain up until the expiry date of a bond. That expiry date is when the original amount of capital invested in a bond is repaid back to bondholders. As a bond “rolls down” the yield curve and approaches its maturity date, it experiences a natural fall in its yield and a corresponding capital gain in its price. This is called the **roll-down** effect.

The terms “maturity” and “duration” are sometimes used interchangeably, but they measure slightly different things.

Duration is usually lower than maturity because it measures the time it takes to recoup the initial capital invested in a bond – which can happen earlier than the maturity date due to the coupon payments that get paid before maturity.

Compared to a shorter duration bond, a bond with a longer duration will generally suffer a bigger price fall when interest rates rise and enjoy a bigger price gain when interest rates fall. For example, a bond with 10 years duration will fall in price by about -2.5% if rates go up by +25 basis points, and vice versa.



Yield curve is the line you get if you plot the different yields a bond issuer has to pay when borrowing at different maturities.

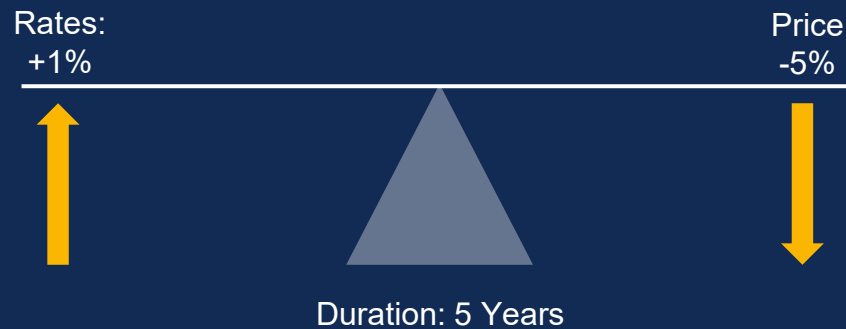
Normal yield curves are upward sloping, which means the yield on shorter maturity bonds is lower than those on longer maturity bonds. Bond investors demand to be compensated with higher coupons when they lock in their capital into bonds for longer. That's because naturally there is greater uncertainty about the direction of interest rates, as well as the financial health of bond issuers, further out into the future.

However, yield curves sometimes turn **flat** or even become **inverted**. This can happen when central banks raise short-term interest rates aggressively, whilst at the same time bond investors expect future interest rates to eventually come down, on the assumption that inflation or economic growth will slow. When yield curves are flat or inverted, bond investors are not rewarded with extra (“risk premium”) yield when buying bonds with longer maturities.

How floating rate notes work

Traditional fixed rate bonds

- Fixed coupon until maturity
- High price sensitivity to interest rate changes



Floating rate notes

- Variable coupons tracking short-term interest rates
- Minimal price sensitivity to interest rate changes



Disclaimer

Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors might not get back the full amount invested. Past performance does not predict future returns. If the currency in which the past performance is displayed differs from the currency of the country in which the investor resides, then the investor should be aware that due to the exchange rate fluctuations the performance shown may be higher or lower if converted into the investor's local currency. This is for information only and not to be construed as a solicitation or an invitation to make an offer to buy or sell any securities. The views and opinions expressed herein, which are subject to change without notice, are those of the issuer or its affiliated companies at the time of publication. The data used is derived from various sources and assumed to be accurate and reliable at the time of publication. but it has not been independently verified; its accuracy or completeness is not guaranteed and no liability is assumed for any direct or consequential losses arising from its use, unless caused by gross negligence or willful misconduct. 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 material has not been reviewed by any regulatory authorities. This document is being distributed by the following Allianz Global Investors companies: In Australia, this material is presented by Allianz Global Investors Asia Pacific Limited ("AllianzGI AP") and is intended for the use of investment consultants and other institutional/professional investors only, and is not directed to the public or individual retail investors. AllianzGI AP is not licensed to provide financial services to retail clients in Australia. AllianzGI AP is exempt from the requirement to hold an Australian Foreign Financial Service License under the Corporations Act 2001 (Cth) pursuant to ASIC Class Order (CO 03/1103) with respect to the provision of financial services to wholesale clients only. AllianzGI AP is licensed and regulated by Hong Kong Securities and Futures Commission under Hong Kong laws, which differ from Australian laws; in the European Union, by Allianz Global Investors GmbH, an investment company in Germany, authorized by the German Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and is authorized and regulated in South Africa by the Financial Sector Conduct Authority; in the UK, by Allianz Global Investors (UK) Ltd. company number 11516839, authorised and regulated by the Financial Conduct Authority (FCA); in Switzerland, by Allianz Global Investors (Schweiz) AG, authorised by the Swiss financial markets regulator (FINMA); in HK, by Allianz Global Investors Asia Pacific Ltd., licensed by the Hong Kong Securities and Futures Commission; in Singapore, by Allianz Global Investors Singapore Ltd., regulated by the Monetary Authority of Singapore [Company Registration No. 199907169Z]; in Japan, by Allianz Global Investors Japan Co., Ltd., registered in Japan as a Financial Instruments Business Operator [Registered No. The Director of Kanto Local Finance Bureau (Financial Instruments Business Operator), No. 424], Member of Investment Management Association of Japan and Type II Financial Instruments Firms Association; In mainland China, it is for Qualified Domestic Institutional Investors scheme pursuant to applicable rules and regulations and is for information purpose only. in Taiwan, by Allianz Global Investors Taiwan Ltd., licensed by Financial Supervisory Commission in Taiwan; and in Indonesia, by PT. Allianz Global Investors Asset Management Indonesia licensed by Indonesia Financial Services Authority (OJK); in the Abu Dhabi Global Market by Allianz Global Investors Middle East Limited, which is authorised and regulated by the ADGM Financial Services Regulatory Authority.

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