

# Allianz

## Global Income

### Monthly commentary

#### Investment Objective

The Fund aims at long term income and capital growth by investing in a broad range of asset classes, in particular in global equity and global bond markets.

#### What Happened in June

In June, global equities, convertibles, and corporate bonds all finished higher on easing geopolitical tensions, further clarity around trade, and US economic resiliency. Inflation measures subsided, wage growth exceeded expectations, and employment data surprised to the upside, while consumer confidence fell, and key manufacturing and services surveys showed contraction. The US Federal Reserve (Fed) kept interest rates steady and continued to project two cuts by year-end. Against this backdrop, the 10-year US Treasury yield fell to 4.23% in the month.

In this environment, key markets were higher:

- Global equity markets, as measured by the MSCI World Index, returned +4.35%.\*
- Global convertible securities, as measured by the ICE BofA Global 300 Convertible Index, returned +3.71%.\*\*
- Global high yield bonds, as measured by the ICE BofA Global High Yield Index, returned +2.26%.\*\*
- Global fixed income, as measured by the Bloomberg Global Aggregate Index, returned +1.89%.^

#### Portfolio Review

The portfolio benefitted from strength across global equities, convertibles, and corporate bonds.

Top contributors in June were driven by renewed optimism around the artificial intelligence (AI) buildout, following management guidance around capital expenditure (capex) and infrastructure spending during Q2 earnings season.

Beneficiaries comprised several semiconductor companies, including Nvidia, as well as hyperscalers such as Meta, Microsoft, and Amazon. JP Morgan Chase and a payments company both gained on perceived benefits from a new regulatory framework around cryptocurrency. Other top contributors were a property and casualty insurance provider that had a successful initial public offering (IPO), and an aerospace manufacturer rallied on expectations of increased spending targets abroad.

Top detractors in the period included an electric vehicle manufacturer that was negatively impacted by the possible elimination of tax credits. Several apparel producers declined on potential tariff impacts, and a logistics software provider missed on both top- and bottom-line results. A consumer finance company fell on concerns related to changing legislation, and a digital infrastructure platform detracted after guiding for higher-than-expected annual capex. Other top detractors for the period were a telecommunications operator, a pharmaceutical developer, and multiple insurance providers.

Exposure increased the most in Financials, Industrials, and Materials, and decreased the most in Consumer Discretionary, Health Care, and Communication Services. Covered call option positioning decreased month-over-month.

## Market Outlook

Despite a strong recovery in risk assets, the macroeconomic outlook remains clouded given uncertainty around trade, monetary policy, government spending and geopolitics. On the other hand, economic data has been resilient, trade tensions while elevated have stabilised, earnings tailwinds have begun to emerge, Fed commentary has been less hawkish, capital market activity has been healthy, interest rates have fallen, and energy prices have declined.

Outside of the US, monetary and fiscal policy stimulus measures could help to stabilise the global economy. The US economy should expand in 2025, even with tariffs potentially hampering growth. Trade policy clarity could begin to improve and as the range of outcomes narrow, uncertainty should lessen, and spending, investment, hiring, and mergers and acquisitions (M&A) activity can resume. Further out, fiscal stimulus, deregulation measures, capex tailwinds, productivity gains, and a reindustrialisation movement are potential growth drivers.

A resumption of monetary policy easing – currently, the market is pricing in two 25-basis point (25-bps) interest rate cuts in 2025 – would closer align the Fed with accommodation by central banks overseas. Early signs of labour market softening or minimal tariff price pass through could pull forward rate cuts, while steady employment or higher inflation could cause the Fed to move later.

Global large-cap equities have recovered this year's losses as odds of a recession and global shock receded and Q1 earnings results came in better than expected. Market tailwinds include subdued investor sentiment and positioning, dollar weakness, lower oil prices, and a decline in interest rates, among other potential catalysts. The impact of tariffs remains a headwind, and valuations will continue to be debated. Ultimately, any change on the margin around expectations for corporate earnings, management outlooks and the economy will determine the direction of the stock market over the remainder of the year.

Global convertible securities have an attractive asymmetric return profile, providing upside participation potential when stock prices rise and downside mitigation when stock prices fall. The asset class may outperform the broad equity market if volatility continues. USD 100-120 billion of new issuance<sup>#</sup> is now expected in 2025 due to coupon savings demand and elevated refinancing needs. Aside from diversification benefits, new issuance expands the opportunity set of investments with attractive terms and the desired risk/reward characteristics.

The global high yield market, yielding more than 7%<sup>^^</sup>, could deliver a coupon-like return in 2025. As a result, the asset class continues to offer equity-like returns but with less volatility. The market's attractive total return potential is a function of its discount to face value and higher coupon, which also serves to cushion downside volatility. Credit fundamentals are stable, near-term refinancing obligations remain low, and management teams continue to exercise balance sheet discipline. In this environment, new issuance is expected to remain steady, and the default rate should stay below the historical average of 3-4%.

Global investment grade corporate bond's risk/reward opportunity is compelling. Rising interest rates are a risk for high grade corporates, however the investment opportunity remains attractive given higher coupons and yields, and a positive fundamental outlook with limited default risk. The asset class trades at a discount to par, offering compelling total return potential and downside cushioning. If the 10-year US Treasury yield finishes 2025 near the lower bound of the expected range of 3.5-4.5%, the asset class return could exceed mid-single digits.

A covered call options strategy can be utilised to generate premium income. In periods of elevated or rising equity volatility, premiums collected may translate into more attractive annualised yields.

Collectively, these asset classes can provide a steady source of income and a compelling "participate and protect" return profile.

The Fund is a client solution designed to provide high monthly income, the potential for capital appreciation, and less volatility than an equity-only fund.

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All data are sourced from Allianz Global Investors dated 30 June 2025 unless otherwise stated.

\* Source: MSCI, as at 30 June 2025

^ Source: Bloomberg, as at 30 June 2025

\*\* Source: BofA Merrill Lynch, as at 30 June 2025

^^ Source: ICE Data Services, as at 30 June 2025

# Source: BofA Research, as at 30 June 2025

Allianz Global Investors and Voya Investment Management entered into a long-term strategic partnership on 25 July 2022, upon which the investment team transferred to Voya Investment Management. This did not materially change the composition of the team, the investment philosophy nor the investment process. Management Company: Allianz Global Investors GmbH. Delegated Manager: Voya Investment Management Co. LLC ("Voya IM").

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