

# 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 February

Global risk assets and fixed income finished higher in February. The Q4 earnings season finished strong with the S&P 500 on pace to deliver a fifth consecutive quarter of double-digit growth. Small-cap companies are set to deliver even higher earnings growth. On the macro front, economic data remained supportive with unemployment ticking lower, consumer confidence remaining stable, and a key manufacturing survey moving into expansionary territory. On the other hand, wholesale inflation exceeded estimates, trade headlines resurfaced, and geopolitical tensions rose into month-end. Against this backdrop, the 10-year US Treasury yield fell sharply, closing below 4%.\*\*

In this environment, key markets closed higher:

- Global equity markets, as measured by the MSCI World Index, returned +0.76%.\*
- Global convertible securities, as measured by the ICE BofA Global 300 Convertible Index, returned +2.13%.\*\*
- Global high yield bonds, as measured by the ICE BofA Global High Yield Index, returned +0.07%.\*\*
- Global fixed income, as measured by the Bloomberg Global Aggregate Index, returned +1.12%.^

#### Portfolio Review

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

Top contributors in February were led by a networking company that reported a strong beat-and-raise quarter on significant artificial intelligence (AI) related demand. Several other holdings, including a semiconductor manufacturer, a diversified technology conglomerate, and multiple positions with power generation exposure, also benefitted from data centre investment tailwinds. TechnipFMC gained on improving margin expectations, and Keppel rallied on better-than-expected results that included a large special dividend. The other top contributors were a safety equipment manufacturer and a financial services company.

Top detractors in the period included hyperscalers, such as Amazon, Microsoft, and Alphabet, among others, on free cash flow concerns. Nvidia, which surpassed estimates and raised guidance, continued to trade range bound. A commercial real estate firm was lower on end market demand uncertainty, a building materials company declined after missing expectations and guiding below consensus, and a credit ratings agency fell on AI displacement concerns. The other top detractors were several holdings in the banking industry.

Exposure increased the most in Consumer Staples, Real Estate, and Energy, and decreased the most in Health Care, Financials, and Technology. Covered call option positioning increased 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 28 February 2026 unless otherwise stated.

\* Source: MSCI, as at 28 February 2026

^ Source: Bloomberg, as at 28 February 2026

\*\* Source: BofA Merrill Lynch, as at 28 February 2026

^^ Source: ICE Data Services, as at 28 February 2026

# Source: BofA Research, as at 28 February 2026

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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