

Allianz US Short Duration High Income Bond

Monthly commentary

Investment Objective

The Fund aims at long-term income and lower volatility by investing in short duration high yield rated corporate debt securities of US bond markets in accordance with environmental and social characteristics.

What Happened in April

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%.*

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).^ The upgrade/downgrade ratio was lower at 1.0.^

Monthly new issuance saw 38 issues priced, raising USD 44.0 billion in proceeds.[^] High yield funds reported estimated net flows of +USD 5.2 billion.[^]

Portfolio Review

Industries contributing the most to performance were Financial Services, Support-Services, and Retail. Strength in Financial Services was attributable to several issues in the lending and mortgage services space. Within Support-Services, holdings in power generation, building products, and equipment rental drove performance. Multiple issuers in the automotive retail space positively impacted the portfolio in Retail.

There were no industries that detracted from performance in the period.

Liquidity remained in focus to pay distributions, meet redemptions and to take advantage of reinvestment opportunities. Transactions in the period included new purchases in Passenger Airlines, Integrated Telecommunication Services, and Oil & Gas Equipment & Services.

Market Outlook

The outlook for 2026 remains unchanged. Conflict headwinds may offset some of the artificial intelligence (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 capital expenditure 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.

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.

Longer-duration issues are the most likely to be impacted by high and volatile rates, but the overall high yield market should have a dampened response due to its larger coupon relative to other fixed income alternatives. As a result, US

high yield bonds contribute from both a diversification and a relative performance perspective, offering a very compelling yield opportunity.

The Fund remains an attractive fixed income solution without taking excess credit risk, the shorter maturity puts securities first in line to repayment at par, and the Fund lessens price volatility that may be highly amplified in passively managed strategies.

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All data are sourced from Allianz Global Investors, S&P Dow Jones Indices and FactSet, dated 30 April 2026 unless otherwise stated.

* 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

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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