

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 April

Global markets were higher in April. Early in the month, markets sold off after President Trump announced sweeping tariffs as well as subsequent retaliatory measures. However, over the remainder of the month, markets rallied. Several factors contributed to the positive shift in market tone, including a softened stance on tariffs, stabilisation in the US dollar and 10-year US Treasury yield, trade deal optimism, and a better-than-feared start to Q1 earnings season. On the other hand, corporate outlooks were cautious with many companies pulling full-year guidance and warning of price hikes. Economic reports released during the month were generally balanced, although most strategists expect trade policy and uncertainty to begin dragging on growth mid-year.

In this environment, key markets were higher:

- Global equity markets, as measured by the MSCI World Index, returned +0.94%.*
- Global convertible securities, as measured by the ICE BofA Global 300 Convertible Index, returned +1.16%.**
- Global high yield bonds, as measured by the ICE BofA Global High Yield Index, returned +0.92%.**
- Global fixed income, as measured by the Bloomberg Global Aggregate Index, returned +2.64%.^

Portfolio Review

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

Top contributors in the period included Microsoft on reaccelerating cloud growth and a streaming platform provider on favourable engagement, pricing, and advertising trends. A number of highly tariff-impacted positions, including a semiconductor designer, a private equity firm, and a pharmaceutical developer, all outperformed as trade-related angst eased mid-month. Several consumer-facing holdings, including exposures to traditional, discount, and online retail, also rallied as fears subsided. Conversely, multiple software holdings benefitted from the industry's low perceived risk to tariffs.

Top detractors in the period included a health care provider that reduced full-year earnings guidance. Tariff uncertainty and regulatory scrutiny pressured Amazon and a social media platform, respectively, but both stocks finished well above intramonth lows. In the Energy space, offshore drilling and services exposures were negatively impacted by sharp declines in the price of crude oil and natural gas. A number of other companies were lower following their respective earnings reports, including positions in insurance, fintech, and freight.

Exposure increased the most in Technology, Health Care, and Consumer Staples, and decreased in Energy, Materials, and Utilities. Covered call option positioning decreased month-over-month.

Market Outlook

In our 2025 outlook, we wrote that the equity market's path would not be linear, with bouts of volatility throughout the year. We also noted convertible securities and corporate bonds – given their defensive characteristics – could mitigate equity market weakness. Going forward, the portfolio is well positioned if volatility persists without sacrificing upside participation and income-generation potential.

Outside of the US, monetary and fiscal policy stimulus measures could help to stabilise the global economy. The US economy could expand in 2025, but tariffs have become a bigger headwind than previously thought, with most strategists expecting trade policy and uncertainty to begin dragging on growth mid-year. When clarity improves, uncertainty should lessen, and spending, investment, hiring, and mergers and acquisitions (M&A) activity can resume. In addition, tailwinds such as deregulation and taxation measures still exist with productivity gains and demand tied to reindustrialisation, onshoring, and the private sector acting as other potential growth drivers.

The US Federal Reserve (Fed) likely remains on hold as they assess the effect of trade policies on inflation, employment, and the potential for stagflation. Interest rate cuts could restart later this year to support their dual mandate. A resumption of monetary policy easing would closer align the Fed with accommodation by central banks overseas.

While the range of near-term outcomes for the global equity market is broad, its directionality will likely hinge on economic and earnings growth. Evidence supporting a stabilisation or positive inflection in either of these metrics could benefit the equity market.

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 60-65 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 8%^{^^}, 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 April 2025 unless otherwise stated.

* Source: MSCI, as at 30 April 2025

^ Source: Bloomberg, as at 30 April 2025

** Source: BofA Merrill Lynch, as at 30 April 2025

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

Source: BofA Research, as at 30 April 2024

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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