

Allianz Income and Growth

Monthly commentary

Investment Objective

The Fund aims at long-term capital growth and income by investing in United States of America ("US") and/or Canadian corporate debt securities and equities.

What Happened in November

Equities and high yield bonds finished higher in November, while convertible securities finished lower. Q3 earnings momentum continued. With the majority of S&P 500 companies having reported, 82% topped estimates for an earnings growth rate of 13.3%. The government shutdown concluded in the period, driving a resumption of economic data releases. Initial jobless claims were subdued, and durable goods beat expectations whereas retail sales and consumer confidence missed projections. December rate cut expectations whipsawed over period to end in favour of a 25-basis point (25-bps) reduction. Against this backdrop, the 10-year US Treasury yield fell to 4.02%.^

Equities Market Environment

The S&P 500 Index returned +0.25% for the month.*

Health Care, Communication Services, and Materials were the top performing sectors in the period, while Technology, Consumer Discretionary, and Industrials were the bottom performing sectors.

Equity volatility was lower month to month at 16.35, finishing well off the intra-period high of 26.42.*

Convertible Securities Market Environment

The ICE BofA US Convertible Index returned -0.70% for the month.^

Sector performance was mixed with Health Care, Consumer Staples, and Transportation outperforming, while Telecoms, Industrials, and Materials underperformed.

Below-investment grade issues outperformed investment grade issues. Equity sensitive issues outperformed yield-oriented (busted) and total return (balanced) issues.

Monthly new issuance saw 21 issues priced, raising USD 14.2 billion in proceeds.^

High-Yield Bond Market Environment

The ICE BofA US High Yield Index returned +0.50% for the month.^

Credit-quality subsector returns for the month^:

- BB rated bonds: +0.64%
- B rated bonds: +0.71%
- CCC rated bonds: -0.93%

Spreads narrowed to 292 bps from 294 bps, the average bond price rose to 97.81, and the market's yield fell to 7.13%.^

Industry performance was mostly higher with Media, Food Producers, and Autos outperforming, while Cable, Chemicals, and Technology underperformed.

Trailing 12-month default rates finished the period at 1.82% (par) and 1.27% (issues).**

Monthly new issuance saw 28 issues priced, raising USD 24.9 billion in proceeds.**

Portfolio Review

Top contributors in November were led by Alphabet, which was driven by a favourable response to its newest artificial intelligence (AI) model as well as optimism around reported plans to commercialise its internally developed data centre chips. Broadcom also benefitted from the latter report as a design partner for the chips, while Apple gained on headlines around strong penetration for its latest smartphone offering. Eli Lilly reached an agreement with the US government to expand access to obesity drugs in exchange for favourable tariff treatment, and Welltower maintained upside momentum from a beat-and-raise earnings report last month. The other top contributors were an optical components manufacturer and a diagnostics company.

Top detractors in the period included Nvidia, which was lower on competitive concerns despite a strong quarterly report, along with a number of hyperscalers like Microsoft and Amazon that declined on broader scrutiny around the AI spending narrative. An internet services provider was subject to an outage, a rideshare operator indicated near-term margin headwinds due to strategic investment initiatives, and an energy component supplier reported lighter-than-expected top-line results. The other top detractors in the period were a semiconductor company and a satellite manufacturer.

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

Exposure increased the most in Health Care, Industrials, and Utilities, and decreased the most in Technology, Consumer Discretionary, and Communication Services. Covered call option positioning increased month-over-month.

Market Outlook and Strategy

The macro outlook is improving following a stronger-than-expected economic rebound, an inflection in earnings estimates, a shift in the US Federal Reserve's (Fed's) stance, the One Big Beautiful Bill Act (OBBBA) being signed into law, and increased visibility around trade policy.

US economic growth for Q3 is tracking ahead of forecasts due to resilient consumption and strong corporate spending. Unemployment and inflation have increased but only modestly. Potential growth tailwinds include rising capital expenditure (capex), reshoring, deregulation, and credit expansion whereas a sharp rise in either unemployment or inflation could increase the odds of an economic slowdown.

The Fed is targeting a more neutral policy position with the market expecting additional interest rate cuts over the coming quarters. However, Chair Powell has noted that future rate decisions remain highly data dependent.

US equity market strength is the result of better-than-expected top- and bottom-line results and inflecting earnings estimates. Potential earnings growth tailwinds include reaccelerating economic momentum in 2026, rising productivity, the proliferation of AI, low oil prices, and falling borrowing costs. Headwinds include rising operating expenses as well as the impact of tariffs, but clarity has improved on this point. There is evidence earnings breadth is beginning to expand. This dynamic could lead to a broadening out of the market, aided by industries that have underperformed since 2022. The Fed's shift in stance is also notable because equities are generally higher a year after the first rate cut.

US 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's year-to-date outperformance of the broad equity market can continue if volatility rises or breadth expands. Strategist forecasts for annual new issuance continue to be revised higher, currently sitting at USD 95-100 billion[#] compared to an initial forecast of USD 60-65 billion. Heavy primary market activity is a function of coupon savings demand, elevated refinancing needs, and a positive outlook for price appreciation among small- and mid-cap companies. Aside from diversification benefits, new issuance expands the opportunity set of investments with attractive terms and the desired risk/reward characteristics.

The US high yield market, yielding more than 7%^{^^}, offers equity-like returns but with less volatility. Currently, the asset class is on track to deliver a coupon-plus return in 2025. 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 continues to improve. 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.

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 three 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 2025 unless otherwise stated.

* Source: FactSet, as at 30 November 2025

^ Source: BofA Merrill Lynch, as at 30 November 2025

** Source: J.P. Morgan, as at 30 November 2025

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

Source: BofA Research, as at 30 November 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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