

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 April

Equities, convertible securities, and high yield bonds finished higher in April, as investor focus shifted towards a potential end to the Middle East conflict along with corporate earnings. Almost two-thirds of the way through the Q1 reporting season, more than 80% of S&P 500 companies surpassed bottom-line estimates, with the index on pace to deliver its highest quarterly earnings growth and surprise percentage since 2021. Several economic data points were better than expected including durable goods orders, retail sales, and weekly jobless claims. The US Federal Reserve (Fed) took no action at April's Federal Open Market Committee (FOMC) meeting, and the 10-year US Treasury yield settled higher at 4.39%.^

Equities Market Environment

The S&P 500 Index returned +10.49% for the month, with major US stock market indices reaching fresh all-time highs.*

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

Equity volatility was lower month to month at 16.89.*

Convertible Securities Market Environment

The ICE BofA US Convertible Index returned +10.46% for the month.^

All sectors advanced with Technology, Telecoms, and Materials outperforming, while Utilities, Media, and Health Care underperformed.

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

Monthly new issuance saw 8 issues priced, raising USD 6.9 billion in proceeds.^

High-Yield Bond Market Environment

The ICE BofA US High Yield Index returned +1.70% for the month.^

Credit-quality subsector returns for the month^:

- BB rated bonds: +1.47%
- B rated bonds: +1.82%
- CCC rated bonds: +2.76%

Spreads narrowed to 283 basis points (bps) from 328 bps, the average bond price rose to 97.33, and the market's yield fell to 7.32%.^

All industries finished higher with Media, Telecoms, and Financials outperforming, while Transportation, Cable, and Packaging/Paper underperformed.

Trailing 12-month default rates finished the period at 2.17% (par) and 1.87% (issues).**

Monthly new issuance saw 38 issues priced, raising USD 44.0 billion in proceeds.**

Portfolio Review

The portfolio was positively impacted by strength across equities, convertible securities, and high yield bonds.

Top contributors were linked to optimism around the artificial intelligence (AI) buildout, reinforced by strong earnings reports that reflected significant demand for compute and managements reaffirming or raising capital expenditure (capex) guidance. Beneficiaries comprised several semiconductor companies, including Nvidia and Broadcom, hyperscalers such as Alphabet and Amazon, multiple data storage providers, led by Western Digital, and infrastructure plays tied to optical components and power generation.

Top detractors were Health Care companies including several pharmaceutical positions that settled lower after advancing earlier in the year, and a diabetes management holding that declined on product recall concerns. Multiple exploration and production companies that surpassed analyst estimates consolidated sharp Q1 gains. AI disruption fears weighed on select software positions, and an aerospace company finished lower despite reporting a beat-and-raise quarter.

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

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

Market Outlook and Strategy

The outlook for 2026 remains unchanged. Conflict headwinds may offset some of the AI proliferation, reindustrialisation, and fiscal and monetary policy tailwinds. On the other hand, Q1 results are surpassing expectations, management outlooks are constructive, earnings estimates continue to trend higher, and multiple datapoints indicate sustained economic growth.

Going forward, corporate investment, consumer spending (helped by tax cuts/refunds), less regulation, energy and defence spending, and credit expansion could support gross domestic product (GDP) growth. Conversely, a prolonged conflict in the Middle East lengthens the recovery period, pushing out eventual stability in commodity markets, supply chains, and geopolitics. The investment team continues to closely monitor the situation including the potential effects of higher energy prices on consumption, margins, sales, inflation, government debt yields, monetary policy, and capex plans.

2026 earnings estimates are trending higher driven by better-than-expected results, AI spend, earnings breadth expansion, productivity gains, durable margins, cost controls, and energy sector strength. Earnings breadth expansion could lead to a sustained broadening out of market leadership. Headwinds include risks cited above and rising operating expenses, among others, with the view that shifts in the use of free cash flow have trade-offs.

Return expectations for 2026 also remain unchanged. 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.

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 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 a record year of new issuance in 2025, primary market activity likely slows in 2026 but remains elevated around USD 75-80 billion.[#] 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. 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.

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 April 2026 unless otherwise stated.

* Source: FactSet, as at 30 April 2026

^ Source: BofA Merrill Lynch, as at 30 April 2026

** Source: J.P. Morgan, as at 30 April 2026

^^ Source: ICE Data Services, as at 30 April 2026

Source: BofA Research, as at 30 April 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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