

Market Review and Outlook

February 2026

The content of this document is supplementary to the Monthly Fund Factsheets.

For the following funds:

Allianz Life Master Bond Fund ("MBF")
Allianz Life Master Equity Fund ("MEF")
Allianz Life Master Dividend Fund ("MDF")
Allianz Life Master Dana Ekuiti ("MDE")
Allianz Life Master ASEAN Plus Fund ("AMAF")
Allianz Life Managed Fund ("MF")
Allianz Life Equity Fund ("EF")
Allianz Life Dynamic Growth Fund ("DGF")
Allianz Life Equity Income Fund ("EIF")
Allianz Life Bond Fund ("BF")
Allianz Life Dana Padu ("DP")
Allianz Life ASEAN Plus Fund ("AAF")

Market Review

MSCI World Index continued its upward momentum in February 2026, having gained +0.64% mom. In U.S., the Dow Jones Index rose +0.17% mom while the broader S&P500 declined -0.87% mom. Artificial Intelligence (AI) related companies have generally faced selling pressure amid concerns of return on investments. Meanwhile, the U.S. Supreme Court rejected the use of the International Economic Emergency Powers Act as the legal basis for April 2025's reciprocal tariffs. On the geopolitical front, a flashpoint suddenly erupted on 28 February 2026 when Israel and U.S. launched a joint attack on Iran. However, throughout the month under review, economic indicators remained benign with the U.S. Core Consumer Price Index (CPI) for January coming in within expectations at +2.5% yoy (Survey: +2.5% yoy, December: +2.6% yoy). Meanwhile, the S&P Global U.S. Composite Purchasing Managers Index (PMI) chalked an expansionary reading despite declining slightly to 51.9 in February 2026 from 52.3 in January 2026.

Europe's Stoxx 50 Index gained +3.20% mom, having outperformed the US, supported partly by stronger than expected macro data. The HCOB Eurozone Manufacturing PMI came in at 50.8 in February 2026 (50.8 in the previous month). The Eurozone unemployment rate was 6.2% in December 2025, down compared to 6.3% in November 2025 while Eurozone Core CPI came in at +2.2% YoY in January 2026, lower than expectations of +2.3% (December 25: +2.3%).

In China, Shanghai Composite index gained +1.09% mom in February, supported by gains in the industrial and utilities sectors. China's RatingDog China PMI Composite in February 2026 came in at 55.4 versus January 2026's 51.6. CPI came in at +1.3% yoy in February 2026, as compared to +0.2% yoy in the previous month (Survey: +0.9% yoy). Apart from that, the People's Bank of China kept its 1 – year and 5 – year Loan Prime Rate (LPR) unchanged at 3.00% and 3.50% respectively, signifying the central bank's steady stance on monetary policy.

During the month under review, Brent crude oil was up +2.5% mom to USD72.48/bbl. Of note that the escalation in Middle East tensions right at the end of the month triggered a spike in oil prices when markets reopened at the beginning of March. On the other hand, post a 3 – month high in January 2026, crude palm oil (CPO) price slipped -4.4% mom to RM4042/MT amid concerns of weakening export demand.

Focusing on the ASEAN front, the Stock Exchange of Thailand (SET) surged by +15.29% mom to close at 1,411.76 pts in February. The market was again driven by strong foreign inflows on the back of clearer political landscape following the 8 Feb 2026 election and a 25 bps surprised interest rate cut on 25 February by the Bank of Thailand to reinforce its economy which was afflicted by US tariff concerns. Foreign investors were net buyers of USD1.7bn in February and USD1.9bn in 2M26, respectively. Moving onto Indonesia, the Jakarta Composite Index declined -1.10% mom in February to 8,235. In terms of subsector performances, Metals and Multifinance were top performers while poultry and technology underperformed. Foreign investors were net buyers of equities to a tune of USD22mn in the month.

As for Malaysia, the FBMKLCI retraced slightly -1.40% mom in February, reversing earlier gains amid rising geopolitical tensions and U.S. tariff uncertainties. The index did reach a year – high weekly close of 1,753 points on 20 February, partly supported by an above expectation 4Q25 GDP growth of +6.3% (Survey: +5.7%). Ringgit Malaysia firmed up further, strengthening to RM3.89 against the U.S. Dollar from RM3.94 at end January.

Lastly, Singapore’s Straits Times Index was up +1.83% mom, a decent performance given that January Non – Oil Domestic Exports (NODX) came in below expectations at +9.3% yoy, against survey of +12.0% YoY. Electronics (+56.1% yoy) exports were a bright spot though this was offset by a 3% yoy decline in non-electronics exports, with weakness in specialized machinery, food preparations and petrochemical sectors.

In February 2026, U.S. Treasury (UST) posted a strong rally with yields declining by 14 – 31 bps mom as weakening U.S. equities and indications of easing inflation boosted demand for UST. With the sharp sell – off in U.S. technology stocks during the month, the 10y UST yield ended the month 30 bps lower at YTD low of 3.94% as core CPI came in within expectations. The new 30y UST bond auction during the month recorded a strong bid – to – cover (BTC) ratio of 2.66x. It was among the highest on record compared to an average of 2.36x for the past six new – issue auctions. Consensus expectations for Fed interest rate cuts in 2026 went higher with the Fed fund futures as of end – February 2026 now indicate total implied rate cuts of 61 bps by end of 2026 compared to 53 bps as of end – January 2026.

Locally, the Malaysian Government Securities (MGS) yields movement were mix at -3 to +4 bps mom whilst Malaysia’s economy ended 2025 with full year growth at +5.2% (2024: +5.1%). Headline inflation remained steady at +1.6% yoy in January (Survey: +1.6% yoy, December: +1.6% yoy). Malaysia’s Industrial Production Index (IPI) on the other hand expanded by 4.8% yoy in December (Survey: +4.5% yoy, November: +4.3% yoy), led by strong manufacturing output growth. Due to the shorter work week on the back of Chinese New Year festivities, the first auction of the month for MGS 7/35 drew a soft BTC of 1.603x, the lowest YTD. The remaining two auctions, however, drew strong demand with a BTC of 2.896x for the MGII 5/45 and 2.921x for the MGS 6/31.

Foreign funds turned net sellers in February with net outflows of RM2.5bn (January: net inflows of RM1.0bn). The foreign share of both MGS and MGS+MGII declined to 33.6% (January: 34.1%) and 21.2% (January: 21.5%) respectively. Malaysia’s foreign reserves expanded by USD1.4bn to USD128.3bn as of end – February (January: USD126.9bn) despite the outflows.

Market Outlook

Looking ahead, markets are expected to remain dynamic. Taking centrestage would be the escalating conflict in Iran which will be closely watched, as it has introduced fresh uncertainties across global supply chains, energy market and risk sentiment. Other than that, investors would continue to monitor global monetary policy developments, shifts in trade dynamics, and evolving geopolitical conditions. Domestically, attention will focus on the implementation of national priorities such as Belanjawan initiatives, the National Energy Transition Roadmap, and the 13th Malaysia Plan (13MP), alongside trends in exports, tourism, and investments.

At this juncture, we are adopting a constructive yet cautious stance on our market’s prospects given the volatility permeating markets and would continue investing in fundamentally good long – term investments. As always, we will seek opportunities to engage in trading activities to capitalise on any prevailing market volatility. Nevertheless, we will keep constant watch over any potential geopolitical and other risks that may necessitate gravitation towards new strategies to adjust to the ever-volatile market conditions.

Based on the recent Federal Open Market Committee (FOMC) statement, indicators suggest that whilst U.S. economic activity had been expanding at a solid pace and the unemployment rate has shown signs of stabilisation, job gains have remained somewhat muted. In any case, the FOMC remains attentive to the risks to both sides of its dual mandate and committed to supporting maximum employment and returning inflation to its 2% objective. Markets are currently anticipating the FOMC to pause at the next meeting to digest the impact of tariff – induced inflation and data distortions following the government shutdown. While some easing is expected later in 2026, the pace of rate cuts is likely to be slower than previously hoped.

Following a better – than – expected growth performance in 2025, Bank Negara Malaysia (BNM) expects Malaysia’s growth momentum to continue in 2026, anchored by resilient domestic demand. The central bank also cautioned that the growth outlook remains subject to uncertainties surrounding global developments, including the recent conflict in the Middle East. Downside risks remain from slower global trade and lower – than – expected commodity production. Meanwhile, upside potential to growth could arise from a better global growth outlook, stronger demand for electrical and electronics (E&E) goods, and more robust tourism activity. While core inflation in 2026 is expected to remain stable and close to its long – term average, BNM would continue to monitor ongoing developments and assess the balance of risks surrounding the outlook for domestic growth and inflation. We would selectively accumulate bonds at reasonable valuations while prioritizing good quality names.

Target Fund Manager's Comment (For Allianz Global High Payout Fund)

What helped?

- February was a slightly positive month for global equities. The defensive bias of the Fund paid off with a better performance than equity markets. Defensive Value and Dividend stocks with strong Dividend Reliability performed well in a volatile environment.

What hurt?

- Small Cap, Growth and Trend-following strategies have not been strong in February. Names with higher volatility and cyclicalities mostly underperformed.

Market Review

February was another turbulent month for global equity markets, with the MSCI All Country World Index (ACWI) posting a modest gain. Stocks rallied after the US Supreme Court overturned the Trump administration's emergency tariffs. The evolving situation in the Middle East also buffeted sentiment, culminating in joint US-Israeli attacks against Iran and reports that Supreme Leader Ayatollah Ali Khamenei had been killed. Tehran unleashed deadly retaliatory strikes against Israel and US allies across the region, while Russia's bombardment of Ukraine and its power grid continued, even as the second round of US-brokered peace talks took place in Abu Dhabi.

US equities fell fractionally in February. Fears of an artificial intelligence (AI) bubble resurfaced early on, triggering a sharp sell-off in Technology names, although fears around the disruptive potential of AI for software firms and broader sectors rattled markets for much of the month. Meanwhile, President Donald Trump invoked Section 122 to impose a blanket 10% global tariff after the US Supreme Court struck down the sweeping tariffs pursued by the White House under an emergency law, leaving uncertainty surrounding the slew of trade deals subsequently signed between the US and its global trading partners. In geopolitical news, US-brokered peace talks between Russia and Ukraine ended abruptly while nuclear talks between Washington and Tehran continued for much of the month. Joint US-Israeli attacks against Iran on the last day of the month resulted in the death of Supreme Leader Ayatollah Ali Khamenei and a series of retaliatory strikes by Tehran against Israel and US allies across the Middle East.

European equities moved higher in February, although markets were not immune to the AI disruption fears dragging stocks lower elsewhere. The STOXX 600 Index touched a fresh record high as investors rotated out of mega-cap high-growth US Tech names. Defence stocks also moved higher after US-brokered peace talks between Moscow and Kyiv collapsed dashing hopes of an end to the conflict as it entered its fifth year. Mounting concerns about renewed conflict in the Middle East further supported the sector. Reports that European Central Bank (ECB) President Christine Lagarde was planning to step down before her 8-year term ends in October 2027 fuelled succession talk and speculation about the central bank's policy outlook. Stocks rose later in the review period after the US Supreme Court's decision to overturn President Donald Trump's emergency tariffs.

Market Outlook

We expect global growth to be slightly above potential during Q1 thanks to stimulus from investments in Technology and AI in the US and key emerging markets on the one hand, and a gradual pick-up in activity in the euro area and Japan on the other. In view of this macroeconomic background and the probable increase in corporate earnings, we are still optimistic about the equity market. We believe that the recent trends will continue and that the upswing will gain breadth. In Europe, stronger economic data and fiscal support in Germany should prop up cyclical sectors. Japan will probably continue to benefit from a stable political framework and healthy corporate fundamentals. And the weaker US dollar and rising structural demand from international investors will support emerging markets equities. However, disappointments in one of the key areas – growth, inflation or monetary policy – might trigger setbacks. Uncertainties about global conflicts are another source of potential risks.

For Allianz Life Asia Multi-IncomePLUS Fund:

Target Fund Manager's Comment (For Allianz Asian Multi Income Plus)

Market Review

Asia ex Japan equities delivered strong returns in February. At first, regional indices felt the global artificial intelligence (AI) jitters before rising after the US Supreme Court ruled that President Donald Trump's reciprocal tariffs were invalid. US-Iran tensions also played in the background throughout the month. In this environment, semiconductor stocks led Taiwan and Korea to fresh highs, the latter market also receiving a boost from the "value up" corporate governance programme. China A-shares also saw good gains with Tech/AI leading the way, but offshore China equities were weaker. Australian equities finished the month higher as well. As expected, the Australian Reserve Bank reversed its monetary policy trajectory, hiking the benchmark cash rate by 25 basis points (bps) to 3.85%. On the other hand, the India equity market was more subdued, with information technology (IT) services companies impacted by the global AI/software shakeout.

For fixed income, market sentiment was marred by concerns surrounding potential AI-driven disruption and renewed caution in private credit markets. Notwithstanding, geopolitical tension escalated in the Middle East which culminated in a US strike on Iran at the turn of the month. As a result, a rotation across asset classes saw haven demand for US Treasury bonds. The curve bull steepened with 2- and 10-year yields declining by 15 and 30 bps respectively. In terms of performance, investment grade outperformed high yield as they benefitted from a longer duration profile and stronger curve returns.

The Fund return was positive in USD terms in February.

In the equity portfolio, top stock contributors came from several Technology holdings such as Samsung Electronics and Taiwan Semiconductor Manufacturing Company (TSMC). We believe as key global providers of high-performance memory chips, these companies should continue to benefit from the accelerating need for high bandwidth memory given the long-term demand for AI applications.

On the other hand, key detractors came from two internet giants Tencent and Alibaba. Partly the pullback relates to market rotation towards new Technology listings which are seen as purer-play AI firms. There have also been concerns about a less favourable regulatory environment as well as macro softness pressuring consumer spending and intense competition over the Lunar New Year period attract users to consumer AI apps. We reduced the positions, but we hold onto the names as they remain well positioned to benefit from further AI applications over the longer term.

The asset allocation at the end of the month was 70.4% invested in Asian equities and 29.5% in Asian fixed income.

During the month, the key portfolio activity for the equity sleeve focused on adding high dividend paying companies across the region. For example, we initiated positions in a global bank based in Hong Kong and a financial institution in South Korea, both paying a dividend yield of circa 4.5%. Conversely, we reduced the position in an Indian IT services and consulting company amid concerns over tight IT budgets and weaker software demand.

Within the fixed income sleeve, we selectively increased our allocation to investment grade credit amid elevated geopolitical uncertainty, while maintaining a broadly stable duration profile. We also remained active in the primary market to capture attractive new issue concessions and enhance carry.

At the end of the month, we held 70 equities and 72 fixed income securities. The equity portfolio yield was 2.9% (based on forward 12-month estimates), and the average fixed income coupon was 6.1% with an average credit rating of BB+ and average duration of 2.7 years.

Market Outlook

Markets were jolted in early March following the outbreak of hostilities in the Middle East. The majority of Asian companies have limited activity in the Middle East and, therefore, should not experience a significant direct impact on their operations. The bigger question relates to the impact of higher oil prices and supply disruption.

China is the main regional buyer of Iranian oil. While this is a relatively small part of China's overall energy consumption, supply via the Strait of Hormuz accounts for around half of China's oil imports. China has built up significant crude oil reserves in recent years and also has other domestic sources of energy supply. Therefore, unless the conflict leads to a sustained disruption in physical supply, the macro impact should be manageable. India is also a net oil importer, hence a sustained high oil price would weigh on the economy, and its strategic reserves are limited. At this stage, the situation remains uncertain.

For Allianz Life Asia Multi-IncomePLUS Fund:

Target Fund Manager's Comment (For Allianz Asian Multi Income Plus)

Looking beyond these near-term risks, we are optimistic on the outlook for Asia ex Japan equities. Economic policy is broadly supportive across the region. In China, we anticipate there will be further policy support as the housing market continues to weaken. We also expect Technology to remain a feature going forward.

On the fixed income side, a sustained rise in the price of oil would keep inflation expectations elevated. This keeps interest rates sticky towards the upside. In an environment where interest rates are rising and spreads are decompressing, we find absolute carry to be increasingly attractive. Coupled with geopolitical uncertainty, we prefer to lean towards quality, focusing on issuers with resilient balance sheets, stable access to funding, and predictable cash flow profiles. At the same time, Asia credit as an asset class remains structurally attractive. Unlike other markets, it is relatively insulated from AI-driven disruption and private credit concerns.

Collective Investment Schemes Fund Manager's Comment (For Maybank Malaysia Balanced-I Fund)

Market Review

Sukuk Market Review

Global government bond markets experienced heightened volatility in February. Amid escalating geopolitical tensions (particularly in the Middle East), 10-year U.S. Treasury yields showed outsized moves — including spikes with selloffs and flips into safe-haven rallies. Recent data show 10-year Treasuries dipping below ~4% on safe-asset demand, before rebounding amid risk repricing. While global yields faced upward pressure, Malaysian bonds remained supportive in February, anchored by steady monetary policy and a strengthening Ringgit.

Equity Market Review

Global equity markets stayed its rotation course as the theme AI continues to drive markets. This time around, AI use in coding/multi-modal caused a sell-off in software stocks while IT hardware stocks saw gains. Despite AI capex not seeing any let-up, share prices of the tech heavyweights i.e. Mag 7 was lukewarm as questions remain on the returns on this spending. Indeed, value and defensives outperformed the technology heavy weights. Nasdaq and S&P 500 both slipped with Dow Jones was flat while FTSE 100, Stoxx 50 and German Dax gained. The performance convergence also was played in Asia as hardware heavy Korea, Taiwan, and Japan surged 19.5%, 10.5%, and 10.4% respectively. Hong Kong and India declined 2.8% and 1.2% respectively.

Elsewhere, the US Supreme Court shot down the IEEPA tariffs but in typical Trump fashion hit back with 10% global tariffs (150 days expiry date) on the premise of balance of payments crisis, only to jack it up to 15% a few days later. Refunding the tariffs is said to be enforced but with US\$130bn in the coffers, we think this will be dragged on for a forceable future.

In commodities, Brent gained 2.5% to US\$72/bbl (pre attack on Iran). In precious metals on the hand, gold gained 7.9% to US\$5,279/oz, while Platinum was up 7.9% to US\$174. Hard metals were mixed, however, with copper gaining 1.4% to US\$13,344 while aluminium, nickel, zinc and iron Ore declined by 0.1%, 0.6%, 2.5% and 4.0% respectively.

Within the region, elections did provide catalyst as Thailand was outperformed, surging 15.3% end months of political uncertainty. This was followed by Philippines which gained 4.5%. Singapore had a decent 1.8% gain. Indonesia fell 1.1% as its MSCI status downgrade persists. Malaysia was the worst performer, declining 1.4%. The DYX gained 0.6% in February but the region fared better with the PHP, MYR, THB and IDR strengthen against the USD by 2.1%, 1.3%, 1.3% and 0.1% respectively.

As aforementioned, the KLCI fell 1.4% to 1,716.6pts on profit taking after surging in January, and on the return of geopolitical and tariff risks. 4Q25 GDP beat of 6.3% and the stronger MYR could not sustain the trajectory. Financials, consumer and the telecommunications took a beating while similarly, within the sub-indices, telecommunications, industrials and utilities were the main decliners. Top performers were in transportation, real estate and healthcare. For the case of healthcare, main gainers largely were on non-glove stocks e.g. IHH while within telecommunications, Telekom fell some 6% after reporting lower-than-expected profit on higher costs e.g. mobile network sharing costs, customer acquisition and employee expenses. The month also saw corporate earnings season, with companies reporting an improved beat-to-miss ratio. Broadly, healthcare (e.g. higher patient volumes) and transportation (e.g. lower costs) performed in line with expectations while disappointments came from consumer discretionary (e.g. higher costs and sales), telecommunications (e.g. higher costs) and exports (weaker US\$).

For the month, net foreign inflows amounted to just RM170m (US\$43m) sharp drop from Jan's RM1.1bn, cumulating to RM1.2bn on year-to-date basis. Within the region, Thailand had the biggest net foreign inflow for the month, amounting to US\$1.7bn, while Philippines and Indonesia had net buy of US\$144m and US\$21m respectively.

In macroeconomics, the manufacturing PMI rose to 50.2 in Jan 2026, said to be a 20-month high, indicating a sector improvement. Total trade rose to RM272.4bn in Jan 26 with exports rising 19.6% yoy to RM146.9bn while imports grew 5.3% yoy to RM12.5bn. Consequently, trade balance surplus stands at RM21.4bn. Perhaps not data specific, Petronas reported a 17.6% drop in net profit for FY25 and a 16.8% decline in revenue to RM266.1bn due to lower oil and petrochemical prices and declared a RM20bn dividend for 2026.

Collective Investment Schemes Fund Manager's Comment (For Maybank Malaysia Balanced-I Fund)

Market Outlook

Sukuk Outlook & Strategy

For 1H2026, capital flows into emerging markets (EMs), including Malaysia, are expected to remain supportive, underpinned by anticipated Fed rate cuts, a softer US dollar, and improving EM growth prospects. Nevertheless, external risks remain, particularly amid ongoing geopolitical tensions and global policy uncertainty, which may lead to more cautious investor positioning and periodic market volatility. More recently, the escalation of US-Iran military conflict in March 2026 has added near-term uncertainty through higher oil prices and heightened market volatility, although the direct spillover to domestic fixed income remains limited at this stage. Despite these external developments, Malaysia's relatively insulated domestic demand, resilient credit fundamentals, stable liquidity conditions, and orderly primary issuance pipeline continue to support the domestic sukuk market.

From a portfolio positioning standpoint, we continue to favor mid-tenor corporate sukuk that provide attractive yield premiums over government securities. We intend to maintain a duration stance that is neutral to moderately overweight, reflecting our slightly positive outlook on interest rates but remain cautious on the longer tenure given the expected increase in supply.

While we will tactically seek entry opportunities in government sukuk for trading purposes, our core allocation remains overweight in corporate sukuk to anchor the Fund's income generation. Corporate credits generally offer higher yields and exhibit lower price volatility, helping to cushion against potential mark-to-market fluctuations in the event of a correction in sovereign sukuk yields.

Our credit selection strategy focuses on high-quality AA-rated issuers and selective single-A rated issuers, which offer both yield enhancement and the potential for credit upgrades as the domestic economy continues to strengthen. We will remain active in the primary market to capture higher-yielding new issuances and will look to exploit value opportunities in the secondary market, particularly in oversold names.

Equity Outlook & Strategy

The month ended negatively with the escalation in the Middle East crisis as Israel with the assistance of the US attacked Iran. Iran launched retaliation attack on US military bases in the Gulf. An early drawn-out event is unlikely considering the attack had its Supreme Leader killed although that would be the best-case scenario. Already, as at writing, oil prices and its related products have spiked, together with gold prices. Certainly, investors are now looking at oil price movements as indicator of sentiment or perhaps a gauge the length of the conflict. Despite the OPEC+ already moving to increase production by 206,000/bbl/day, the price premium is still well and ongoing.

Indeed, the dramatic event unsurprisingly has led to investors into risk-off mode, with equally dramatic sell-down in equity markets. Our base case scenario is for the geopolitical landscape to be a short-term event. Geopolitical flare-ups do present a buying opportunity, on heavily sold-off stocks while favouring sensitive energy priced stocks. However, predicting the outcome let alone tenure of a military conflict is almost impossible to predict. But key to this idea is the extent of conflict as if dragged from weeks to months will point to a higher structure risks premium for the equity market.

As we weather through to the volatility, we are likely to prioritize earnings quality and defensive stocks. We turn slightly defensive, more inclined to defensive/dividend yielders to anchor the portfolio. We will also look opportunistically on value or stocks that we like that has been severely sold off.

For Allianz Life All China Equity Fund, Allianz Life All China Equity Fund (USD) and Allianz Life All China Equity Fund (MYR-Hedged):

Target Fund Manager's Comment (For Allianz All China Equity)

Market Review

The Fund outperformed the benchmark in February. Stock selection in the Materials and Energy sectors was the main contributor.

At a stock level, a key contributor was Yantai Jereh, China's largest independent oilfield equipment and service provider. The company has recently announced major gas turbine contracts in the US, confirming the potential for supplying power generation solutions to artificial intelligence (AI) hyperscalers. In addition, significant investment in areas such as advanced oilfield equipment, intelligent fracking systems and electric-driven shale gas solutions is, in our view, opening up new markets and supporting multi-year growth visibility.

Conversely, a detractor last month was Zhongji Innolight. The company makes high-speed optical transceivers which are an essential component for areas such as high-speed internet, cloud computing, and data centre communication. We see the share price pullback as profit taking after a strong rally. Innolight reported consistently strong results through the last year buoyed by healthy AI-related demand both in China and overseas. We have locked in some profits recently but the stock remains a core holding.

Market Outlook

The first two months saw a steady start to the year for China equities overall. The bright spot has been China A-shares where Technology and AI-related stocks have performed well. Offshore markets have slipped a little, with internet and ecommerce stocks notably weaker.

The pullback in the internet names has been for a combination of reasons. Partly it relates to market rotation towards new Technology listings in Hong Kong which are seen as purer-play AI firms. There have also been concerns about a less favourable regulatory environment – for example rumours of potential tax hikes – as well as macro softness pressuring consumer spending, and intense competition over the Lunar New Year period to attract users to consumer AI apps.

Markets were subsequently jolted in early March following hostilities in the Middle East. Again, there was more volatility in offshore markets which has been a recurring theme during periods of global instability.

The majority of Chinese companies have limited activity in the Middle East and therefore should not, in our view, experience a significant direct impact on their operations. The bigger question relates to the impact of higher oil prices and supply disruption. While oil from Iran is a relatively small part of China's overall consumption, supply from the Middle East overall via the Strait of Hormuz accounts for around half of China's oil imports. China has built up significant crude oil reserves in recent years, and therefore we do not see a near-term risk of oil shortages. However, at this stage the situation remains uncertain.

More broadly, energy supply is a topic we are likely to hear a lot more about in the upcoming Five-Year Plan, which will be discussed in detail during the National People's Congress this month. China became a net importer of oil in the mid-1990s. Since then, energy self-reliance has been a persistent national priority. This has driven a diverse set of policies from strategic stockpiles to domestic exploration, new pipelines, and a massive push into renewables and electrification as Beijing seeks to reduce vulnerability to external pressures.

A key priority is to make electricity the country's top energy source. As part of this, the goal is for renewables to overtake fossil fuels as the dominant driver of electricity generation, aligned with the twin targets of peak carbon emissions by 2030 and making the economy carbon neutral by 2060. To achieve this, investment in the electricity transmission grid will need to be significantly ramped up to make better use of huge amounts of underutilised wind and solar generation.

China already has by far the world's largest electricity grid, with significantly more installed power capacity than the US and European Union (EU) combined. Growing dominance in electricity production is seen as a key strategic foundation for future growth in a range of industries such as AI, semiconductors, autonomous systems, robotics, battery technology, and electric vehicles (EVs). These areas have already become a much larger part of China's stock markets, boosting the potential for long-term earnings growth and valuations.

For Allianz Life All China Equity Fund, Allianz Life All China Equity Fund (USD) and Allianz Life All China Equity Fund (MYR-Hedged):

Target Fund Manager's Comment (For Allianz All China Equity)

Recent portfolio activity has been to diversify our Technology exposure. A number of Technology names have performed strongly, taking valuations to somewhat stretched levels and increasing their contribution to portfolio risk above our usual levels. Overall, we maintain a preference for innovative companies with proven research and development (R&D) capabilities and an ability to capture and expand market share.

At month end, the Fund has around 43% in China A-shares. The portfolio continues to have relatively close-to-benchmark sector allocations, so that stock selection remains the key relative performance driver. At month end, the largest sector overweight is Industrials (+4.2%), while the largest underweight is Consumer Discretionary (-2.7%).

For Allianz Life Global Artificial Intelligence Fund, Allianz Life Global Artificial Intelligence Fund (USD) and Allianz Life Global Artificial Intelligence Fund (MYR-Hedged):

Target Fund Manager's Comment (For Allianz Global Artificial Intelligence)

Market Review

February was a more volatile month for global equity markets, with the MSCI All Country World Index (ACWI) posting a modest gain. Non-US equities outperformed its US counterparts. This driven in part by the underperformance of mega-cap Technology companies, which delivered solid earnings but concerns over rising capital intensity weighed on sentiment and drove the continued rotation towards cyclical stocks. Tariffs returned to focus after the US Supreme Court ruled against the Trump administration's use of emergency tariff powers. In response, the White House implemented a 10% global tariff. Geopolitical tensions also drew some attention, marked by a buildup of naval forces near Iran and culminating in a US and Israeli strike on the country at month-end.

From a sector perspective for the MSCI All Country World Index, Materials was the strongest performing sector amid a rally in gold and silver. Utilities was another outperformer given its more defensive profile. Communication Services and Consumer Discretionary were the top laggards over the month.

Regarding economic data, gross domestic product (GDP) expanded by 1.4% in Q4, below the 2.8% consensus expectation. Retail sales also missed estimates, remaining flat in December after increasing by 0.6% in November. Non-farm payrolls data showed that 130,000 jobs were added to the US economy in January, ahead consensus estimates of 70,000. More positively, the US unemployment rate continued to ease, falling from 4.4% in December to 4.3% in January. Meanwhile, headline inflation fell from 2.7% in December to 2.4% in January, which was cooler than expectations for 2.5%. It was a subdued month on the monetary policy front among the key central banks, as the Bank of England (BoE), European Central Bank (ECB), and the Bank of Japan (BoJ) left rates unchanged. The US Federal Reserve (Fed) did not meet in February.

Oil prices rose during the month, with Brent crude closing the month above USD 72 a barrel. Although crude prices eased early in the month, oil rallied amid growing fears of a US-Iran conflict, with the US increasing its naval presence in the Persian Gulf. Meanwhile, gold prices rallied after the sharp sell-off in January. Mounting US-Iran tensions was constructive for the precious metal, which closed the month near USD 5,300 an ounce.

During the period, the Fund outperformed versus the blended benchmark (50% MSCI ACWI Index/50% MSCI World Information Technology Index). From a sector perspective, Information Technology and Industrials were the largest contributors, while Financials and Communication Services were offsetting. Overall portfolio outperformance was driven by artificial intelligence (AI) infrastructure, with notable strength from our positions in optical networking and semiconductor manufacturing equipment companies. AI-enabled industries was also a contributor helped by our stock selection in the Industrials and Health Care sectors. On balance, AI applications underperformed as investor sentiment remains negative regarding the potential of AI coding agents being a headwind to broader software demand.

Contributors

Corning Inc. is a multinational materials science company that develops and manufactures specialty glass, ceramics, and related technologies for diverse applications. Shares outperformed, driven by strong demand for optical fibre tied to the expansion of AI data centres. Corning remains well positioned to benefit from an inflection in AI-driven data centre buildouts, which should support meaningful earnings growth for the company. Through its highly profitable Optical Communications segment, the company supplies high-performance fibre optic cables and systems that are critical to hyperscale AI infrastructure.

Ciena Corp. is a leading provider of optical networking systems, routing and switching solutions, and automation software. Shares were higher, reflecting improved demand for optical networking equipment driven by continued growth in AI infrastructure spending. Looking forward, the company is poised to benefit from strong optical networking spend associated with the AI infrastructure investment cycle, which we believe can drive upside revisions to the company's revenues and profits over the next year.

For Allianz Life Global Artificial Intelligence Fund, Allianz Life Global Artificial Intelligence Fund (USD) and Allianz Life Global Artificial Intelligence Fund (MYR-Hedged):

Target Fund Manager's Comment (For Allianz Global Artificial Intelligence)

Detractors

Morgan Stanley is a leading global financial services company with business segments that includes institutional securities, wealth management and investment management. Shares underperformed as the Financials sector contended with evolving concerns over AI disruption in the wealth management space. In longer term, we believe the company is well positioned to deliver products and services leveraging AI to enhance its various product offerings. Moreover, the company's earnings trajectory is also positioned to benefit from a recovery in capital markets, improved net interest income trends and controlled costs.

Our underweight position in technology hardware producer Apple Inc. was another relative detractor due to its significant weighting in the custom benchmark. Apple had an average 9.1% weight in the benchmark, while the Fund had an average exposure of 0.4%. The stock outperformed, helped by quarterly results that exceeded expectations, better iPhone 17 sales and a rebound in China revenue.

New Buys and Sells

A new name in the Fund, Merck & Co. Inc., is a leading global biopharmaceutical company. Its core businesses include human pharmaceuticals and animal health solutions. The company is leveraging AI to address bottlenecks in the traditional drug development process – where success rates remain low – potentially shortening the typical 10+ year timeline to bring new therapies to patients while maintaining rigorous scientific standards, with human oversight. We initiated a position as we believe shares provide an attractive risk-reward and the company's drug pipeline is improving.

Netflix Inc. provides a subscription-based video streaming service that integrates AI into many layers of its platform. This includes areas like user experience enhancements, streamlining film production and optimising distribution, which includes content localisation. We re-initiated a position as there has been a resolution to its acquisition pursuit on Warner Brothers Discovery. Instead, Netflix will benefit from a transaction breakup fee of USD 2.8 billion. We view Netflix shares as offering an attractive reward to risk at current levels.

We exited the position in Twilio Inc. as shares have been under pressure with the rest of software. While the company put up solid quarterly results, they were not strong enough to allay investor concerns about future AI impact.

We exited the remaining position in Shopify Inc. as we have been under pressure due to the company's software focused delivery. The overall software group has been under pressure due to fears related to the impact of AI coding agents on software business models. While we like Shopify on a longer-term basis, we chose to exit the name due to the sharp correction in shares and a lack of clarity when the negative sentiment regarding software may abate.

Market Outlook

As we look ahead to 2026 and beyond, we maintain a constructive outlook for equities. An improved economic and earnings growth backdrop across more sectors should drive a broadening out effect in the equity market. Many major central banks have cut interest rates or signalled future cuts to keep financial conditions supportive of economic growth. In the US, the Trump administration's pro-business agenda also provides tailwinds through tax cuts, deregulation, domestic investments, and manufacturing reshoring. These efforts should help stimulate growth for both consumers and corporations across more areas of the economy.

Regarding the ongoing conflict with Iran, market volatility could elevate should the situation escalate. Historically, these types of events typically led to sharp but short-lived corrections. The volatile backdrop could be an opportunity for the Fund to add to our highest conviction ideas to position the portfolio better when markets rebound. Our sector diversified approach also should help navigate a more volatile environment that includes exposure to more defensive areas such as Health Care, Consumer Staples, Energy, and Utilities.

The topic of an AI bubble has been a key area of focus for the media and many investors. In our view, it is too early to draw a conclusion. We think it is important to highlight that current valuations and capital intensity are materially lower than the dotcom bubble. Also, the AI capital expenditure cycle is being funded by some of the biggest and most profitable companies in the world. There are likely pockets of speculation with some data centre projects and private companies, and we may see period of digestion at some point in a few years.

For Allianz Life Global Artificial Intelligence Fund, Allianz Life Global Artificial Intelligence Fund (USD) and Allianz Life Global Artificial Intelligence Fund (MYR-Hedged):

Target Fund Manager's Comment (For Allianz Global Artificial Intelligence)

While the Technology sector may continue to perform well, we expect improved earnings growth from a wider set of companies across other sectors. This should lead to broader equity market participation, creating a healthier and more balanced environment compared to one dominated by a concentrated group of mega cap stocks. The Fund is designed to invest across a broad spectrum of technologies and industries embracing the disruptive power of AI. This includes sectors such as Financials, Health Care, Consumer, and Industrials that are beginning to see early benefits from AI. As earnings re-accelerate across more companies and sectors, we believe this creates compelling stock selection opportunities for our diversified AI investing approach.

From an innovation perspective, progress with AI development is accelerating as more powerful capabilities become readily available from this robust infrastructure buildout wave. We are beginning to enter the next wave, where AI pilots go into production. The advancements of AI-enhanced products or services can drive new levels of productivity, cost savings and revenue opportunities across industries. Given the transformative potential of AI investments, we believe profit margins may not simply hold steady but could in fact grow, supporting valuations for innovative companies that are investing now to disrupt the status quo.

AI infrastructure: The ongoing expansion of global AI data centres remains stronger than many investors appreciate, and concerns about capital spending are likely to persist as we climb the wall of worry. There are many bottlenecks to this new AI industrial revolution buildout, which continues to provide many compelling opportunities. Some key areas include accelerated computing chips, semiconductor manufacturing equipment, power production and power efficiency, and advanced networking.

AI applications: Over the next few years, AI applications and software will evolve from being helpful tools to a partner that acts on our behalf. We are moving away from the era of "static apps" toward a future of "collaborative autonomous agents" that can reliably act, remember context over time, and adapt to any situation. This new wave of intelligent applications should drive more automation, deliver significant efficiency gains, and open new monetisation opportunities. While the 2025 software spending environment has been mixed, we believe the backdrop could stabilise and improve in 2026.

AI-enabled industries: We are still in early stages of true AI adoption across industries. Innovative companies that have been early AI adopters are moving more pilot projects into production, accelerating financial and competitive benefits compared to their peers. We believe leading AI adopters in the Financial Services, Health Care, Industrials and Consumer sectors are beginning to see the early benefits of AI driving better financial results. These opportunities remain underappreciated by investors and represent an attractive area for alpha generation in our view.

The AI revolution is only beginning, and its trajectory promises to dramatically reshape the global economy. Recent advancements in AI demonstrated its potential, yet we are only in the early chapters of a much larger transformation that will gain momentum as innovation brings us closer to artificial general intelligence – potentially within the next decade. AI is rapidly redefining processes and competitive dynamics in every sector. In the next decade of AI, we believe more alpha generation may come from the companies that help enable AI transformation. The innovators in each industry will be ones that truly embrace AI to significantly boost productivity, reduce costs, and launch new products or services. Stockpicking will be essential to capturing the benefits of this opportunity, especially in an environment characterised by disruption and change. As we have done since the launch of the Fund almost a decade ago, our focus remains on identifying the innovative companies best positioned to leverage AI to deliver the most shareholder value creation over the long term.

For Allianz Life Oriental Income Fund, Allianz Life Oriental Income Fund (USD) and Allianz Life Oriental Income Fund (MYR-Hedged):

Target Fund Manager's Comment (For Allianz Oriental Income)

Market Review

Asia Pacific equities delivered strong returns in February. Japanese equities notched a series of record highs after Prime Minister Takaichi's Liberal Democratic Party (LDP) won a "supermajority" in the lower house snap election. She is expected to pursue a growth-oriented approach based around a more expansionary fiscal policy, as well as taking a more assertive approach to national security. Economic data in Japan was mixed with Q4 gross domestic product (GDP) slightly below consensus due to sluggish consumption. Annual headline inflation fell to 1.5% in January, the first time it has been below the Bank of Japan's (BoJ's) 2% target in 45 months.

Elsewhere, semiconductor stocks led Taiwan and Korea to fresh highs, the latter market also receiving a boost from the "value up" corporate governance programme. China A-shares also saw good gains with Tech/artificial intelligence (AI) leading the way, but offshore China equities were weaker. Australian equities finished the month higher. As expected, the Australian Reserve Bank reversed its monetary policy trajectory, hiking the benchmark cash rate by 25 basis points (bps) to 3.85%. India was more subdued, with information technology (IT) services companies impacted by the global AI/software shakeout.

The Fund underperformed the benchmark in February. Stock selection was the key driver, with some picks in Korea giving back gains amid the market volatility, especially within the Industrials and Technology sectors.

For example, a key detractor last month was a long-time Korean small cap holding that is a global leader in inspection equipment for consumer and auto electronics. The company received approval for its brain surgery robot from the US Food and Drug Administration (FDA) in 2025, allowing it to expand its medical device unit in the US health care market. We continue to see significant opportunities ahead for AI-powered inspection technology enabling real-time defect detection and process optimisation, along with other AI smart factory and medical robot capabilities.

Conversely, a top contributor was a Taiwan semiconductor testing and packaging firm whose advanced packaging business has become increasingly critical for AI applications, high-performance computing, and smartphones. The company announced strong Q4 earnings and an upbeat 2026 outlook. We see this business as a beneficiary of longer-term AI adoption and a market share gainer relative to the competition.

Portfolio changes have been limited over the last month. We have not made significant changes to the portfolio as a result of the Middle East situation and have no plans of doing so at this stage. However, we are monitoring markets closely for opportunities in the more volatile environment.

At a geography level, there are slight overweight positions in New Zealand and Taiwan, an outcome of stock selection. At a sector level, Industrials is a key overweight, including exposure to aerospace and defence companies. A significant proportion of the Fund remains invested in mid and small cap stocks, which can lead to shorter-term volatility but has historically been a key source of added value and an area where we believe we can find differentiated ideas that are mispriced.

Market Outlook

Markets were jolted in early March following the outbreak of hostilities in the Middle East. The majority of Asian companies have limited activity in the Middle East and, therefore, should not experience a significant direct impact on their operations. The bigger question relates to the impact of higher oil prices and supply disruption.

China is the main regional buyer of Iranian oil. While this is a relatively small part of China's overall energy consumption, supply via the Strait of Hormuz accounts for around half of China's oil imports. China has built up significant crude oil reserves in recent years and also has other domestic sources of energy supply. Therefore, unless the conflict leads to a sustained, multi month disruption in physical supply, the macro impact should be manageable. India is also a net oil importer; hence a sustained high oil price would weigh on the economy, and its strategic reserves are limited. However, our portfolio exposure to India is small. At this stage, the situation remains uncertain.

Looking beyond these near-term risks, we remain optimistic on the broader outlook for Asia Pacific equities. Economic policy is broadly supportive across the region. In China, we anticipate there will be further policy support as the housing market continues to weaken. We also expect Technology to remain a feature going forward. In our view, China's AI industry has passed a turning point and entered a more self-sustaining cycle of rising investment and higher profitability.

For Allianz Life Oriental Income Fund, Allianz Life Oriental Income Fund (USD) and Allianz Life Oriental Income Fund (MYR-Hedged):

Target Fund Manager's Comment (For Allianz Oriental Income)

As well as benefitting from global AI demand, structural drivers also remain in place for a more positive, longer-term outlook in Japan. In particular, the combination of higher inflation as well as ongoing governance reforms should contribute both to improved earnings as well as a greater focus on shareholder value. We also see the Japanese yen as significantly undervalued.

In this environment, we are looking for opportunities to add to stocks that have been overly punished in the market rotation. Companies with strong balance sheets, exposure to long-term structural trends, and a competitive edge remain in focus.

For Allianz Life Total Return Asian Equity Fund:

Target Fund Manager's Comment (For Allianz Total Return Asian Equity)

Market Review

Asia ex Japan equities delivered strong returns in February. At first, regional indices felt the global artificial intelligence (AI) jitters before rising after the US Supreme Court ruled that President Donald Trump's reciprocal tariffs were invalid. US-Iran tensions also played in the background throughout the month.

In this environment, semiconductor stocks led Taiwan and Korea to fresh highs, the latter market also receiving a boost from the "value up" corporate governance program. China A-shares also saw good gains with Tech/AI leading the way, but offshore China equities were weaker. As usual, there were few official economic data releases during the month due to the Lunar New Year holiday period. The India equity market was more subdued, with information technology (IT) services companies impacted by the global AI/software shakeout. Among ASEAN markets, Thailand generated robust gains after the ruling Bhumjaithai Party's victory in the snap general election signalled an end to the political turmoil and boosted risk appetite.

The Fund outperformed the benchmark in February. Stock selection in China was the main contributor. From a sector standpoint, Information Technology stocks were among the top performers.

Our overweight position in large-cap memory chipmaker from Korea, Samsung Electronics, continued to be a top contributor this month. Samsung has made great advances from being a traditional memory supplier and its share price has rallied on the back of surging demand for high-performance AI memory chips. We believe longer-term demand related to AI applications will continue to accelerate the need for high bandwidth memory, where Samsung is a key global provider.

Conversely, China internet and ecommerce players were a source of relative weakness. Both Alibaba and Tencent sold off along with broader fears around front-loaded AI and cloud capital expenditure (capex), with uncertain monetisation benefits further out. Alibaba's scale as an ecommerce giant, along with further growth verticals across its AI and technology ecosystem, especially AliCloud, remain attractive for future growth, in our view. Meanwhile, Tencent's leading position in internet gaming and social media, particularly its unique WeChat ecosystem and global gaming assets, position the business to benefit from further AI applications in gaming, advertising, fintech, and cloud.

During the month, most of the portfolio activity took place in China. We added Suzhou TFC Optical Communication, for example, a leading optical components and optoelectronic packaging company supplying the global AI, data centre, and telecom ecosystem. We also added a non-benchmark position from the Energy sector in Australia, Santos, which plays directly into Asian liquified natural gas (LNG) demand, especially from Japan, South Korea, and Southeast Asia, due to their long-term energy security needs.

Otherwise, we have not made significant changes to the portfolio as a result of the Middle East situation and at this stage, have no plans of doing so. However, we are monitoring markets closely for opportunities in the more volatile environment. Geography and sector allocations remain relatively close to benchmark. The portfolio is overweight in China and underweight in India. At a sector level, Communication Services and Energy are the primary overweight positions, while Industrials and Utilities are underweight. Top names in the portfolio at month-end were TSMC, Samsung, and Tencent.

Market Outlook

Markets were jolted in early March following the outbreak of hostilities in the Middle East. The majority of Asian companies have limited activity in the Middle East and, therefore, should not experience a significant direct impact on their operations. The bigger question relates to the impact of higher oil prices and supply disruption.

China is the main regional buyer of Iranian oil. While this is a relatively small part of China's overall energy consumption, supply via the Strait of Hormuz accounts for around half of China's oil imports. China has built up significant crude oil reserves in recent years and also has other domestic sources of energy supply. Therefore, unless the conflict leads to a sustained, multi-month disruption in physical supply, the macro impact should be manageable. India is also a net oil importer, hence a sustained high oil price would weigh on the economy, and its strategic reserves are limited. At this stage, the situation remains uncertain.

For Allianz Life Total Return Asian Equity Fund:

Target Fund Manager's Comment (For Allianz Total Return Asian Equity)

Looking beyond these near-term risks, we are optimistic on the outlook for Asia ex Japan equities. Economic policy is broadly supportive across the region. In China, we anticipate there will be further policy support as the housing market continues to weaken. We also expect Technology to remain a feature going forward. In our view, China's AI industry has passed a turning point and entered a more self-sustaining cycle of rising investment and higher profitability.

In this environment, we are looking for opportunities to add to stocks that have been overly punished in the market rotation. Companies with strong balance sheets, exposure to long-term structural trends, and a competitive edge remain in focus.

For Allianz Life Global Income Fund:

Target Fund Manager's Comment (For Allianz Global Income)

Market Review

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%.^

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.

For Allianz Life Global Income Fund:

Target Fund Manager's Comment (For Allianz Global Income)

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.# 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%^, 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.

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

Target Fund Manager's Comment (For Allianz Thematica)

Market Review and Outlook

February was another turbulent month for global equity markets, with the MSCI All Country World Index (ACWI) posting a modest gain. Stocks rallied after the US Supreme Court overturned the Trump administration's emergency tariffs. The evolving situation in the Middle East also buffeted sentiment, culminating in joint US-Israeli attacks against Iran and reports that Supreme Leader Ayatollah Ali Khamenei had been killed. Tehran unleashed deadly retaliatory strikes against Israel and US allies across the region, while Russia's bombardment of Ukraine and its power grid continued, even as the second round of US-brokered peace talks took place in Abu Dhabi.

Overall, Japan finished in front, with stocks buoyed by Prime Minister Sanae Takaichi's election victory. The UK was next, bolstered by a slew of better-than-expected data prints, followed by Europe. The US brought up the rear with a broadly flat return. Once again, emerging markets significantly outperformed their developed market peers. Turning to the MSCI ACWI, Materials and Utilities were the strongest sectors, followed closely by Energy and Consumer Staples. Less positively, Communication Services, Consumer Discretionary and Information Technology stocks delivered negative returns.

It was a subdued month on the monetary policy front among the key central banks. The Bank of England (BoE) and European Central Bank (ECB) both held their respective benchmark borrowing rates steady at 3.75% and 2.0% respectively, as widely anticipated. Likewise, the Bank of Japan (BoJ) held rates at 0.75% and the People's Bank of China (PBoC) left the loan prime rates unchanged for the ninth consecutive month. The US Federal Reserve (Fed) did not meet in February, although market participants do not anticipate further easing before the end of Fed Chair Jerome Powell's term in May. In currency markets, the US dollar rose early on after the US Senate agreed a deal to avoid another protracted federal government shutdown.

Oil prices rose in February, amid growing fears of a US-Iran conflict, with Washington continuing to bolster its naval presence in the Persian Gulf and Tehran conducting live military exercises in the Strait of Hormuz, a vital shipping lane in the region. Meanwhile, gold prices rallied after the sharpest sell-off since 1983 as mounting US-Iran tensions triggered a flight to safety, with the yellow metal closing February near USD 5,300 an ounce.

The Fund returned positively (in EUR, gross of fees) in February, underperforming the MSCI AC World Index. Sector allocation was in fact a meaningful positive contributor to performance over the course of the month. Performance benefited from the strong overweight to Industrials and Utilities and the underweight to Communication Services. The positive impact from sector positioning was however more than counterweighed by the negative impact from stock selection. Whilst selection was positive within Information Technology, it detracted across the other sectors, most notably within Financials, Industrials and Health Care.

Theme-wise, Digital Finance was the main detractor. Also, stocks from the MSCI AC World Index that were not held in the portfolio and not classified to a theme resulted in a meaningful negative impact on performance. The themes Electrification, AI Adoption, and Clean Water and Land were positive contributors.

On single stock level, the positions in water-related companies Halma, Advanced Drain Systems and United Utilities, and electrification-related companies Quanta Services, Vertiv and Schneider Electric were amongst the most significant positive contributors. Robotics-names Ubtech, Boston Scientific and Dassault Systems, and finance-names S&P Global, American Express and Banco Bilbao Vizcaya Argentaria (BBVA) belonged to the most significant detractors.

For Allianz Life Elite Income Fund, Allianz Life Elite Income Fund (USD) and Allianz Life Elite Income Fund (MYR-Hedged):

Target Fund Manager's Comment (For PIMCO GIS Income Fund (Accumulation))

Market Review

Risk assets delivered broadly positive returns in February, supported by strengthening global growth indicators, cooling inflation across most major economies, and falling developed market bond yields. In the U.S., headline CPI slowed to 2.4% y/y in January. Unemployment in the U.S. also fell to 4.3%, down from 4.4% in December. In the U.K., inflation eased to 3.0% in January, in line with market expectations. In the Euro Area, inflation decelerated below the central bank target as headline inflation fell to 1.7%, a 16-month low.

Fixed income markets posted positive performance in February amid ongoing geopolitical and trade uncertainty. In the U.S., the 10-year Treasury yield fell 30bps to 3.94% as markets brought forward expectations for further Fed rate cuts following GDP and inflation releases. Outside of the U.S., the U.K. 10-year Gilt eased by 29bps to 4.23% following weak labor market data reinforcing expectations for near-term monetary easing. At the same time, Japan's 10-year JGP eased by 13bps to 2.12% following an easing in fiscal fears following the snap election.

Developed-market equities rose 0.8%, as market performance continued to broaden outside the U.S. Meanwhile, Emerging Markets equities outperformed developed markets, returning 5.5%, driven by Asian manufacturers and Latin American commodity exporters benefiting from the AI-capex cycle. Within credit, U.S. and Euro investment grade spreads widened 10bps and 8bps, reaching 85bps and 81bps, respectively. Meanwhile, high yield spreads in the U.S. and Euro area widened 22bps and 6 bps, reaching 310bps and 282bps, respectively.

During the month, the PIMCO GIS Income Fund returned 1.09% after fees (in USD, for the Institutional class, Accumulation share), bringing YTD '26 performance to 1.70%.

Target Fund Manager's Comment (For BGF World Healthscience Fund)

Market Review and Outlook

Market:

- Global equities were mixed in February. The MSCI ACWI rose by just under 1% while the Nasdaq 100 fell -3.9% and the S&P 500 dipped by -1.4%. The relatively muted range of the S&P 500 for most of the month gave way to heightened volatility as the month closed following a breakout of tensions in the Middle East.
- February closed with mixed sector dynamics. Utilities led sector returns with a 10.4% monthly gain followed by Energy up 9.5% and Materials up 8.4%. As risk premia rose, Consumer Staples fared well too, rising 7.8% for the month and Health Care followed suit, up 3.5%. The worst performing sector was Financials, which tumbled -3.8% and Technology also struggled, down -3.6% for the month.
- The U.S.-Iran conflict muddied the Federal Reserve's interest-rate path, with rising oil prices and inflation uncertainty prompting policymakers to reconsider the pace and direction of future rate moves. Some officials suggest that rate cuts may be delayed or even reversed if inflationary pressures persist.
- Corporate earnings growth remains uneven in early 2026, with technology and communication services continuing to drive a disproportionate share of overall gains, while many smaller companies are exhibiting more modest momentum. That said, broader forecasts still indicate positive earnings growth across all sectors for the full year.
- In February, the EURO STOXX 50 index reached a 52-week high of 6,173 near the end of the month. After a strong February, concerns in the Middle East also weighed on European share price by month-end.
- Asia-Pacific equities generally rose throughout February, extending a strong start to the year driven by sustained investor appetite, particularly in technology, semiconductors, and AI-linked stocks. The Nikkei 225 trended higher most of the month, hitting multi-year record levels while South Korea's KOSPI had an extremely strong February, breaking above 6,000.

Stocks:

- An underweight position in Novo Nordisk was the largest contributor to relative returns at the individual stock level. The pharmaceutical firm's shares were pressured after the company guided to a year-over-year decline in 2026 sales, citing U.S. pricing pressure, intensifying competition, and patent-related dynamics.
- An overweight position in AstraZeneca also contributed to relative returns, as shares rose following after the company reported strong 2025 performance and reiterated confidence in continued growth, with investors highlighting durable demand across drug franchises.
- An underweight position in GSK was the largest relative detractor at the individual security level, its stock rose after reporting positive full year results and providing 2026 guidance, with investors highlighting the strength of its specialty medicines performance and steady vaccines business.
- An overweight position in Medtronic also detracted from relative performance, as shares fell due to investors taking profits.

For Allianz Life World Healthscience Fund and Allianz Life World Healthscience Fund (MYR-Hedged):

Target Fund Manager's Comment (For BGF World Healthscience Fund)

Changes:

- During the month, the fund increased its exposure to the pharmaceuticals subsector. In contrast, the fund reduced its exposure to medical devices & supplies companies.
- At the individual security level, the fund initiated a position in pharmaceuticals company GSK. Furthermore, the fund increased its exposure to Teva Pharmaceuticals. Both changes were due to each company's strong fundamentals.
- Conversely, the fund reduced its position in health care equipment company Medtronic, locking in profits. The fund also reduced its position in life sciences tools & services company Thermo Fisher, after weaker than expected growth.

Key Positioning & Outlook:

- We continue to expect a high degree of stock dispersion in the sector driven by increasing scientific innovation, emerging technologies and policy shifts underscoring a flexible approach to investing across the sector while emphasising scientific attributes at the company level.
- Since Pfizer reached an agreement with the Trump administration on September 30 under the Most Favoured Nation (MFN) Executive Order, several other pharmaceutical companies have followed suit. These developments have provided much needed clarity on the policy front, easing the overhang that has persisted since the MFN announcement in May. With increased clarity, investors can refocus on the sector's stable underlying fundamentals. With the sector still trading at discount to the broader equity market, we believe the risk/reward profile remains attractive.
- Over the long-term, secular drivers for the sector remain in place; firstly, aging demographics in both developed and developing countries and secondly, innovation in medical science and technology. The combination of these secular trends, with favourable valuation creates an attractive long-term investment opportunity.

Target Fund Manager's Comment (For BGF ESG Multi-Asset Fund)

Market Review and Outlook

Market Review:

- February saw markets navigate renewed geopolitical and trade uncertainty. Economic data remained resilient, in the US, growth indicators remained firm with solid employment data and improving manufacturing activity. However, slightly stronger inflation prompted investors to temper expectations for near-term Federal Reserve rate cuts. Trade policy re-emerged as a key theme after the US Supreme Court ruled against certain previously imposed tariffs. A new temporary tariff framework was subsequently announced, while the EU paused ratification of its trade agreement with the US. Geopolitical tensions also escalated, culminating in US and Israeli strikes on Iran at month-end.
- Equity performance diverged by region. US equities edged lower, weighed down by weakness in large-cap technology and software stocks. Renewed debate around AI competition, labour market disruption and earnings expectations contributed to the pullback. In contrast, European, Japanese and emerging market equities closed the month higher, with Japan reaching new highs following political clarity from its snap election.
- Government bond returns were positive in both the US, Europe and Japan. The rally came despite firmer inflation readings, and a repricing of near-term rate cut expectations. Investors appeared to balance resilient growth data with geopolitical risks and evolving trade uncertainty. Credit markets were also broadly positive, with investment grade credit outperforming high yield.
- Elsewhere, gold extended its strong upward trend, recording another consecutive monthly gain. The move was supported by falling yields, geopolitical uncertainty and continued demand for defensive assets. Meanwhile, silver experienced significant volatility throughout the period but ultimately closed higher by the end of the month.

Performance:

- The ESG Multi-Asset strategy generated a positive return over the month. Developed market equities were the primary driver, complemented by contributions from investment grade credit, precious metals, cash and FX positioning. Government bonds and listed alternatives were modestly additive, while tactical emerging market equity exposure detracted.
- Within equities, returns were driven by selective exposure to structural "mega forces", notably Gold Miners, Safety & Security, Sustainable Energy and the newly introduced Industrial Capacity and Metals Security baskets, which benefited from the rotation away from crowded AI trades into more cyclical market segments. Tactical call options on UK equities and European basic resources further enhanced performance amid broadening market leadership. Our diversified approach to allocating across the AI stack proved resilient overall, with the more defensively titled Robotics basket and the tactical AI Overreaction basket helping to offset weakness in selected enterprise software and AI ecosystem holdings. Constructive positioning in Japan added value. The Systematic Active Equity strategy outperformed through breadth and diversification, while the more concentrated Global Unconstrained strategy, reflecting its constructive AI positioning, faced headwinds.
- In fixed income, the investment grade credit allocation and exposures to US, Australian and German government bonds contributed positively as yields declined. However, short positioning at the long end of the US and European yield curves detracted as rates rallied.
- Gold as well as precious metals options continued to provide effective diversification despite a firmer US dollar backdrop.

Target Fund Manager's Comment (For BGF ESG Multi-Asset Fund)

Positioning:

- February marked an active recalibration of the portfolio in response to the rapid repricing of AI risk and the broadening of market leadership. Overall equity beta was maintained broadly unchanged and remains marginally overweight relative to the risk benchmark; however, we implemented significant changes to the composition of the equity allocation. Exposure to asset-light, disruption-sensitive growth segments was reduced, including the closure of our Enterprise Technology basket, while retaining selective AI exposure across the AI stack. Concurrently, we increased cyclical hard-asset exposure through options on banks, materials and UK equities, expressing this shift in a capital-efficient manner appropriate for a higher volatility regime. We also launched a tactical AI Overreaction basket to capture potential rebounds in oversold names and strategically added Industrial Capacity and Metals Security baskets aligned with reshoring, electrification and supply-chain resilience. Core exposure to Sustainable Energy was maintained. Regionally, we further diversified beyond the US, with increased conviction in Japan, the UK and selective emerging markets.

- Within fixed income and currencies, we maintained a short-duration bias in a range-bound rates environment and reduced credit exposure given tight spreads and asymmetric risk. FX positioning balanced a structural cautious stance on the US dollar with shorter-term market dynamics.

- Overall, the portfolio remains positioned to navigate elevated volatility and dispersion through active allocation and disciplined risk management, combining tactical agility with strategic alignment to the ongoing structural transformation in global markets.

Market Outlook:

- Recent developments in the Middle East have led us to adopt a more cautious stance on risk assets. While the joint US Israel operation against Iran has so far elicited a relatively muted market response, we believe the risk of a more prolonged and disruptive conflict is not fully reflected in asset prices. The direct and indirect consequences remain difficult to quantify, though the most obvious transmission mechanism for markets is through higher oil prices. Sustained disruption around the Strait of Hormuz could push oil sharply higher which would have material implications for growth and inflation.

- From a structural perspective, we remain constructive on equities, supported by economic resilience, sustained capital investment and the continued adoption of artificial intelligence, all of which underpin medium-term earnings growth. However, near-term geopolitical and macroeconomic uncertainty calls for a more measured approach, as a protracted conflict could weigh on sentiment and valuations.

- In fixed income, concerns around rising inflation have led to a continued negative stance on duration. Additionally, elevated geopolitical and macroeconomic risks raise the prospect of increased fiscal spending, particularly on defense, reinforcing upward pressure on yields. Credit spreads remain tight and offer limited compensation for late-cycle and geopolitical risks.

- In currencies, recent developments have led us to adopt a more constructive tactical stance on the US dollar. While we expect structural factors to weigh on the dollar over the long term, heightened geopolitical uncertainty has reinforced its role as a safe-haven asset, which may provide near-term support. Resultingly, we are looking for opportunities to tactically reduce our short dollar positioning to reflect the evolving risk environment.

- Precious metals continue to serve as an important geopolitical hedge. We recognize that during periods of acute market stress they can experience heightened volatility and, at times, move in tandem with broader risk assets. Nevertheless, we retain strong conviction in gold as the primary safe-haven asset.

- In this environment of heightened uncertainty, structural change and increasing dispersion across regions and asset classes, we believe a dynamic and diversified approach to portfolio construction is essential. Actively adjusting exposures, broadening sources of return and maintaining flexibility across equities, fixed income and real assets can help portfolios navigate evolving macroeconomic, policy and geopolitical risks, while positioning clients to capture opportunities as market leadership and economic cycles continue to diverge.

For Allianz Life Income and Growth Fund and Allianz Life Income and Growth Fund (MYR-Hedged):

Target Fund Manager's Comment (For Allianz Income and Growth)

Market Review

Convertible securities and high yield bonds finished higher in February, while large-cap equities closed lower. 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%.

Top contributors in February were led by Lumentum, which reported a strong beat-and-raise quarter on significant artificial intelligence (AI) related demand. Several other holdings, including Western Digital, a semiconductor manufacturer, and multiple positions with power generation exposure, also benefitted from data centre investment tailwinds. A pharmaceutical distributor exhibited solid execution across all business segments, and an industrial services provider reported robust order growth. The other top contributors were Welltower on better-than-expected profitability forecasts, and a utility operator on potentially easing regulatory scrutiny.

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, an energy storage provider declined after missing top-line expectations, and an online home goods retailer fell on margin headwinds. The other top detractors were a satellite telecom operator, and an energy component supplier well positioned to execute on centrifuge buildout plans.

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

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

Market Outlook

2026 US economic growth could surpass that of 2025. 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.

For Allianz Life Income and Growth Fund and Allianz Life Income and Growth Fund (MYR-Hedged):

Target Fund Manager's Comment (For Allianz Income and Growth)

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 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 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 strategy is a client solution designed to provide high monthly income, the potential for capital appreciation, and less volatility than an equity-only fund.

Target Fund Manager's Comment (For BGF Global Unconstrained Equity)

Market Review and Outlook (Oct - Dec 2025)

(Target Fund Manager only produces commentaries on quarterly basis)

Market Review:

The market delivered solid headline returns and the Q3 reporting season offered impressive evidence of growth, particularly in the US. Generally, commodity and consumer sectors delivered weaker results while technology and financials performed well. Within technology, all eyes were on the hyperscale's to gauge current compute demands and the outlook for investment in AI-infrastructure. Growth did not disappoint among the three largest cloud providers: AWS delivered its fastest growth in 11 quarters (+20% revenue YoY); Azure's revenue growth stood at 39% YoY, 2% ahead of consensus; and growth at Google Cloud accelerated to 34% YoY. Their parent companies, Amazon, Microsoft and Google, all also made clear the importance of ensuring that capex is sufficient to meet growing demand which could support continued strong momentum across the AI investment stack.

Despite this, the quarter was not without the now typical volatility we've seen YTD, with some of this driven by Oracle (not owned) pushing back the completion dates for some of the leading-edge data centres it is developing. This contributed to a mini rotation in December with healthcare emerging as the best performing GICs sector for the quarter. Elsewhere, metals and mining, banks and semiconductors continued their strong run.

The underperformance of quality has proved a headwind to portfolio performance but has also presented opportunities to add new names to the portfolio at what we hope will prove an opportune time. In Q4, this included RELX which has been one of Europe's most consistent compounders over the 30 years with vast, hard-to-replicate, proprietary datasets in various professional fields. The company is arguably better positioned than ever: it has invested in building better tools for users which is driving both seat growth and pricing. The company's largest division, Risk, provides data analytics, fraud prevention and identity verification and is seeing strong structural growth. Its Science and Legal divisions have high recurring revenue (80%+). As a result of some market concerns over the potential for disruption by AI, the FY2 P/E has de-rated by 25% over the course of a few months (from 28x in August to 21x when it was added to the portfolio). This was an opportunity to initiate a position in a name that we have known for years at an attractive valuation, and for which we don't subscribe to the AI-disruption thesis: not only this would only potentially affect only ~15% of the business, but also that part of the business benefits from proprietary data which an AI provider cannot easily replicate.

We also added a new position in Robinhood. This founder-run business was the first platform to offer commission-free trading and the first to tokenise private assets which, together with offering fractional shares, is helping expand access for retail investors. These innovations, in addition to others like predication markets, are supporting rapid growth: the number of funded customers has grown roughly 10% in the last year while assets under custody grew 119% over the same period as the company focus on recruiting higher net worth users via programmes such as Robinhood Gold, a premium subscription service which offers features like higher instant deposits and professional research. This is one avenue by which the company is diversifying its revenue streams although transaction-based revenues (payment for order flow and cryptocurrency trading) and net interest revenues (interest on cash balances, securities lending and margin loans) still comprise the bulk of the company's top line. The company's journey from a single-product trading app to a scalable diversified financial platform resulted in the company turning profitable in 2024 and margins could expand further given the limited incremental cost of adding new users. Additionally, regulatory changes including the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act, signed into law in July 2025, may support growth in crypto-currency markets. Robinhood has an estimated 30% share of the US retail crypto-trading market, and the recent acquisition of Bitstamp demonstrates the company's efforts to build its presence both internationally and within the institutional channel.

Lastly, we added a new position in consumer business Hasbro. Founded in 1923, Hasbro is perhaps best known for its flagship toy brands including Play-Doh and NERF, as well as for being the maker of classic board games like Monopoly and Cluedo. But today, around 85% of the company's earnings are driven by "Magic: The Gathering" (MTG), a collectible trading card game, blending strategic gameplay, fantasy lore and card collecting. Played in game stores and online platforms, Hasbro estimate that the game has reached over 50 million fans to date across more than 150 countries and report that two thirds of customers have been playing the game for over three years, including one third of customers who have over ten years of experience. The player base has exhibited steady growth and strong retention, with revenue driven by the release of 6-7 new card sets a year. This includes standard sets featuring original Magic lore and the "Universe Beyond" (UB) series which use external IPs from video games or films for example. These external IP sets help broaden the audience and deepen engagement. For example, in 2025 the UB Final Fantasy release broke all records as the highest-grossing set of all time highlighting the continued strong momentum in the game.

Target Fund Manager's Comment (For BGF Global Unconstrained Equity)

Hasbro is also investing in video games with a strategy to release one to two marquee in-house games each year. "Exodus", a new science-fiction role-playing game expected to launch around 2027, is the company's first major attempt at a self-published AAA franchise, and while investment and depreciation here is a material headwind near-term, this is appropriately modelled in consensus forecasts and offers the potential for positive surprise in outer years should the first release be well-received. Overall, we believe the company's embedded customer relationships in MTG could drive continued compound growth. The company itself guides for mid-single digit revenue growth with 50-100bps of margin expansion per year and, as at the end November, was trading on an undemanding 15.5x earnings (FY2). That looks particularly attractive in the context of where some of its peers are trading: for example, Games Workshop (not owned) in the UK was trading at 31x at the end of December.

These new purchases were funded from the aforementioned sale of Intuitive Surgical and the disposal of Hilton. Hilton has proved resilient against a difficult backdrop for the hotel industry and rallied on Q3 results as the company upgraded its FY EBITDA guidance. We used this as an opportunity to move on: revenue per available room (RevPar) trends for the industry have not inflected in the way we expected, despite a long history of tracking inflation. We see a risk that persistently weak RevPar will impact new unit growth (NUG) in time, or greater concessions might be needed to deliver that growth, which is a key component of our long-term investment case for Hilton.

Outlook:

2025 was an unusual year for equity markets: the strength of returns surpassed long-term average and yet market concentration climbed to all-time highs as growth was confined to just a few select sectors. Additionally, the year was notable for the underperformance of quality stocks with multiple proven, profitable businesses materially de-rating even when backed by solid fundamentals. From an earnings perspective we expect 2026 to be a year of continued economic expansion, consistent with a mid-cycle environment, albeit likely remaining relatively concentrated. 2026 consensus estimates for the Mag 7 still exceed those of the remaining 493 stocks in the S&P 500 Index, and remain higher for the US than for Europe in aggregate. Of course, a significant change in the interest rate environment could support various depressed cyclical industries. That being said, many of the sectors posting the strongest growth in 2025 benefit from multi-year structural tailwinds that look set to continue. The outlook for AI remains less certain given pace at which the industry is developing but, as noted above, demand for Cloud services and commitments to training ever more powerful models appear well-underpinned for now, although we continue to refine our views on this topic as new information comes to light.

We expect volatility to remain, in part due to market concentration, but also given elevated geopolitical uncertainty. The highly changeable environment has necessitated more change to the portfolio in the last twelve months. These changes aided relative returns by 3.5% over the year and, we believe, position us well to capture the long-term opportunity set from here. While the extreme environment of 2025 could persist, an interesting opportunity may now be building for quality growth stocks given current valuations levels and long-term growth potential: over time, share prices will be driven by the earnings and dividends companies deliver. Our process continues to seek those businesses which can sustain and compound attractive earnings growth over the long-term, believing these are frequently underappreciated by a market which is increasingly responding to short-term newsflow and narratives.

Target Fund Manager's Comment (For BGF World Technology Fund)

Market Review and Outlook

Performance Overview:

- The BGF World Technology Fund returned -2.92% in February (net of A2 fees, USD), underperforming its benchmark, the MSCI ACWI IT 10/40 Index, which returned +0.04%.

Market:

- Global equities were mixed in February. The MSCI ACWI rose by just under 1% while the Nasdaq 100 fell -3.9% and the S&P 500 dipped by -1.4%. The relatively muted range of the S&P 500 for most of the month gave way to heightened volatility as the month closed following a breakout of tensions in the Middle East.
- February closed with mixed sector dynamics. Utilities led sector returns with a 10.4% monthly gain followed by Energy up 9.5% and Materials up 8.4%. As risk premia rose, Consumer Staples fared well too, rising 7.8% for the month and Health Care followed suit, up 3.5%. The worst performing sector was Financials, which tumbled -3.8% and Technology also struggled, down -3.6% for the month.
- The U.S.-Iran conflict muddied the Federal Reserve's interest-rate path, with rising oil prices and inflation uncertainty prompting policymakers to reconsider the pace and direction of future rate moves. Some officials suggest that rate cuts may be delayed or even reversed if inflationary pressures persist.
- Corporate earnings growth remains uneven in early 2026, with technology and communication services continuing to drive a disproportionate share of overall gains, while many smaller companies are exhibiting more modest momentum. That said, broader forecasts still indicate positive earnings growth across all sectors for the full year.
- In February, the EURO STOXX 50 index reached a 52-week high of 6,173 near the end of the month. After a strong February, concerns in the Middle East also weighed on European share price by month-end.
- Asia-Pacific equities generally rose throughout February, extending a strong start to the year driven by sustained investor appetite, particularly in technology, semiconductors, and AI-linked stocks. The Nikkei 225 trended higher most of the month, hitting multi-year record levels while South Korea's KOSPI had an extremely strong February, breaking above 6,000.

Sectors:

- Meta and AMD announced a multi-year partnership to power Meta's next generation of AI infrastructure with up to 6GW of AMD Instinct GPUs, aligning silicon, systems and software roadmaps to accelerate large-scale AI deployments. The collaboration spans multiple GPU generations and custom hardware optimized for Meta's workloads, and punctuates the broader industry push to diversify compute stacks and scale AI with enterprises.
- Google launched Gemini 3.1 Pro, a major upgrade to its flagship AI model, positioning it for complex reasoning tasks in science, research and engineering workflows. The preview release significantly improved benchmark performance, more than doubling prior scores on key reasoning measures, and reinforced Google's strategy of advancing large-model capabilities for practical, mission-critical applications across enterprise and developer ecosystems.
- OpenAI raised a record-breaking \$110 billion in private funding, led by Amazon, Nvidia and SoftBank, making it one of the largest single funding rounds in history. The investment is aimed at accelerating global deployment of frontier AI technologies, scaling infrastructure, and expanding partnerships, including AWS as the exclusive third-party cloud provider for OpenAI's Frontier platform.

For Allianz Life Global Balanced Income and Growth Fund and Allianz Life Global Balanced Income and Growth Fund (MYR-Hedged):

Target Fund Manager's Comment (For PIMCO GIS Balanced Income and Growth Fund)

Market Review

Equity Market:

- The MSCI ACWI Index closed February with a gain of 1.3%, supported by strong performance outside the U.S. amid a continued rotation away from mega cap growth stocks. In the U.S., the S&P 500 Index declined 0.8%, weighed down by weakness in large cap technology and software amid hotter than expected inflation data and heightened scrutiny of AI monetization. European equities¹ rose by 4.1% as investors favored regions less exposed to concentrated U.S. technology risk.
- Emerging market equities² gained 5.5%, supported by improving earnings expectations, declining global bond yields, and a rotation toward non-U.S. assets. South Korea's KOSPI Index³ advanced 19.7% on strength in semiconductor and memory chip stocks tied to AI infrastructure demand. Chinese equities⁴ fell 7.0% amid persistent concerns around weak domestic demand, property sector adjustment, and limited near term policy support.

Bond Market:

- Developed market sovereign bond yields were broadly lower in February, as investors rotated into fixed income amid elevated geopolitical risks and trade uncertainty. The U.S. 10- and 30-year Treasury yields fell 30 bps and 26 bps to 3.94% and 4.61% respectively, amid AI-related concerns and moderating inflation. In Europe, the German 10-year Bund yield declined 20 bps to 2.64%, while the U.K. 10-year gilt yield fell 29 bps to 4.23%, reflecting similar global risk-off sentiment amid cooling growth and inflation. In Japan, fiscal concerns eased following February's snap election, with greater policy predictability contributing to a 13 bp decline in the 10-year JGB yield to 2.12%.
- Global IG credit posted positive returns of +1.19% for the month, underperforming like duration government bonds by 0.47%, as spreads widened 8bps in February. Global HY credit delivered positive returns of +0.24%, with the higher quality segment of the high yield market, BB-rated bonds, outperforming B-rated and CCC-rated bonds.
- Agency MBS⁵ returned 1.67% in February, underperforming like-duration Treasuries by 8 bps. Agency MBS performance was driven by a modest increase in volatility over the month and the belly of the stack outperformed amid continued themes of GSE demand.

For Allianz Life Global Balanced Income and Growth Fund and Allianz Life Global Balanced Income and Growth Fund (MYR-Hedged):

Target Fund Manager's Comment (For PIMCO GIS Balanced Income and Growth Fund)

Market Outlook

Recent escalation in the conflict between Iran and the US/Israel has sparked volatility in markets. We expect the crisis to influence the macroeconomic environment primarily through energy markets, as rising oil and gas prices affect both growth and inflation and shape central bank actions. Direct implications remain to be seen as the situation rapidly evolves. Against this highly uncertain near-term environment, a global, balanced approach can help mitigate the impact from volatile markets given diversified positioning across asset classes, geographies, and risk factors. In fixed income, we believe that diversified global duration positioning can act as a portfolio stabilizer. Elevated carry levels today may provide some cushion in this environment in which yields appear to be adjusting higher on inflationary concerns amid the oil supply shock. We maintain exposure to US duration as well as developed ex-US duration in the UK and Australia in particular, plus select EM local rates. We remain constructive on US TIPS, which should benefit from rising inflation expectations, potentially offsetting pressure from higher nominal yields. Across the credit landscape, we expect a high-quality tilt to help stabilize the portfolio today relative to higher beta exposures. Therefore, we maintain an up-in-quality bias, remaining focused on positioning across high-quality securitized assets. In equities, we expect volatility to be prominent for the time being. Accordingly, we adhere to a disciplined, rules-based approach to global equity investing, seeking to avoid overreactions as markets exhibit high volatility and short-term indicators can appear "noisy." We believe that global diversification and style neutral, multi-factor exposure can help avoid concentration risk in any one country, sector, or stock, which is especially critical in the current environment.

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