

# 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 December

Global equities, convertible securities, and corporate bonds all finished higher in December. The US Federal Reserve (Fed) cut its benchmark interest rate by 25 basis points (bps) to a range of 3.50-3.75%, while also updating its summary of economic projections for 2026 to show just one interest rate cut alongside higher real gross domestic product (GDP) growth. The resumption of economic data following the end of the government shutdown was mixed. Labour market indicators softened, while consumer spending and inflation metrics were stable. Against this backdrop, the 10-year US Treasury yield rose to 4.17% over the period.\*\*

In this environment, key markets were mixed:

- Global equity markets, as measured by the MSCI World Index, returned +0.84%.\*
- Global convertible securities, as measured by the ICE BofA Global 300 Convertible Index, returned +0.61%.\*\*
- Global high yield bonds, as measured by the ICE BofA Global High Yield Index, returned +0.93%.\*\*
- Global fixed income, as measured by the Bloomberg Global Aggregate Index, returned +0.26%.^

#### Portfolio Review

The portfolio benefitted from strength across global equity and fixed income markets.

Top contributors in December were led by Nvidia, which rallied on reports that the US government would allow chip sales in China. A networking company was higher following management commentary around strong demand trends, while a consumer electronics manufacturer gained on accelerating fundamentals for its memory chip business. A number of major banks advanced on prospects of higher loan demand and improving credit conditions following the Fed rate cut. A mining company moved higher alongside the rally in precious metals, and an aerospace manufacturer gained after announcing a share buyback programme.

Top detractors comprised a number of companies that declined on broader scrutiny around the artificial intelligence (AI) theme, including Broadcom and hyperscalers like Microsoft and Alphabet. Apple fell following an executive departure alongside related reports that the company is planning on completely revamping its AI team. Welltower moved lower despite an unchanged positive fundamental outlook for its senior housing business. A pharmaceutical and biotech distributor consolidated strong year-to-date gains in the month. The other top detractors were Tech holdings in software and hardware, as well as a prescription lens manufacturer.

Exposure increased the most in Financials, Consumer Discretionary, and Industrials, and decreased in Technology, Consumer Staples, and Energy. Covered call option positioning decreased month-over-month.

## Market Outlook

2026 US economic growth could surpass that of 2025, which would catalyse another strong year for the global economy. Potential tailwinds include stimulus from the One Big Beautiful Bill Act (OBBBA – tax cuts/refunds and capital spending acceleration), foreign direct investment from overseas, continued monetary policy easing (including the recently announced asset purchase programme), and steady consumption. Reshoring activity, less regulation, expanding credit, and a rebound in consumer and business confidence are also potential drivers. Improvements in the housing and/or manufacturing sectors could aid growth as well. Key economic risks include heightened geopolitical tensions and elevated fiscal deficits globally. Additionally, if unemployment and/or inflation rise sharply, the odds of an economic slowdown increase.

In an environment where changes in the labour market and prices are more muted, the Fed can continue to target a neutral policy position. Currently, market odds suggest additional interest rate cuts to a range of 3.00-3.25% – a level that is consistent with the Fed's median, longer run projection of 3%.

Accelerating year-over-year earnings growth is expected to be the primary driver of equity market strength in 2026. Aside from the proliferation of AI, earnings tailwinds include productivity gains, low oil prices, corporate buybacks, cost cutting initiatives, and lower interest rates. Expanding earnings breadth could lead to a further broadening out of gains as an increasing number of companies assume market leadership. Earnings headwinds could include rising operating expenses as well as the impact of tariffs.

Against this economic and earnings backdrop, 2026 could be a favourable year for risk assets. Convertible securities could outperform equities again and high yield bonds could deliver another year of coupon-like returns. Given their defensive characteristics, convertible securities and high yield bonds can mitigate market volatility better than equities, which historically average a mid-teens intra-year decline even in annual periods of positive returns.

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 could outperform the broad equity market again in 2026, helped by solid earnings growth, expanding market breadth, stable credit spreads, and robust new issuance. After a record year of new issuance in 2025, primary market activity likely slows in 2026 but remains

elevated around USD 105-115 billion.<sup>#</sup> 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 nearly than 7%<sup>^^</sup>, offers equity-like returns but with less volatility. The asset class is expected to deliver another year of coupon-like returns in 2026. 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. Additionally, the market's credit quality composition has improved. In this environment, new issuance is expected to remain steady, spreads can stay tight, and the default rate should continue to reside below the historical average.

Global investment grade corporate bond's risk/reward opportunity is compelling. A coupon-like return is possible for the asset class in 2026. 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 steady with limited default risk. In this environment, spreads can remain tight. If the 10-year US Treasury yield finishes 2026 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 strategy 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 31 December 2025 unless otherwise stated.

\* Source: MSCI, as at 31 December 2025

^ Source: Bloomberg, as at 31 December 2025

\*\* Source: BofA Merrill Lynch, as at 31 December 2025

^^ Source: ICE Data Services, as at 31 December 2025

# Source: BofA Research, as at 31 December 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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