

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 May

In May, global equities, convertible securities, and high yield bonds finished higher, while the global core fixed income market closed lower. Momentum from April's mid-month rally persisted, as tariff tensions eased following announcements of de-escalation measures with both China and the UK. The earnings season wound down over the month with most of the remaining high profile companies surpassing analyst expectations. Q1 top- and bottom-line growth rates exceeded consensus estimates although many companies pulled or reduced full-year guidance on trade-related uncertainty. Economic reports released during the month were generally positive. Inflation measures decelerated, consumer confidence increased, the services sector rebounded, unemployment remained low, and Q2 estimates for real gross domestic product (GDP) growth neared 4%. Conversely, continuing jobless claims trended higher, retail sales underwhelmed, and select housing statistics remained weak. Against this backdrop, the US Federal Reserve (Fed) held interest rates steady at May's Federal Open Market Committee (FOMC) meeting, taking a "wait-and-see" approach, and the 10-year US Treasury yield increased to 4.39% but finished well off the intramonth high of 4.63%.**

In this environment, key markets were mostly higher:

- Global equity markets, as measured by the MSCI World Index, returned +5.99%.*
- Global convertible securities, as measured by the ICE BofA Global 300 Convertible Index, returned +3.37%.**
- Global high-yield bonds, as measured by the ICE BofA Global High Yield Index, returned +1.53%.**
- Global fixed income, as measured by the Bloomberg Global Aggregate Index, returned -0.36%.^

Portfolio Review

The portfolio was positively impacted by strength in global equity, convertible security, and corporate bond holdings.

Top contributors in May broadly benefitted from the trade deal announcements over the month. Several semiconductor companies notably outperformed on easing trade tensions, including Nvidia, which was also driven by strong earnings results. Microsoft and Meta both gained following beat-and-raise reports, while Amazon and Mastercard each offered positive readthroughs on consumer demand. Tesla was higher after CEO Elon Musk affirmed the Robotaxi rollout timeline and indicated plans to step away from his government role. Other top contributors to performance in the period were JPMorgan Chase, an aerospace manufacturer, and an energy technology company.

Top detractors in the period included multiple holdings with pharmaceutical exposure that faced pressure due to regulatory intervention on drug prices. Apple reported solid earnings but offered below-consensus guidance on tariff uncertainty, a steel manufacturer was negatively impacted by commodity price weakness in Q1, and a residential solar provider with a positive fundamental outlook was volatile over the period. Other top detractors for the period included a middle market investor and a diversified insurance provider.

Exposure increased across all sectors and covered call option positioning increased month-over-month.

Market Outlook

Despite May's notable strength in risk assets, the macro outlook remains uncertain.

Outside of the US, monetary and fiscal policy stimulus measures could help to stabilise the global economy. The US economy is still expected to expand in 2025 with widespread effects from tariffs hampering growth. Clarity around trade policy is unlikely to improve in the near term, but as the range of outcomes continue to narrow, uncertainty should lessen, and spending, investment, hiring, and mergers and acquisitions (M&A) activity can resume. Further out, fiscal stimulus, deregulation measures, productivity gains, and a reindustrialisation movement are potential growth drivers.

The Fed likely remains on hold as officials continue to assess the effect of tariffs on inflation, employment, and the potential for stagflation. Inflation has slowed but concerns of a second wave have risen due to tariffs. Steady employment is possible if less hiring is met with less layoffs. 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.

Global large-cap equities have recovered this year's losses as odds of a recession and global shock receded and Q1 results came in better than expected. Continued strength is possible given subdued investor sentiment and positioning and a host of potential upcoming catalysts. However, tariff uncertainty could impact the short term. Ultimately, 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 85-95 billion of new issuance[#] is 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%^{^^}, 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 31 May 2025 unless otherwise stated.

* Source: MSCI, as at 31 May 2025

^ Source: Bloomberg, as at 31 May 2025

** Source: BofA Merrill Lynch, as at 31 May 2025

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

Source: BofA Research, as at 31 May 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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