

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 August

Global equities, convertible securities, and corporate bonds finished higher in August. Q2 earnings reports for S&P 500 companies continued to surpass top- and bottom-line estimates, with quarterly earnings growth pacing for low-double-digits (versus projections for mid-single-digits) with most constituents having reported. Economic data was mixed. The Federal Reserve Bank of Atlanta's Q3 gross domestic product (GDP) estimate moved higher, the consumer price index (CPI) was below consensus, and initial claims remained subdued, while manufacturing and services surveys missed estimates, the unemployment rate ticked higher, and retail sales decelerated. Global trade remains in focus with many companies citing tariff pressures, while the Trump administration indicated that most major deals will be finalised in the next few months. The US Federal Reserve (Fed) was a focal point in August with Chair Powell's Jackson Hole speech marking a significant shift in stance, further increasing market expectations for a rate cut in September. Against this backdrop, the 10-year Treasury yield fell 14 basis points (bps) to 4.22%.

In this environment, key markets were higher:

- Global equity markets, as measured by the MSCI World Index, returned +2.64%.*
- Global convertible securities, as measured by the ICE BofA Global 300 Convertible Index, returned +2.90%.**
- Global high yield bonds, as measured by the ICE BofA Global High Yield Index, returned +1.48%.**
- Global fixed income, as measured by the Bloomberg Global Aggregate Index, returned +1.45%.^

Portfolio Review

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

Top contributors in August were led by Apple on the back of strong quarterly results and Alphabet following the announcement of a key strategic partnership. A toy manufacturer reported strong margin expansion and a media conglomerate issued a favourable revenue growth forecast. A telecom provider reaffirmed full-year 2026 guidance and a biotech holding moved higher on strong clinical volumes. The other top contributors in the period were positions in electric vehicle manufacturing, aerospace, and banking.

A number of the top detractors were top contributors or had a positive impact on portfolio performance in July with most equities recording new year-to-date highs heading into August. Multiple semiconductor and related component companies, including Nvidia, and hyperscalers such as Microsoft, Meta, and Amazon, underperformed the broader market. The other top detractors were multiple software companies, an infrastructure developer, and a business analytics provider.

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

Market Outlook

Despite a strong recovery in risk assets, the macroeconomic outlook remains clouded given uncertainty around trade and monetary policy. On the other hand, economic data has been resilient, trade tensions while elevated have stabilised, earnings estimates appear to have inflected, the Fed's stance has shifted significantly, capital markets have been active, and government spending has emerged as a tailwind.

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, capital expenditure (capex) tailwinds, productivity gains, and a reindustrialisation movement are potential growth drivers.

A resumption of monetary policy easing – currently, the market is pricing in three 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 quarterly earnings results came in better than expected. Tailwinds include dollar weakness, lower oil prices, and falling interest rates, while tariffs remain 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[#] 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 nearly 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, 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. 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 August 2025 unless otherwise stated.

* Source: MSCI, as at 31 August 2025

^ Source: Bloomberg, as at 31 August 2025

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

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

Source: BofA Research, as at 31 August 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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