

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 November

Risk assets and safe havens advanced in November, with global equity and fixed income markets finishing higher for the period. US election results and an anticipated pro-growth agenda under the new administration were the primary drivers of market gains. In addition, the US Federal Reserve (Fed) cut interest rates by 25 basis points (bps), boosting investor sentiment further. Lastly, the Q3 earnings season ended on a strong note with both top- and bottom-line results tracking to exceed consensus estimates. On the economic front, inflation gauges were generally in line with expectations, the services sector's expansion improved, jobless claims remained low, and retail sales beat consensus. In contrast, housing market statistics were mixed, and consumer sentiment and monthly payrolls declined relative to the prior period.

In this environment, global equity markets, as measured by the MSCI World Index, returned +4.59% with US equities outperforming their non-US counterparts.* Global convertible securities, as measured by the ICE BofA Global 300 Convertible Index, returned +2.66% with US issues outperforming non-US issues.** Global high yield bonds, as measured by the ICE BofA Global High Yield Index, returned +0.92% with US issues outperforming non-US issues.** Global fixed income, as measured by the Bloomberg Global Aggregate Index, returned +0.34% with US exposure outperforming non-US exposure.^

Portfolio Review

The portfolio was positively impacted by strength across global equities, convertible securities, and corporate bonds.

Top contributors in the period were led by an electric vehicle (EV) manufacturer, as well as a software company with bitcoin exposure. Amazon, Nvidia, Apple, and Microsoft – companies capitalising on secular trends around artificial intelligence (AI) and cloud migration – were also notable contributors. Several major US banks moved higher on election outcome optimism. Holdings in clean energy and software also advanced on favourable read throughs from earnings reports.

Top detractors were led by several companies that released quarterly results, with holdings in aircraft manufacturing, insurance, logistics, and chemicals missing earnings expectations. Additionally, an automaker and an ophthalmology company reported lower-than-expected sales. A foreign bank declined on mergers and acquisitions (M&A) news, a semiconductor holding saw pricing weakness, and issues in ecommerce and mining fell on tariff-related concerns.

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

Market Outlook

Global economic growth could begin to stabilise as central banks worldwide reduce interest rates or implement stimulus to boost spending.

Apart from an accommodative shift in monetary policy, potential economic tailwinds include pro-growth US policies under the new administration, steady consumption, continued fiscal spending, the proliferation of AI, and improving productivity, among others. Risk to the global economy may increase if these trends weaken. Other potential headwinds include new tariffs, more restrictive immigration policies, geopolitical tensions, prolonged labour market softening, continued manufacturing contraction, and slower growth outside the US.

Global equities could benefit from Trump's pro-growth policies should they have a notable impact on future earnings. Continued Fed easing and economic expansion, secular growth drivers, such as AI, and accelerating earnings growth or an earnings inflection from more companies are also catalysts. If economic growth or earnings growth fall short of expectations, the global equity market could be challenged.

Global convertible securities have an attractive asymmetric return profile, providing upside participation potential when stock prices rise and downside mitigation when stock prices fall. Higher debt financing costs have drawn issuers to the convertible market for coupon savings, resulting in accelerated new issuance at favourable terms and an expanded investment opportunity set with the desired risk/reward characteristics. While a change in market leadership is not certain, a sustained broadening of the equity market could be a positive development for the asset class.

The global high yield market, yielding over 7%^{^^}, offers the potential for 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. Given these factors, the default rate has been below the long-term average with expectations for it to trend towards the historical average in 2025. Regarding credit spreads, they can stay tight for many years. This was the case in the mid-1990s and 2000s – periods like today when high yield balance sheets were healthy and defaults were low, the economy was stable, and interest rates were elevated.

Global investment grade corporate bond's risk/reward opportunity is also 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.

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 November 2024 unless otherwise stated.

* Source: MSCI, as at 30 November 2024

^ Source: Bloomberg, as at 30 November 2024

** Source: BofA Merrill Lynch, as at 30 November 2024

^^ Source: ICE Data Services, as at 30 November 2024

Allianz Global Investors and Voya Investment Management have entered into a long-term strategic partnership, and as such, as of 25 July 2022, 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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