Allianz Global Investors

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 equity and fixed income markets finished higher for the month. Earnings momentum remained exceptionally strong, with S&P 500 companies beating bottom-line expectations for Q2 at a rate of 86% – the highest in five years. On the economic front, in-line inflation data, expansionary business activity surveys, and low unemployment claims were contrasted by softer-than-expected consumer spending, and continued housing market weakness. In the absence of an August Federal Open Market Committee (FOMC) meeting, Chair Warsh's speech at Jackson Hole dominated US Federal Reserve (Fed) related headlines. Markets viewed the remarks as hawkish, pushing the odds higher for a September rate hike. Against this backdrop and alongside a stagnation in Iran progress, the 10-year Treasury yield finished modestly higher at 4.75%.**

In this environment, key markets closed higher:

- Global equity markets, as measured by the MSCI World Index, returned +2.60%.*
- Global convertible securities, as measured by the ICE BofA Global 300 Convertible Index, returned +0.78%.**
- Global high yield bonds, as measured by the ICE BofA Global High Yield Index, returned +1.06%.**
- Global fixed income, as measured by the Bloomberg Global Aggregate Index, returned +0.45%.^

Portfolio Review

The portfolio was positively impacted by strength across multiple asset classes.

Top contributors were led by Nvidia which forecasted 70% revenue growth in 2027, and a human resources solutions provider that exceeded expectations and guided higher. Microsoft rallied on the back of a beat-and-raise quarter driven by accelerating cloud growth, and Apple advanced on optimism around its upcoming product cycle and capital-light artificial intelligence (AI) strategy. An enterprise data platform company also gained alongside an electric vehicle manufacturer and Merck, which is collaborating on a cancer vaccine. The other top contributors were a bank making rapid progress with its restructuring plan, a semiconductor-related company that is expanding production capacity due to rising demand, and an energy company that is capitalising on positive refining fundamentals.

Top detractors in the period included several hyperscalers in Amazon and Alphabet, which were both impacted by scrutiny around increased capital expenditure (capex) guidance despite strong quarterly results. Multiple holdings exposed to the AI buildout theme consolidated year-to-date gains, including a semiconductor company, a data storage provider, and an industrial automation company. A luxury apparel company and a discount clothing retailer also declined despite evidence of strong momentum and execution, surpassing estimates and raising guidance. The other top detractors were a machinery company that faced shipment delays, an aerospace manufacturer on competitive concerns, and a major health care provider that was a notable contributor in Q2.

Most option positions expired below strike and the portfolio was able to retain the set premiums.

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

Market Outlook

The global economic outlook is positive for H2, supported by the AI buildout and downstream effects of pro-growth domestic policies, as well as easier lending standards, sustained labour market stability and the potential for easing geopolitical tensions. Conversely, persistent inflation and/or a sharp increase in interest rates would be key economic risks.

The earnings outlook is also positive. Bottom-up estimates continue to trend higher, driven by better-than-expected results, earnings breadth expansion, robust AI spend, broadening investment, productivity gains, and durable margins. On the other hand, rising expenses and input costs are profitability headwinds.

Convertible securities' outperformance of equities could expand over the remainder of the year, and high yield bonds are pacing for a positive but below-coupon annual return. Given their defensive characteristics, convertible securities, high yield bonds, and investment grade 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 is on pace to outperform the broad equity market again in 2026, helped by solid earnings growth, expanding market breadth, stable credit spreads, and robust new issuance. After record new issuance in 2025, primary market activity is trending for another unprecedented year with 2026 estimates residing around $200-210 billion.[#] Aside from diversification benefits, new issuance expands the opportunity set of investments with attractive terms and the desired risk/reward characteristics.

The global US high yield market, yielding more than 7%^^, offers equity-like returns but with less volatility. The asset class is expected to deliver a positive, but below-coupon return for 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 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. 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 potentially 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.

Connect with Us | sg.allianzgi.com | +65 6438 0828 | Search more Allianz Global Investors

Like us on Facebook **Allianz Global Investors Singapore**

Connect on LinkedIn **Allianz Global Investors**

Subscribe to YouTube channel **Allianz Global Investors**

All data are sourced from Allianz Global Investors dated 31 August 2026 unless otherwise stated.

* Source: MSCI, as at 31 August 2026

^ Source: Bloomberg, as at 31 August 2026

** Source: BofA Merrill Lynch, as at 31 August 2026

^^ Source: ICE Data Services, as at 31 August 2026

Source: BofA Research, as at 31 August 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").

The information presented here is intended for general circulation and does not constitute a recommendation to anyone; it also has not taken into account the specific investment objectives, financial situation or particular needs of any particular person. Information herein is based on sources we believe to be accurate and reliable as at the date it was made. We reserve the right to revise any information herein at any time without notice. No offer or solicitation to buy or sell securities and no investment advice or recommendation is made herein. In making investment decisions, investors should not rely solely on this publication but should seek independent professional advice. However, if you choose not to seek professional advice, you should consider the suitability of the product for yourself. Past performance of the fund manager(s) and the fund is not indicative of future performance. Prices of units in the Fund and the income from them, if any, may fall as well as rise and cannot be guaranteed. Distribution payments of the Fund, where applicable, may at the sole discretion of the Manager, be made out of either income and/or net capital gains or capital of the Fund. As a result of the payment, the Fund's net asset value is expected to be immediately reduced. The dividend yields and payouts are not guaranteed and might change depending on the market conditions or at the Manager's discretion; past payout yields and payments do not represent future payout yields and payments. Investment involves risks including the possible loss of principal amount invested and risks associated with investment in emerging and less developed markets. The Fund may invest in financial derivative instruments and/or structured products and be subject to various risks (including counterparty, liquidity, credit and market risks etc.). Investing in fixed income instruments (if applicable) may expose investors to various risks, including but not limited to creditworthiness, interest rate, liquidity and restricted flexibility risks. Changes to the economic environment and market conditions may affect these risks, resulting in an adverse effect to the value of the investment. During periods of rising nominal interest rates, the values of fixed income instruments (including short positions with respect to fixed income instruments) are generally expected to decline. Conversely, during periods of declining interest rates, the values are generally expected to rise. Liquidity risk may possibly delay or prevent account withdrawals or redemptions. Past performance, or any prediction, projection or forecast, is not indicative of future performance. Investors should read the Prospectus obtainable from Allianz Global Investors Singapore Limited or any of its appointed distributors for further details including the risk factors, before investing. The duplication, publication, extraction, or transmission of the contents, irrespective of the form is not permitted, except for the case of explicit permission by Allianz Global Investors. This publication has not been reviewed by the Monetary Authority of Singapore (MAS). MAS authorization/recognition is not a recommendation or endorsement. The issuer of this publication is Allianz Global Investors Singapore Limited (79 Robinson Road, #09-03, Singapore 068897, Company Registration No. 199907169Z).

MACS-W-ADM@N/A-P-23100612

ADM-5938878