

# Allianz Dynamic Asian High Yield Bond

## Monthly commentary

### Investment Objective

The Fund aims at long-term capital growth and income by investing in high yield rated debt securities of Asian bond markets.

### What Happened in February

In February, market sentiment was marred by concerns surrounding potential artificial intelligence (AI) driven disruption and renewed caution in private credit markets. Notwithstanding, geopolitical tension escalated in the Middle East which culminated in a US strike on Iran at the turn of the month. As a result, a rotation across asset classes saw haven demand for US Treasury bonds. The curve bull steepened with 2- and 10-year yields declining by 15 and 30 basis points (bps) respectively. Despite the less-than-encouraging backdrop, the JACI Composite returned 1.10%. This was driven primarily by carry and lower US Treasury yields. This was partly offset by a drag of 0.31% from spread returns as the Composite spread widened by 13 bps. The decompression was consistent across investment grade (IG) and high yield (HY) bonds as spreads widened by around 13-17 bps for both indices. That said, IG outperformed as they benefitted from a longer duration profile and stronger curve returns. IG returns were 1.15% as compared to HY returns of 0.77%. From a technical perspective, primary activities were subdued. Coupled with softer sentiment, it can also be explained by seasonal factors. It reflects the typical slowdown around the Lunar New Year period.

HY returned 0.77% for the month with modest spread widening. From a spread perspective, performance was led by a handful of Hong Kong Real Estate companies. Notably, New World Development outperformed on the back of supportive headlines, including discussions of a potential strategic equity investment. Report indicates that Blackstone was exploring becoming a major shareholder, which boosted confidence in the company's liquidity and restructuring trajectory. Similarly, Vanke rallied strongly following disclosure of an onshore bond extension framework, including 40% upfront repayment and collateral-backed maturity extensions. This kicks the restructuring can down the road and increased the odds of government-aligned support. These developments spilled over to the broader Real Estate complex and other high-beta names in China. GLP was an outlier as its bonds cheapened following a USD 500 million repap of its 2028 bond. There is supply indigestion as the issuer has earlier accessed the capital market in late 2025.

Away from China, Mongolia posted solid spread performance. Leaning on higher oil and commodity prices, Mongolia's bonds are supported by demand for stable frontier sovereign risk. On an issuer level, the main underperformer was Vista Land. This took place after the Philippines Securities and Exchange Commission (SEC) filed a criminal complaint seeking to prosecute Manuel Villar and his flagship Vista Land for alleged market manipulation and insider trading. This extends from a chain of negative events throughout 2025.

### Portfolio Review

The Fund returned positively in February. The primary contributor was our underweight position in Vista Land, which saw a sharp deterioration in bond prices during the month. These gains were largely offset by our continued underweight in both New World Development and Vanke. Of which, the latter staged a strong rally over the month. In addition, our overweight in India and Mongolia was accretive to performance as both countries remained favoured by bondholders for their stable returns. While modest, the Fund also benefitted from a slight overweight of duration versus its benchmark.

### Market Outlook

Volatility has risen meaningfully as geopolitical tensions in the Middle East continue to escalate. The situation remains highly fluid, and the market reaction has been swift. Given the strong year-to-date performance, it would not be surprising to see some degree of profit taking as investors lock in returns and readjust risk in light of a more uncertain geopolitical backdrop. While we do not position for a specific geopolitical outcome, we prefer to err on the side of caution. We would like to maintain a reasonable cash balance to preserve portfolio flexibility. This would allow us to cushion the portfolio against potential bouts of volatility, and to take advantage of any dislocations that may arise should risk assets reprice. A sustained rise in the price of oil would keep inflation expectations elevated. This keeps interest rates sticky towards the upside. In an environment where interest rates are rising and spreads are decompressing, we find absolute carry to be increasingly attractive. Coupled with geopolitical uncertainty, we prefer to lean towards quality, focusing on issuers with resilient balance sheets, stable access to funding, and predictable cash flow profiles. At the same time, Asia credit as an asset class remains structurally attractive. Unlike other markets, it is relatively insulated from AI-driven disruption and private credit concerns.

Connect with Us | [sg.allianzgi.com](http://sg.allianzgi.com) | +65 6438 0828 | Search more  Allianz Global Investors

 Like us on Facebook [Allianz Global Investors Singapore](#)

 Connect on LinkedIn [Allianz Global Investors](#)

 Subscribe to YouTube channel [Allianz Global Investors](#)

All data are sourced from Bloomberg and Allianz Global Investors as at 28 February 2026 unless otherwise stated.

The information presented here is intended for general circulation and does not constitute a recommendation to anyone; it also has not taken into account the specific investment objectives, financial situation or particular needs of any particular person. Information herein is based on sources we believe to be accurate and reliable as at the date it was made. We reserve the right to revise any information herein at any time without notice. No offer or solicitation to buy or sell securities and no investment advice or recommendation is made herein. In making investment decisions, investors should not rely solely on this publication but should seek independent professional advice. However, if you choose not to seek professional advice, you should consider the suitability of the product for yourself. Past performance of the fund manager(s) and the fund is not indicative of future performance. Prices of units in the Fund and the income from them, if any, may fall as well as rise and cannot be guaranteed. Distribution payments of the Fund, where applicable, may at the sole discretion of the Manager, be made out of either income and/or net capital gains or capital of the Fund. As a result of the payment, the Fund's net asset value is expected to be immediately reduced. The dividend yields and payouts are not guaranteed and might change depending on the market conditions or at the Manager's discretion; past payout yields and payments do not represent future payout yields and payments. Investment involves risks including the possible loss of principal amount invested and risks associated with investment in emerging and less developed markets. The Fund may invest in financial derivative instruments and/or structured products and be subject to various risks (including counterparty, liquidity, credit and market risks etc.). Investing in fixed income instruments (if applicable) may expose investors to various risks, including but not limited to creditworthiness, interest rate, liquidity and restricted flexibility risks. Changes to the economic environment and market conditions may affect these risks, resulting in an adverse effect to the value of the investment. During periods of rising nominal interest rates, the values of fixed income instruments (including short positions with respect to fixed income instruments) are generally expected to decline. Conversely, during periods of declining interest rates, the values are generally expected to rise. Liquidity risk may possibly delay or prevent account withdrawals or redemptions. Past performance, or any prediction, projection or forecast, is not indicative of future performance. Investors should read the Prospectus obtainable from Allianz Global Investors Singapore Limited or any of its appointed distributors for further details including the risk factors, before investing. 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 publication has not been reviewed by the Monetary Authority of Singapore (MAS). MAS authorization/recognition is not a recommendation or endorsement. The issuer of this publication is Allianz Global Investors Singapore Limited (79 Robinson Road, #09-03, Singapore 068897, Company Registration No. 199907169Z).