Market Review and Outlook

July 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

Global equities inched up slightly in July, with the MSCI World Index gaining +0.46% mom following a minor decline in the previous month. Within the U.S. market, the Dow Jones Index continued its positive momentum, advancing +0.32% mom. However, the S&P 500 slipped -0.13% mom, while the Nasdaq Composite fell -3.20% mom, as technology and growth stocks declined amid concerns over rising AI capex spending and its potential returns. Economic data remained broadly supportive of the U.S. economy, with growth momentum improving as the S&P Global U.S. Composite Purchasing Managers' Index (PMI) rose to 54.5 in July from 51.9 in June, indicating a solid expansion in private-sector activity.

Europe’s Stoxx 50 Index rose +0.47% mom, broadly in line with global returns. The economic backdrop was also relatively benign during the month, with the S&P Global Eurozone Composite PMI improving to 52.0 in July from 51.9 in June, slightly above consensus expectations of 51.9. Meanwhile, the Eurozone unemployment rate rose slightly to 6.3% in June 2026 from 6.2% in the previous month, while Eurozone CPI came in better than expectations at +2.8% yoy in June 2026, down from +3.2% yoy in May.

In China, the Shanghai Composite Index fell -6.40% mom in July, amid profit-taking following renewed concerns over China’s growth outlook and weakness in technology and property stocks. China’s RatingDog Composite PMI also weakened to 50.8 in July 2026 from 53.6 in June. Meanwhile, June CPI came in at +1.0% yoy, below the survey expectation of +1.1% yoy and down from +1.2% yoy in May. The People’s Bank of China kept its 1-year and 5-year LPR unchanged at 3.00% and 3.50%, respectively, reflecting a steady monetary policy stance. China’s 2Q26 GDP also came in weaker than expected at 4.3% yoy, versus the survey estimate of 4.5% and 1Q26 growth of 5.0%.

On the commodities front, Brent crude oil rallied +23.6% mom to USD90.12/bbl as renewed US-Iran tensions and disruptions around the Strait of Hormuz raised concerns over global energy supply. Meanwhile, crude palm oil prices edged up just 1.3% to RM4,531/tonne, as stronger energy prices and Indonesia’s B50 biodiesel mandate provided support, while softer demand and elevated vegetable oil inventories capped further gains.

Focusing on the ASEAN front, Thailand’s SET Index extended its rally with a +2.04% mom gain in July, supported by continued foreign buying, particularly in banking stocks, while energy stocks benefited from higher global oil prices amid renewed Middle East tensions.

Indonesia’s Jakarta Composite Index reversed its downtrend, gaining +10.51% mom in July, supported by improving investor sentiment, foreign buying and rotation into previously beaten-down stocks, alongside easing concerns over sovereign risk. The rupiah also stabilized following continued Bank Indonesia intervention in the FX market and measures to attract foreign portfolio inflows. Indonesia’s economy remained resilient in 2Q26, with GDP growth coming in at +5.29% yoy, above the consensus estimate of +5.14% yoy, although moderating from +5.61% yoy in the previous quarter. Growth was supported by resilient household consumption, stronger investment and higher government spending.

Singapore's Straits Times Index gained +8.85% mom, led primarily by continued gains in the banking sector amid strong investor sentiment, institutional inflows and optimism over banks' earnings outlook. June's Non-Oil Domestic Exports (NODX) rose +20.7% yoy, below consensus expectations of +28.7% and moderating from +38.4% yoy in May, as the strong growth in electronics was partly offset by a decline in non-electronics exports. Meanwhile, Singapore's 2Q26 GDP grew +5.7% yoy, above consensus expectations of +5.5% yoy, albeit moderating from +6.0% yoy in 1Q26.

Lastly for Malaysia, the FBMKLCI gained +3.66% mom in July, supported by improving investor sentiment, renewed foreign buying and rotation into traditional sectors, particularly banking and plantation stocks. Foreign investors turned positive on Malaysian equities during the month, with net buying of RM261.9mn, although cumulative YTD – July net outflows remained at RM2.92bn. Based on advance estimates, Malaysia's economy grew by +5.8% yoy in 2Q2026 (1Q2026: +5.4% yoy), surpassing market expectations of +5.2% yoy, driven by broad – based growth across most economic sectors, except the agriculture sector, which recorded a contraction. Meanwhile, Malaysia's headline inflation eased to +1.9% yoy in June (Survey and May: +2.0% yoy), mainly due to lower retail fuel prices.

In July, U.S. Treasury yields increased by 11 – 33 bps across the curve amid persistent geopolitical uncertainties in the Middle East and expectations that the Federal Reserve (Fed) may need to keep monetary policy restrictive for longer, with markets increasingly pricing in the possibility of an additional rate hike later in the year. Notably, the 30-year Treasury yield ended the month at 5.27%, which was the highest level since June 2007. The Federal Open Market Committee (FOMC) voted 9 – 3 to keep the policy rate unchanged at 3.50% – 3.75%, with 3 policymakers dissenting in favour of a 25 bps hike, underscoring growing concerns among some officials over persistent inflationary pressures. Meanwhile, June's nonfarm payrolls increased by +57k mom (Survey: +113k mom; May revised: +129k mom) while the unemployment rate edged lower to 4.2% (Survey and May: 4.3%). Job gains in June were primarily driven by the professional and business services, social assistance, and healthcare sectors.

On the domestic front, Malaysian Government Securities (MGS) yields also rose by 1 – 13 bps mom in a flattening manner, in tandem with UST yield movements. At its July Monetary Policy Committee (MPC) meeting, Bank Negara Malaysia (BNM) maintained the Overnight Policy Rate (OPR) at 2.75%, in line with market expectations. BNM also reaffirmed its 2026 GDP growth forecast of 4% – 5%, consistent with BNM Governor's remarks at the Sasana Symposium 2026 that Malaysia's economy remains on track to expand within the forecast range, likely towards the upper end, supported by manageable inflation despite the energy supply shock.

Foreign funds turned net sellers in July with net outflows of RM5.6bn (June: net inflows of RM4.9bn), marking the largest monthly outflow since September 2025. The outflows were largely attributable to the maturity of MGS during the month. YTD flows remained positive but narrowed to RM3.4bn. The foreign share of both MGS and MGS+MGII lowered to 33.0% (June: 33.6%) and 20.1% (June: 20.6%) respectively. Malaysia's foreign reserves declined by USD0.5bn to USD132.1bn as of end – July (June: USD132.6bn).

Market Outlook

Geopolitical risks have eased from their June peak, although uncertainties surrounding the U.S.–Iran interim agreement and the reopening of the Strait of Hormuz remain key risks for global markets. Meanwhile, investor focus has increasingly shifted towards the sustainability and returns of elevated AI-related capex, with concerns over a potential slowdown in AI spending contributing to volatility in global technology stocks. Domestically, the recent Johor and Negeri Sembilan state elections have removed near-term electoral uncertainty, while market sentiment will likely be driven by the implementation of key national initiatives, including Budget 2027, the 13th Malaysia Plan (13MP) and the National Energy Transition Roadmap (NETR), as well as the trajectory of exports, tourism and investment activity. Malaysia's resilient domestic economy, supported by stronger-than-expected 2Q26 advance GDP estimates, provides a constructive backdrop, although external trade, geopolitical and technology-related risks remain. Against this backdrop, we maintain a constructive yet cautious stance on the market outlook amid ongoing macro and geopolitical uncertainties. Our portfolio strategy remains focused on fundamentally strong, long-term investment opportunities, while retaining the flexibility to tactically capitalize on market dislocations through selective trading opportunities.

The July FOMC statement maintained a hawkish tone, noting that inflation remains above the Fed's 2.0% target and that supply shocks, particularly in the energy sector amid heightened Middle East tensions, have contributed to ongoing price pressures. Nevertheless, U.S. economic activity has expanded at a solid pace, with strong productivity growth and capital investment, while job gains have kept pace with the workforce. The central bank reiterated its commitment to deliver price stability. Looking ahead, the next policy decision in September provides the Fed room to assess the upcoming macro-economic data, which may reflect the impact of persistent energy – related inflation risks should geopolitical tensions remain elevated.

For Malaysia, latest developments point towards resilient growth, supported by sustained domestic demand and stronger – than – expected exports, while strong global tech expansion and improving supply conditions continue to provide a favourable external backdrop. The growth outlook remains subject to downside risks stemming from continued uncertainties surrounding the conflict, tighter global financial conditions and concerns over valuations in financial markets. The impact on both headline and core inflation in 2026 is expected to remain contained, reflecting domestic policy measures and stable demand conditions, which will mitigate the pass – through of external cost pressures to domestic prices. At the current OPR level, the MPC considers the monetary policy stance to be appropriate. BNM remains vigilant to ongoing developments and will assess the balance of risks surrounding the outlook for domestic inflation and growth. We would continue to selectively accumulate bonds at reasonable valuations while prioritizing good quality names.

For Allianz Life Global High Payout Fund:

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

What helped?

- Global equity markets were slightly positive with the Fund clearly outperforming. The Fund could reverse the underperformance during Q2 and win again with its balanced dividend strategy that emphasises stocks with stable and growing dividends. Value and Dividend stocks did most well in July and added positively.

What hurt?

- The strong outperformance of Momentum and higher risk names took a break in July and fell behind market averages.

Market Review

July was another turbulent month for global equities, with the MSCI All Country World Index (ACWI) closing July in the red. Global markets rose early on as last month's US-Iran interim peace deal continued to hold and tanker traffic through the Strait of Hormuz largely normalised. However, market jitters resumed after tensions in the Gulf re-escalated. Hopes for a lasting settlement effectively unravelled amid reports that Tehran had launched a series of attacks on vessels transiting the Strait of Hormuz. Meanwhile, the US hit military targets in Iran and US President Donald Trump declared the ceasefire "over". The conflict subsequently spread to the wider region after Tehran launched missile and drone strikes against US military targets in neighbouring Gulf states, with Tehran and Iran-backed Yemeni Houthis blockading critical shipping lanes. Markets were also buffeted after US President Trump renewed his criticism of defence spending by the North Atlantic Treaty Organisation (NATO) allies at the NATO Summit in Ankara and reignited his calls for the US to take control of Greenland. Renewed AI jitters and a fresh wave of US tariffs were further headwinds.

US equities were little changed in July. Stocks were pressured after last month's US-Iran peace deal collapsed and amid renewed missile and drone strikes in the Gulf. In response to US strikes, Tehran launched retaliatory attacks on US installations in neighbouring states and closed the Strait of Hormuz to maritime traffic. Tensions escalated further after the Iran-backed Houthis in Yemen declared a naval blockade of Saudi Arabian ports, including the closure of the Bab el-Mandeb strait, disrupting Saudi oil supplies through the Red Sea. Meanwhile, regional power dynamics in the Gulf were in focus after President Donald Trump agreed a civilian nuclear cooperation deal with Saudi Arabia that lacks the standard historical provisions limiting uranium enrichment and broader nuclear non-proliferation safeguards. However, President Trump later backtracked and made the deal conditional on Riyadh normalising ties with Tel Aviv. Elsewhere, trade tensions were reignited after the office of the US Trade Representative launched a fresh tariff campaign stemming from a probe into forced labour under Section 301 of the US Trade Act of 1974, with the opening salvo fired against Brazil.

European equities were pressured in July. Markets tracked Wall Street lower as the US-Iran peace deal collapsed, with stocks falling as oil prices rose and inflationary risks resurfaced. Meanwhile, with Moscow intensifying strikes on Kyiv and repeated Russian drone incursions into European airspace sparking heightened security concerns, NATO leaders – including the US – convened at the alliance's annual summit in Ankara, where they reaffirmed their "ironclad commitment" to collective defence. However, markets were roiled after US President Donald Trump reiterated his push to control Greenland. Risk appetite weakened further on renewed trans-Atlantic trade tensions after Washington imposed fresh tariffs on 60 trading partners, including the European Union (EU), citing alleged shortcomings in the enforcement of forced labour regulations. However, Brussels strongly disputed the claims, with EU Foreign Policy Chief Kaja Kallas describing Washington's latest move a "negative surprise". At month-end, tensions within the bloc mounted as the death toll from the migrant rush to the Spanish enclave of Ceuta in North Africa continued to climb.

For Allianz Life Global High Payout Fund:

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

Market Outlook

The global economy has remained remarkably resilient in the face of geopolitical uncertainty, higher energy prices and persistent inflationary pressures. In particular, investments in artificial intelligence (AI) and digital infrastructure continue to provide additional growth momentum in the US. An increasing number of companies in sectors such as semiconductors, data centres, energy and industrials are benefitting from these trends. We remain positive on equities and continue to favour the US and emerging markets. At the same time, alongside large Technology companies, investors may increasingly focus on businesses with attractive valuations, strong balance sheets and stable earnings. We also see additional opportunities in digitalisation, AI infrastructure, and rising investment in energy supply, defence and infrastructure. Asia also offers attractive prospects, with China standing out due to the rapid adoption of AI technologies across its economy. In this environment, active management is likely to remain crucial for identifying the beneficiaries of these developments at an early stage.

For Allianz Life Asia Multi-IncomePLUS Fund:

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

Market Review

Asia Pacific ex Japan equities ended July lower amid heightened volatility and significant market rotation. Sentiment deteriorated following a sharp correction in global Technology and semiconductor stocks, prompting investors to rotate away from crowded artificial intelligence (AI) related positions into previously lagging sectors and markets. Investor uncertainty was compounded by ongoing debate around the outlook for US monetary policy, with shifting expectations for the path of US Federal Reserve (Fed) interest rates. Volatility was particularly pronounced in South Korea, where high levels of retail investor participation and the widespread use of leveraged exchange-traded fund (ETF) products amplified market swings. China markets were mixed, with internet platforms and consumer-related companies rebounding strongly, while AI-linked stocks experienced profit taking after a period of strong performance. Australian equities were broadly flat. Elsewhere, smaller ASEAN markets including Indonesia and Singapore benefitted from shifting regional fund flows and attracted renewed investor interest. The Indian market also saw gains, supported by supportive macro fundamentals and resilient earnings growth.

For fixed income, Asia credit market traded with a softer tone in July, as a more challenging macro backdrop and intermittent risk-off sentiment weighed on market participation. US-Iran geopolitical tensions remained a key overhang through the month, with oil prices moving higher again at one point and keeping inflation and policy uncertainty in focus. Equity markets were also volatile, particularly in Korea, with KOSPI and AI-related names saw periods of weakness amid concerns around valuations and earning expectations. Against this backdrop, Asia credit weakened in July as the negative impact from higher US Treasury yields outweighed the benefit from still-resilient credit spreads. The rates backdrop was affected by a more hawkish Fed tone. At the July Federal Open Market Committee (FOMC) meeting, the Fed kept the policy rate unchanged at 3.50% to 3.75%, but the 9-3 vote included three dissents in favour of a 25-basis point (25-bps) hike. This reinforced market concerns that policy could remain restrictive for longer, particularly as inflation remained above the Fed's 2% objective. Market performance was uneven across rating buckets. Investment grade underperformed due to its higher duration exposure, while high yield delivered a small positive return, supported by spread tightening and shorter duration.

The Fund's return was negative in USD terms in July.

A top stock detractor in the equity portfolio was SK Hynix. The share price pulled back following its very strong rally earlier this year. We have trimmed some position throughout the year to take profit, but with the company successfully transformed into a leading global provider of high-bandwidth memory (HBM) from a traditional memory supplier, we believe SK Hynix remains well positioned to benefit from the growing adoption of AI applications.

Conversely, a key contributor came from Ping An Insurance. As one of the largest insurance groups in China, we expect Ping An Insurance to be a key beneficiary of an under-insured population in China, particularly in health, protection and retirement products. The company is also transforming its traditional model through investments in AI, big data and cloud services. With a dividend yield of around 5%, the stock provides an attractive total return potential.

The asset allocation at the end of the month was 64.2% in Asian equities and 33.1% in Asian fixed income.

During the month, we trimmed exposure to previously strong performing, AI-related positions to manage risk and added to other structural growth areas. For example, we reinitiated positions in two Chinese internet giants that are well placed to benefit from the monetisation of AI through their extensive user ecosystems, cloud platforms and AI capabilities. We also increased exposure to select Indian banks, which we believe are supported by strong credit growth, improving asset quality and the continued structural expansion of the country's financial sector.

Within the fixed income sleeve, we increased our allocation to investment grade bonds by adding selected names where we identified compelling relative value opportunities, while continuing to favour the short end of the high yield market.

For Allianz Life Asia Multi-IncomePLUS Fund:

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

Market Outlook

We remain constructive on the outlook for Asian equity markets. While the situation in the Middle East remains fluid, lower oil prices should provide a more supportive backdrop for many of the region’s net energy-importing economies. In our view, the pullback in Tech and AI-related stocks primarily reflects a rotation in positioning rather than a fundamental change in the nature of the underlying structural growth drivers.

Beyond the immediate beneficiaries of AI infrastructure spending, we see several parallel long-term themes continuing to gain momentum. Global defence expenditure is rising, power grids require significant investment to accommodate growing electricity demand, and substantial new energy generation capacity will be needed to support both electrification and the expanding requirements of AI-driven workloads.

Against this backdrop, we remain focused on companies with strong fundamentals, clear competitive advantages and exposure to long-term structural trends, which we believe are well-positioned to compound earnings and sustain income over time.

On the fixed income side, Asia credit markets are likely to remain sensitive to the still-ongoing US-Iran conflict and its broader macro implications. While the immediate market impact has been reflected through periods of weaker risk sentiment, higher oil prices and more cautious credit flows, the conflict remains an important source of uncertainty. Any further escalation could renew concerns around energy prices, inflation expectations and global risk appetite, particularly given the already hawkish tone from the Fed and the recent rise in US Treasury yields.

From a valuation perspective, Asia credit spreads remain close to historically tight levels, leaving limited room for further broad-based compression. This is particularly relevant for investment grade, where total returns are more exposed to movements in US Treasury yields and the spread cushion is relatively thin. High yield continues to offer higher carry and shorter duration, but performance is likely to remain issuer-specific, especially given the dispersion seen across Macau Gaming, Indian corporates and selected stressed credits during July.

In this environment, we continue to prefer a defensive to neutral stance in portfolio construction. Carry should continue to be an important source of return, but incremental risk-taking should be more selective given tight spreads and persistent macro uncertainty. Security selection remains critical, with a focus on issuers that offer resilient liquidity, manageable refinancing needs and credible balance sheet improvement, while avoiding credits with weak governance, aggressive capital expenditure (capex) plans or event-driven downside risks.

For Allianz Life Amanah Dana Ikhlas:

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

Market Review

Sukuk Market Review

Global bond markets remained volatile in July with US Treasuries experiencing a significant bear-steepening following the 28-29 July FOMC meeting. While the Fed's policy pause and limited forward guidance reduced expectations of near-term policy tightening, heightened concerns over longer-term inflation, fiscal uncertainties and rising term premia pushed long-end yields higher. Over the month, the 30-year Treasury yield surged 32bps to 5.27%, its highest level since 2007 while the 10-year Treasury yield rose 27bps to 4.73%. Meanwhile, the 2-year Treasury yield increased 12bps to 4.29%. In Malaysia, the MGS yield curve bear-flattened, led by the 5-year to 15-year tenures, where yields rose by 10bps-12bps, while the long end saw more modest increases, with the 30-year yield rising by 6bps. Nonetheless, manageable inflation, stable OPR expectations and domestic institutional demand should help keep MGS sell-off more contained than that seen in USTs. USD/MYR traded range-bound and ended the month at 4.08, as support from firmer crude oil prices and Malaysia's resilient macroeconomic fundamentals helped offset the pressures from rising Treasury yields, foreign bond outflows and cautious positioning ahead of the July FOMC meeting.

Equity Market Review

Markets for the month saw wildly mixed performance globally but mainly characterised by the de-leveraging of the AI trade. The crowded AI trade saw the scrutiny of the AI capex monetisation being in question and was amplified by the hedge fund positioning and the Korean leveraged ETFs. The force selling from the unwinding of the Korean leverage ETF in particular saw violent movements, with the Kospi alone falling 22.2% during the month which have been worst if not for a rally on the last day of the month. Japan and Taiwan, considered AI plays as well, fell although not to the same degree, falling 8.1% and 6.5% respectively. The rally could be a result of positive indications on successful AI monetisation from Microsoft and Amazon. Fundamentally, the tech firms have reported strong earnings and positive outlook with the increase capex expectations, but questions remain about its sustainability and if the sector has hit the cyclical peak.

On the geopolitics, the US-Iran conflict where the Straits remained shut. Iran however targeted more countries in the gulf with its missile attacks and both Iran-backed groups in Iraq and Houthi militias in Yemen attacked the Saudi targets. The Houthis declared that Saudi ships could not utilise the Bab al-Mendeb. The US on the hand threatened to intensify its bombing but to no one's surprise stopped short of it. By the end of the month, President Trump said that the US is suspending the attacks after indicating that both sides were close to a deal, but this came at a shock to the Iranians. Brent crude nonetheless still rose some 20% to US$90/bbl. during the month. Precious metals on the hand, with gold down to US$4046/oz and briefly touched US$4,000/oz.

Closer to home, the KLCI was up 3.7%, the strongest performance on a month-on-month basis to close at 1,725pts with main KLCI constituents coming from Petronas Chemicals, CeldomDigi and SD Guthrie but offset by declines from Axiata, YTL Corp and IOI Properties. On a broader basis however, sector performance came from plantation, industrial and finance while the opposite was for utilities, property and REITs. Partially due to the rebound after declining 1.1% last month, the performance was due to the domestic macroeconomic fundamentals, foreigners turned net inflows, perhaps the key factor was the positive corporate earnings season. Foreigners bought RM267m in the month which brings the year-to-date net outflow to RM2.9bn. For the month however, buying was mainly in the financials. In macroeconomics, the advance 2Q26 GDP was above expectations, with a print of +5.8% yoy, easing inflation and the BNM kept the OPR at 2.75%, lifting equity markets with supportive economic data prints. The revised US Section 301 tariff regime were effective, but uncertainty surrounding the pending excess capacity investigation. This at least bears watching on the developments surrounding this issue. Domestically, politics was the main headlines with BN strengthened its mandate in the 16th Johor state elections, securing a two-thirds majority while also emerging victorious in the Negeri Sembilan. An informal electoral pact between BN and PN secured majority of the seats.

Regionally, Indonesia was the best performer, rebounding 10.5%, but still the year-to-date worst performer dropping 27.9%. Singapore gained 8.9%, followed by Malaysia, Philippines, and Thailand which gained 3.7%, 3.3% and 2.0% respectively. Thailand remains the best performer so far for the year, gaining 28.9%. In currencies, the DXY Index fell 1.3% but had mixed movements within Asean. IDR was the worst performer, declining by 0.7%, followed by THB which fell 0.5%. SGD and PHP gained 0.9% and 0.2% respectively. The MYR stayed flat.

For Allianz Life Amanah Dana Ikhlas:

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

Market Outlook

Sukuk Outlook & Strategy

The outlook for the remainder of 2026 remains cautiously constructive for Malaysian fixed income. The domestic sukuk market is expected to remain resilient, supported by stable economic growth, manageable inflation, steady domestic demand, and a neutral monetary policy stance. Bank Negara Malaysia is expected to maintain the OPR at 2.75%, while inflation is projected to remain contained. Returns from Ringgit government bonds are expected to moderate to around 3.00%–4.00% for the year, with coupon income likely to remain the primary driver of performance.

From a portfolio positioning perspective, we continue to favour mid-tenor corporate sukuk that offer attractive carry relative to government securities. We maintain a neutral duration stance, balancing our constructive medium-term view on interest rates against near-term market volatility and supply pressures, particularly at the longer end of the yield curve.

Our core allocation remains overweight in corporate sukuk to anchor the Fund's income generation, given their higher yields and lower price volatility relative to government paper. We will continue to tactically seek entry opportunities in government sukuk for trading purposes. Credit selection remains focused on high-quality AA-rated issuers and selective single-A rated issuers, where we continue to see consistent value in terms of yield pickup and credit stability. We remain active in the primary market to capture attractive new issuances and will selectively add secondary-market exposure where recent spread adjustments have created more compelling entry levels.

Equity Outlook & Strategy

Besides the still ongoing geopolitics, investors are likely to focus on the earnings season at least in the near term. Politically, we remain watchful of the outcome from the DAP Special Congress, where delegates will vote on whether the party would remain in the Unity Government until the end of the parliamentary term. This follows two defeats in the state elections with Melaka state election next on the list. This may provide some sense of the direction of the coalition dynamics ahead of GE16. Outside of this, local market centric investors are likely to see the developments of the proposed expansion of the FBMKLCI to 50 constituents from 30 as well as the various initiatives to lift the standing of the local equity markets, such as the My Value-Up and the Gear-up.

As we weather through the bouts of volatility, we continue to adopt a barbell approach in our portfolio, by having a balance exposure of defensive and growth sectors gravitating towards domestic oriented themes/events and yielders, to navigate market volatility while remaining nimble in our approach. Sector wise, we continue to focus on utilities (renewables) and beneficiaries of the AI/DC theme related supply chain picks and shovels, which does not seem to abate as of now. Renewables have re-gained momentum with the inaugural award for MyBeST BESS project (battery energy storage system). Another sub-sector that has also been gaining traction is the water infrastructure and services given the strong demand, which has also been amplified by DC demand. Lack of investment over the past decades has recently found a new lease of life.

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 lagged the benchmark in July. Stock selection in the Industrials sector was the main detractor.

At a stock level, a key detractor was Sinoma Science & Technology, a leading advanced materials company with businesses spanning wind turbine blades, specialty fiberglass and battery materials. The company has been a beneficiary of growing artificial intelligence (AI) related demand through its high-end electronic fiberglass products, which are used in advanced printed circuit board (PCB) applications. However, the share price weakened in July as investors took profits following a strong rally, with many AI-linked names under pressure amid a broader rotation away from Technology stocks.

Conversely, a key contributor was Zijin Mining, one of China's largest mining companies and a major producer of gold and copper. The share price performed strongly, supported by firmer commodity prices and the company's positive earnings outlook. During the month, Zijin forecast a significant year-on-year increase in H1 net profit, driven by higher metal prices and production growth. We remain positive on the long-term outlook, in particular supported by rising demand for copper linked to electrification, power infrastructure and AI-related data centre investment.

Market Outlook

In line with other global markets, July saw a sharp reversal in momentum across China equities. Previously strong performers such as Technology and AI-related stocks experienced significant profit taking, while investors rotated into lagging areas including Consumer, Materials and Financials sectors. As part of this rotation, offshore China markets recovered strongly after an extended period of underperforming China A-shares.

One notable development during the month was the re-emergence of China's so-called "national team" as a significant buyer of domestic equity exchange-traded funds (ETFs). This represented the first sizeable intervention since the market volatility associated with the Liberation Day tariff disruptions in April and May 2025. The move provided an important signal of policymakers' commitment to maintaining market stability and supporting investor confidence during periods of heightened volatility. In our view, the presence of long-term domestic capital remains a differentiating feature of the China A-share market and helps underpin sentiment when market conditions become more challenging.

July also saw strong investor focus on the initial public offering (IPO) of ChangXin Memory Technologies (CXMT), one of China's leading memory semiconductor companies. The listing highlights both the scale of China's technological ambitions and the increasingly rapid pace of development across its domestic semiconductor ecosystem. Over recent years, China has steadily expanded its capabilities across a broad range of strategic technology industries, from semiconductor equipment and advanced manufacturing to AI infrastructure and next-generation computing. The emergence of companies such as CXMT reflects the progress that has been made in building a more self-sufficient domestic technology supply chain.

At the same time, large-scale IPO activity can create short-term liquidity pressures. Investor demand for high-profile new listings often results in capital being redirected away from existing holdings, particularly within the Technology sector. As a result, some of the weakness seen in previously strong AI and semiconductor-related names during July reflected both profit taking and the reallocation of capital towards new issuance opportunities.

Looking ahead, we remain constructive on the outlook for China equities. While periods of market rotation and liquidity-driven volatility are inevitable, we continue to see technology self-sufficiency, AI adoption, industrial upgrading and advanced manufacturing as key structural growth drivers. More broadly, the increasing importance of innovation-led sectors reinforces our view that China A-shares, in particular, are becoming progressively less reliant on traditional economic cycles and more exposed to long-term opportunities linked to China's technological development.

Portfolio activity during the month reflected a combination of valuation discipline and redeployment into opportunities created by the market correction. We selectively trimmed positions in areas of the market that had benefitted most from the AI infrastructure and advanced manufacturing themes following a period of strong share price performance. Proceeds were redeployed into other areas, for example related to digital consumption and cloud computing as well as Health Care.

At month-end, approximately 47% of the Fund was invested in China A-shares. The portfolio remains broadly balanced, with sector allocations generally maintained within +/-5% of the benchmark. As a result, stock selection rather than sector positioning, remains the primary driver of relative performance. The largest sector overweight is Industrials (+2.0%), while the biggest underweight is Consumer Discretionary (-2.6%).

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

Global equities were largely flat in July, but underlying market segments experienced elevated volatility following a strong H1. By the end of June, many of the market's best-performing artificial intelligence (AI) infrastructure companies had become crowded positions among both institutional and retail investors. As this positioning unwound in July, systematic selling pressure and deleveraging disproportionately impacted AI infrastructure stocks. Meanwhile, underlying fundamental factors remained constructive, as Q2 earnings results generally pointed to broad-based earnings growth across industries. Within the MSCI ACWI, Energy was the best performing sector during the month, supported by higher energy prices, and Financials also outperformed. In contrast, Information Technology and Industrials were among the weakest performing sectors, reflecting profit taking from some of the market's strongest performers earlier in the year.

Macroeconomic data was broadly resilient over the month. US gross domestic product (GDP) growth rose by 1.5% year-on-year in Q2, compared with 2.1% in Q1. US job creation figures came in softer than expected, with non-farm payrolls data showing that the US economy added just 57,000 jobs in June. More positively, the unemployment rate crept down to 4.2% in June after remaining at 4.3% for the preceding three months. Annual headline inflation fell from a 3-year high of 4.2% in May to 3.5% in June, as energy prices stabilised. The US Federal Reserve (Fed) held the federal funds rate steady at a target rate of 3.50%-3.75%. The Bank of England (BoE) also left the base rate unchanged at 3.75%. After delivering a 25-basis point (25-bps) rate hike last month, the European Central Bank (ECB) and Bank of Japan (BoJ) respectively held benchmark lending rates steady at 2.25% and 1.0%.

Oil prices surged in July. Brent crude eased early on, with Organisation of the Petroleum Exporting Countries Plus (OPEC+) signalling a significant recovery in global supply as Gulf producers accelerated output on the back of last month's peace deal. However, the resumption of flows through the Strait of Hormuz were short-lived as US-Iran hostilities re-escalated, with oil prices resuming their upward trajectory. Brent crude closed July at around USD 88 a barrel. Meanwhile, gold was choppy for much of July, as renewed US-Iran hostilities drove energy prices higher and stoked inflation fears, reinforcing expectations for higher real rates. The precious metal closed July just above USD 4,040 an ounce.

During the period, the Fund underperformed the blended benchmark (50% MSCI ACWI Index/50% MSCI World Information Technology Index). The Fund continues to outperform over the year-to-date period.

From a sector perspective, Information Technology and Industrials were the largest detractors. There were no relative sector contributors over the month. AI infrastructure was a primary detractor to performance, as our optical networking and semiconductor equipment holdings experienced a sharp pullback amid the profit taking backdrop. AI-enabled industries also detracted from relative performance, as the weakness among our Industrials holdings more than offset positive absolute contribution from the Financials sector. On balance, our AI application outperformed the benchmark with strength from our data platform exposure.

Contributors

JPMorgan Chase & Co. is a globally diversified bank with leading positions across commercial and consumer banking, capital markets, as well as asset management. Shares advanced following strong Q2 earnings results, driven by robust investment banking fees, and record revenue across all four business segments. Looking ahead, we believe JPMorgan remains well positioned to deliver durable earnings growth, supported by its leading deposit franchise, dominant capital markets platform, ability to compound returns across market cycles, and ongoing AI investments that should enhance productivity and operating efficiency.

Another contributor, Arista Networks, Inc., specialises in cloud networking solutions that includes high-performance data centre switches, routers, and network security products. Shares were higher amid increased confidence in the company's ability to convert growing AI fabric demand into accelerating revenue growth. Though we expect these bottlenecks to resolve over time, the company remains well positioned to capitalise on the rapid expansion of AI supercomputing clusters driving the need for high-performance networking solutions.

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

Microsoft Corp. is a software provider with a wide range of services that include operating systems, software applications, cloud computing, and security solutions. Our underweight position was a top relative performance detractor. Shares outperformed after the company reported better-than-expected earnings results and guidance for free cash flow. Microsoft had an average 6.7% weight in the blended benchmark, while the Fund had an average allocation of 0.5%.

Flex Ltd. is a leading contract manufacturer, offering solutions that span from initial design to manufacturing through the lifecycle of customer product. Despite reporting strong earnings results, shares underperformed during the month primarily due to broad-based profit taking across AI infrastructure stocks. Looking forward, Flex remains a key provider of advanced manufacturing solutions and operates global supply chains across a diverse set of industries, including AI hyperscalers. Flex is involved in producing high-performance AI server racks as well as power solutions for AI data centres, positioning the company to capitalise on the AI infrastructure buildout.

New Buys and Sells

During the month, the Fund participated in the initial public offering (IPO) of SK Hynix Inc., establishing a modest initial position that we may build over time as the opportunity develops. SK Hynix is a leading global semiconductor company and is one of the world's largest memory producers. Its portfolio includes high-bandwidth memory (HBM), server dynamic random access memory (DRAM), enterprise solid state drives (SSDs), and advanced packaging solutions, all of which play a critical role in supporting AI data centre infrastructure.

Capital One Financial Corp. is a diversified financial services company with leading franchises in credit cards, consumer banking, and auto lending. The company is leveraging AI across a broad range of functions to enhance customer experiences, improve underwriting and risk management, and drive operational efficiency. We re-initiated a position in Capital One as the shares became more attractive and believe the Discover Financial acquisition has the potential to deliver greater earnings accretion than currently reflected in market expectations.

We exited our position in Costco Wholesale Corp., as we believe its paid membership growth has decelerated to its slowest pace in several years. Also, ongoing investments in price leadership, combined with higher labour, health care, and input costs, are expected to constrain margin expansion amid healthy sales trends. Given the concerns regarding membership growth and margins, we chose to exit the name at this time.

Market Outlook

While AI-related companies have experienced heightened volatility recently, we continue to maintain a constructive longer-term outlook. We view the recent pullback as largely technical, reflecting the unwinding of leveraged and crowded positioning heading into midyear, with much of that selling pressure now likely behind us. Meanwhile, underlying fundamental factors remain healthy and Q2 earnings have continued to indicate broad-based strength. With the backdrop normalising, AI-related equities appeared to be entering a bottoming process.

On the monetary policy front, we believe central banks are increasingly focused on the risk of stickier inflation. Yields recently moved higher, particularly at the long end of the curve, resulting in a steeper yield curve and contributing to elevated market volatility. Although we expect an eventual return to an easing bias, further progress on inflation as well as a resolution for the Hormuz closure will be needed before central banks can resume rate cuts. With that said, markets are also adjusting to a new Fed communication regime under Chair Kevin Warsh, who is inclined to provide less forward guidance. We expect markets to gradually settle into the new framework.

Over the intermediate term, an improved economic and earnings growth backdrop across more sectors may continue to drive a broadening out effect in the equity market. Ongoing investment in AI infrastructure and data centres is beginning to benefit an expanding set of industries. The Trump administration's pro-business agenda also provides tailwinds through tax cuts, deregulation, domestic investments, and manufacturing reshoring. Taken together, these developments should support a more durable expansion in economic and earnings growth, helping to sustain broader market participation beyond a narrow group of outperformers.

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)

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 (capex) cycle is being funded by some of the biggest and most profitable companies in the world. Ultimately, we believe these investments should be a tailwind for AI productivity gains and support broader economic growth. As earnings growth broadens across companies and sectors, we believe our diversified AI investment approach is well positioned to identify attractive opportunities among Financials, Health Care, Consumer, and Industrials businesses that are beginning to benefit from AI-driven productivity gains and operational efficiencies.

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, as well as 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 ended July lower amid heightened volatility and significant market rotation. Sentiment deteriorated following a sharp correction in global Technology and semiconductor stocks, prompting investors to rotate away from crowded artificial intelligence (AI) related positions into previously lagging sectors and markets. Volatility was particularly pronounced in South Korea, where retail investor participation and the widespread use of leveraged exchange-traded funds (ETF) products amplified market swings. China markets were mixed, with internet platforms and consumer-related companies rebounding strongly, while AI-linked stocks experienced profit taking after a period of strong performance. Elsewhere, smaller ASEAN markets including Indonesia and Singapore benefitted from shifting regional fund flows and attracted renewed investor interest.

Japanese equities were modestly weaker in local currency terms during the month. However, coordinated intervention in currency markets by the Bank of Japan (BoJ) and the US Federal Reserve (Fed) drove a sharp appreciation in the Japanese yen towards month-end, resulting in slightly positive returns in USD terms. Market volatility increased as the global Technology sell-off weighed on semiconductor companies, reflecting Japan's significant exposure to the electronics supply chain. After delivering a widely anticipated 25-basis point (25-bps) rate hike at its June meeting, the BoJ held the policy rate at 1.0% in July. However, markets are currently pricing in further monetary policy normalisation before year-end.

The Fund underperformed the benchmark in July, mainly due to stock selection. Selection effects in Taiwan and Hong Kong/China were the key source of relative detraction.

For example, a top detractor was a Taiwanese thermal management company specialising in plate heat exchangers and liquid-cooling solutions for HVAC (heating, ventilation, air conditioning), industrial, and AI data centre applications. Liquid cooling for AI servers and data centres has become an important category as rising rack power densities are increasing demand for advanced heat-transfer technologies. The stock came under some profit taking pressure during the strong market rotation, though we maintain conviction in this technology and the management strategy.

Conversely, a key contributor last month was a global logistics and freight management business headquartered in New Zealand. The key driver was an upbeat Annual Shareholder Meeting update which highlighted both revenue recovery and earnings leverage. Management has continued to invest through the cyclical downturn, including expanding air freight and logistics capabilities, positioning itself to benefit when freight demand recovers. We have held this stock in the portfolio for more than a decade and continue to believe it is an exceptionally well-managed business with a highly competitive service and customer-focused culture.

During the recent market rotation, we trimmed certain AI-related positions to manage risk and selectively broadened exposure in South Korea, adding businesses linked to automotive electronics, robotics, and multilayer ceramic capacitors (MLCCs). MLCCs are essential electronic components used across a wide range of applications, including smartphones, personal computers (PCs), automobiles, networking equipment, and increasingly, AI servers.

Industrials remain a key focus, spanning aerospace, defence, and advanced manufacturing. Companies in Japan and South Korea continue to benefit from improving corporate governance, greater capital discipline, and an increasing focus on sustainable profitability. Health Care is another core theme, with Asian companies playing an increasingly important role in global drug discovery and development. We remain positive on the pace of innovation within the sector, particularly as biopharma companies leverage AI to accelerate research and improve development efficiency.

At a geography level, there are overweight positions in Japan and Taiwan, largely reflecting bottom-up stock selection. The Fund also maintains meaningful exposure to mid and smaller cap stocks. While this can contribute to short-term volatility, it has historically been a key source of added value and an area where we believe we can find differentiated ideas that are mispriced.

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 Outlook

We remain constructive on the outlook for Asian equity markets. While the situation in the Middle East remains fluid, lower oil prices provide a more supportive backdrop for many of the region's net energy-importing economies. In our view, the pullback in Tech and AI-related stocks primarily reflects a rotation in positioning rather than a fundamental change in the nature of the underlying structural growth drivers.

Beyond the immediate beneficiaries of AI infrastructure spending, we see several parallel long-term themes continuing to gain momentum. Global defence expenditure is rising, power grids require significant investment to accommodate growing electricity demand, and substantial new energy generation capacity will be needed to support both electrification and the expanding requirements of AI-driven workloads.

We also maintain a positive long-term view on Japanese equities. Structural tailwinds remain firmly in place, with a sustained inflationary environment and ongoing corporate governance reforms supporting earnings growth while reinforcing a greater focus on shareholder returns. In addition, Japanese companies with differentiated technological capabilities are increasingly gaining global recognition, underpinning our confidence in their medium- to long-term growth prospects. Despite the rally in the currency towards the end of the month, we continue to view the Japanese yen as materially undervalued.

Against this backdrop, we remain focused on companies with strong balance sheets, clear competitive advantages, and exposure to long-term structural growth themes, which we believe are well-positioned to compound earnings over time.

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 ended July lower amid heightened volatility and significant market rotation. Sentiment deteriorated following a sharp correction in global Technology and semiconductor stocks, prompting investors to rotate away from crowded artificial intelligence (AI) related positions into previously lagging sectors and markets. Investor uncertainty was compounded by ongoing debate around the outlook for US monetary policy, with shifting expectations for the path of US Federal Reserve (Fed) interest rates. Volatility was particularly pronounced in South Korea, where high levels of retail investor participation and the widespread use of leveraged exchange-traded fund (ETF) products amplified market swings.

China markets were mixed, with internet platforms and consumer-related companies rebounding strongly, while AI-linked stocks experienced profit taking after a period of strong performance. Elsewhere, smaller ASEAN markets including Indonesia and Singapore benefitted from shifting regional fund flows and attracted renewed investor interest. The Indian market also saw gains, supported by supportive macro fundamentals and resilient earnings growth.

The Fund underperformed the benchmark in July. Stock selection in the Technology-heavy markets of Taiwan and South Korea was a key source of relative detraction.

At a stock level, a top detractor was Delta Electronics, a Taiwanese provider of power management and thermal solutions used across the AI infrastructure ecosystem. The company's products play an important role in supporting the growing power and cooling requirements of AI servers, data centres and other compute-intensive applications. We see the recent share price pullback as largely profit taking and remain confident in the company's long-term growth prospects.

Conversely, a key contributor was Zijin Mining, one of China's largest mining companies and a major producer of gold and copper. The share price performed strongly, supported by firmer commodity prices and the company's positive earnings outlook. During the month, Zijin forecast a significant year-on-year increase in H1 net profit, driven by higher metal prices and production growth. We remain positive on the long-term outlook, in particular supported by rising demand for copper linked to electrification, power infrastructure and AI-related data centre investment.

During the month, we reduced exposure to the South Korea market while increasing China and India. Some of the new names in China are related to the Consumer Discretionary space (autos, food & beverage, travel & tourism), where we believe earnings are recovering and valuations look attractive.

As a result of the portfolio changes, we increased the weightings in both Information Technology and Consumer Discretionary sectors. Overall, geographic and sector positioning is relatively close to the benchmark. We are broadly neutral across the region's largest markets, including China, Taiwan and South Korea, while maintaining an underweight position in India.

The portfolio's largest holdings at month-end were TSMC, Samsung Electronics, and SK Hynix.

Market Outlook

We remain constructive on the outlook for Asian equity markets. While the situation in the Middle East remains fluid, lower oil prices provide a more supportive backdrop for many of the region's net energy-importing economies. In our view, the pullback in Tech and AI-related stocks primarily reflects a rotation in positioning rather than a fundamental change in the nature of the underlying structural growth drivers.

Beyond the immediate beneficiaries of AI infrastructure spending, we see several parallel long-term themes continuing to gain momentum. Global defence expenditure is rising, power grids require significant investment to accommodate growing electricity demand, and substantial new energy generation capacity will be needed to support both electrification and the expanding requirements of AI-driven workloads.

Against this backdrop, we remain focused on companies with strong balance sheets, clear competitive advantages and exposure to long-term structural growth trends, which we believe are well-positioned to compound earnings over time.

For Allianz Life Global Income Fund:

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

Market Review

Global equity and fixed income markets were mixed for the month. The earnings season got off to a stronger-than-expected start. S&P 500 companies are thus far beating bottom-line expectations at a rate of 86%, the highest in five years, while full-year 2026 blended earnings growth estimates are running at 29% year-over-year. On the economic front, softer-than-expected inflation data, resilient consumer spending and business activity surveys, and low unemployment claims were contrasted by lingering weakness in housing. At its July meeting, the Federal Open Market Committee (FOMC) left interest rates unchanged with Chair Kevin Warsh emphasising the committee's commitment to price stability, while market expectations for future rate movements fluctuated alongside a spike in crude oil and rise in rates as the conflict in the Middle East continued to evolve.

In this environment, key markets closed lower:

- Global equity markets, as measured by the MSCI World Index, returned +0.53%.*
- Global convertible securities, as measured by the ICE BofA Global 300 Convertible Index, returned -3.69%.**
- Global high yield bonds, as measured by the ICE BofA Global High Yield Index, returned -0.17%.**
- Global fixed income, as measured by the Bloomberg Global Aggregate Index, returned -0.53%.^

The portfolio was negatively impacted by weakness across asset classes.

Top contributors were led by several hyperscalers in Microsoft and Amazon that reported strong quarterly results within their respective cloud businesses. Apple advanced on optimism around its upcoming product cycle and capital-light artificial intelligence (AI) strategy, and a consumer staples producer delivered robust operating results. An oil & gas company reported margin strength, and multiple Financials, including several banks such as MUFG, exceeded expectations. The other top contributor to performance was a discount retailer that announced plans to expand its US store footprint.

Top detractors in the period were largely concentrated in tech hardware and infrastructure companies benefitting from the AI investment cycle. Many portfolio holdings pulled back in July after recording robust year-to-date gains exiting Q2. Positioning was related to semiconductors, semiconductor capital equipment, power generation, and compute. The other top detractors included Alphabet on higher-than-expected capital expenditure (capex) guidance and an electric vehicle manufacturer that missed expectations on elevated operating expenses.

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

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

Market Outlook

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

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

Convertible securities' outperformance of equities could expand over the remainder of the year, and high yield bonds are pacing for a positive but below-coupon annual return. Given their defensive characteristics, convertible securities, high yield bonds, and investment grade bonds can mitigate market volatility better than equities, which historically average a mid-teens intra-year decline even in annual periods of positive returns.

Global convertible securities have an attractive asymmetric return profile, providing upside participation potential when stock prices rise and downside mitigation when stock prices fall. The asset class is on pace to outperform the broad equity market again in 2026, helped by solid earnings growth, expanding market breadth, stable credit spreads, and robust new issuance. After record new issuance in 2025, primary market activity is trending for another unprecedented year with 2026 estimates residing around $200-210 billion.# Aside from diversification benefits, new issuance expands the opportunity set of investments with attractive terms and the desired risk/reward characteristics.

For Allianz Life Global Income Fund:

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

The global US high yield market, yielding more than 7%^^, offers equity-like returns but with less volatility. The asset class is expected to deliver a positive, but below-coupon return for 2026. The market's attractive total return potential is a function of its discount to face value and higher coupon, which also serves to cushion downside volatility. Credit fundamentals are stable, near-term refinancing obligations remain low, and the market's credit quality composition has improved. In this environment, new issuance is expected to remain steady, spreads can stay tight, and the default rate should continue to reside below the historical average.

Global investment grade corporate bond's risk/reward opportunity is compelling. The market's attractive total return potential is a function of its discount to face value and higher coupon, which also serves to cushion downside volatility. Credit fundamentals are steady with limited default risk. In this environment, spreads can remain tight. If the 10-year US Treasury yield finishes 2026 near the lower bound of the expected range of 3.5-4.5%, the asset class return could exceed mid-single digits.

A covered call options strategy can be utilised to generate premium income. In periods of elevated or rising equity volatility, premiums collected may translate into more attractive annualised yields.

Collectively, these asset classes can potentially provide a steady source of income and a compelling "participate and protect" return profile.

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

All data are sourced from Allianz Global Investors dated 31 July 2026 unless otherwise stated.
* Source: MSCI, as at 31 July 2026
^ Source: Bloomberg, as at 31 July 2026
** Source: BofA Merrill Lynch, as at 31 July 2026
^^ Source: ICE Data Services, as at 31 July 2026
# Source: BofA Research, as at 31 July 2026

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

Target Fund Manager's Comment (For Allianz Thematica)

Market Review and Outlook

July was another turbulent month for global equities, with the MSCI All Country World Index (ACWI) closing July in the red. Global markets rose early on as last month's US-Iran interim peace deal continued to hold and tanker traffic through the Strait of Hormuz largely normalised. However, market jitters resumed after tensions in the Gulf re-escalated. Hopes for a lasting settlement effectively unravelled amid reports that Tehran had launched a series of attacks on vessels transiting the Strait of Hormuz. Meanwhile, the US hit military targets in Iran and US President Donald Trump declared the ceasefire "over". The conflict subsequently spread to the wider region after Tehran launched missile and drone strikes against US military targets in neighbouring Gulf states, with Tehran and Iran-backed Yemeni Houthis blockading critical shipping lanes.

Markets were also buffeted after US President Trump renewed his criticism of defence spending by the North Atlantic Treaty Organisation (NATO) allies at the NATO Summit in Ankara and reignited his calls for the US to take control of Greenland. Renewed artificial intelligence (AI) jitters and a fresh wave of US tariffs were further headwinds. From a geographical perspective, emerging markets were the weakest, dragged down by South Korea as chip stocks sold off. Stocks in Japan also moved lower, while Europe and the US finished July broadly where they started. The UK, on the other hand, recorded a strong positive return. Turning to the MSCI ACWI, Information Technology shares sold off heavily, with Industrials and Utilities also finishing firmly in the red. Conversely, Energy shares were the standout performers after renewed tensions in the Gulf sent oil prices soaring. Financials came next, followed by the Consumer sectors.

Renewed tensions in the Middle East drove energy prices sharply higher, triggering upside inflationary risks and downward revisions to global economic growth forecasts. While policymakers at the major central banks acknowledged rising first- and second-round inflationary risks, they left benchmark borrowing rates unchanged, adopting a wait-and-see approach as they closely monitor developments in the Gulf.

However, the policy decisions were categorised as "hawkish holds", with the war in Iran strengthening the case for future rate hikes. The US Federal Reserve (Fed) held the federal funds rate steady at a target rate of 3.50%-3.75%. The Bank of England (BoE) also left the base rate unchanged at 3.75%. After delivering a 25-basis point (25-bps) rate hike last month, the European Central Bank (ECB) and Bank of Japan (BoJ) respectively held benchmark lending rates steady at 2.25% and 1.0%. Elsewhere, the People's Bank of China (PBoC) also left its loan prime rates unchanged for the 13th consecutive month.

Oil prices surged in July. Brent Crude eased early on, with the Organisation of the Petroleum Exporting Countries Plus (OPEC+) signalling a significant recovery in global supply as Gulf producers accelerated output on the back of last month's peace deal. However, initial fears of a supply glut following the resumption of maritime oil flows through the Strait of Hormuz were short-lived as US-Iran hostilities re-escalated, with oil prices resuming their upward trajectory as the US initiated a new wave of airstrikes against Iran and reimposed a naval blockade of Iranian ports.

The Fund returned negatively (in EUR, gross of fees) in July and positively year-to-date, underperforming the benchmark. Sector Allocation has been negative due to the overweight in Industrials and the underweight in Financials and Consumer Discretionary. Stock selection contributed well to overall performance due positive selection in sectors like Information Technology and Materials.

From a thematic perspective, the Fund benefitted to the exposure to Strategic Autonomy and AI Adoption, while Electrification and Humanoid Robots contributed negatively. Positioning within the technology and semiconductor complex was the principal driver of relative performance. The portfolio's zero weighting in Tesla, Intel and Lam Research proved beneficial, while the underweight in memory manufacturers SK Hynix and Micron added further value by sidestepping share price weakness in that segment. Together these decisions contributed meaningfully to returns relative to global equity markets.

Not all positioning worked in our favour. TSMC, Marvell and Prysmian all detracted, and in each case the weakness stemmed less from deteriorating fundamentals than from valuations that had run ahead of themselves after strong rallies. TSMC sold off despite record results, as a share price priced for perfection left little room for further upside, compounded by margin concerns tied to a sharply raised 2026 capital expenditure (capex) budget. Marvell came under pressure from an analyst downgrade centred on valuation and a broader pullback in AI-related chip names, having previously traded on a demanding multiple. Prysmian fell on a "sell-the-news" reaction to Q2 results that, while solid, failed to clear an elevated pre-earnings bar. On balance the net effect was positive, underlining the wide dispersion across the sector.

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 were mixed in July as markets navigated renewed geopolitical tensions in the Middle East alongside growing scrutiny around the sustainability of AI-related earnings. Early in the month, escalating tensions between the U.S. and Iran pushed oil prices sharply higher, briefly lifting inflation concerns and supporting energy markets before sentiment stabilized later in the month. In the U.S., headline CPI fell to 3.5% year-over-year in June, marking its first decline in five months, while the unemployment rate declined to 4.2% from 4.3% in May.

Fixed income markets weakened globally in July as higher energy prices, resilient economic data and hawkish central bank messaging reinforced expectations that policy rates may remain restrictive for longer. In the U.S., the Federal Reserve remained on hold, and while front-end yields moved modestly higher, the long-end repriced more meaningfully, with the 10-year Treasury yield rising 27 bps to 4.73% and the 30-year Treasury yield increasing 32 bps to 5.27%, both reaching their highest levels of the year. Elsewhere, yields also moved higher as central banks maintained a cautious stance, with the U.K. 10- year Gilt yield rising 29 bps to 5.05%, Germany's 10-year Bund yield increasing 35 bps to 3.21%, and Japan's 10-year government bond yield rising 12 bps to 2.81%.

Equity markets were mixed over the month as leadership rotated away from the U.S. toward international markets. The MSCI World Index rose 0.5%, while the S&P 500 fell 0.1%, as weakness in technology and semiconductor stocks weighed on U.S benchmarks, offsetting strength in sectors such as energy and financials. Value-oriented equities generally outperformed growth stocks amid rising yields and higher commodity prices. Within credit markets, investment grade spreads widened 3bps to 79bps in the U.S. and tightened 1bp to 77bps in Europe. High yield spreads widened 10bps to 285bps in the U.S. and tightened 2bps to 277 in Europe as investors reassessed risk amid heightened volatility and shifting growth expectations.

During the month, the PIMCO GIS Income Fund returned -1.23% after fees (in USD, for the Institutional class, Accumulation share), bringing YTD '26 performance to 0.15%.

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

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

Market Review and Outlook

Market:

• Global equities were volatile in July as investors balanced resilient corporate earnings against persistent inflation concerns, geopolitical uncertainty and a rotation away from parts of the AI-led momentum trade. While several technology-related stocks experienced increased volatility, broader market performance remained supported by solid corporate fundamentals.

• Market leadership broadened during the month. Several highly valued semiconductor and AI-related companies came under pressure as investors became increasingly focused on the sustainability of elevated capital expenditure, while more defensive and diversified sectors proved comparatively resilient.

• The Federal Reserve left the target range for the federal funds rate unchanged at 3.50%–3.75% at its July meeting. Although economic activity and labour market conditions remained resilient, policymakers reiterated that inflation remained above the 2% target, with higher energy prices contributing to inflationary pressures. The decision highlighted the Federal Reserve's cautious approach as it continued to balance resilient economic growth against persistent inflation risks.

• European equities delivered mixed returns as investors weighed the implications of higher energy prices and the evolving monetary policy outlook. Japanese equities were comparatively resilient, while several technology-oriented Asian markets experienced increased volatility as semiconductor stocks came under pressure.

• Investor sentiment improved towards the end of the month as the corporate earnings season broadly exceeded expectations. Nevertheless, higher oil prices and continued geopolitical uncertainty reinforced a more selective market environment, with greater differentiation across sectors and individual companies.

Stocks:

• Security selection within the biotechnology sub-sector was the largest detractor from relative performance during the month, while security selection within medical devices & supplies contributed positively to active returns.

• An underweight position in Alnylam Pharmaceuticals was the largest contributor to relative returns. Shares fell sharply after second-quarter results revealed weaker-than-expected Amvuttra sales and a reduction in full-year ATTR franchise revenue guidance,

• An underweight position in Eli Lilly also contributed to active returns, as the shares declined broadly in line with the pharmaceuticals subsector during the month.

• Elsewhere, an overweight position in Moderna was among the largest detractors from relative performance. Shares were pressured as investors took profits following a strong prior run, compounded by less-than-expected Phase 3 results for its stomach flu (norovirus) vaccine.

• An overweight position in AstraZeneca also detracted from relative returns, after a Phase III cardiovascular trial (CARDIO-TTRansform) for Wainua failed to meet its primary endpoint in early July

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 medical devices & supplies subsector while reducing exposure to biotechnology and health care providers & services.

• At the individual security level, the Fund initiated new positions in Stryker and Cencora, reflecting attractive valuation, and added to its existing position in Danaher, with the investment team expecting improving business fundamentals.

• Elsewhere, the Fund exited its positions in Intuitive Surgical, reflecting expectations of moderating business growth and increasing competitive pressures, Regeneron Pharmaceuticals, due to a more uncertain growth outlook, and IDEXX Laboratories, amid continued weakness in the veterinary end market. The Fund also closed its position in UnitedHealth Group following strong share price performance and profit-taking. Separately, the Fund's holding in Nuvalent was closed following the completion of its acquisition by GSK in mid-July.

Key Positioning & Outlook:

• We continue to expect a high degree of stock dispersion across healthcare as scientific innovation, evolving reimbursement dynamics and company-specific execution remain the key drivers of returns. This reinforces our bottom-up investment approach, with an emphasis on identifying differentiated science and durable competitive advantages.

• Within healthcare services, we continue to monitor the outlook for Medicaid reimbursement and the pace of margin recovery, while in MedTech we remain focused on areas where underlying demand continues to be supported, including imaging, diabetes technology and AI-enabled surgical workflows. These dynamics reinforce the importance of selective stock picking across the sector.

• Within biotechnology, company-specific clinical, regulatory and financing milestones continue to drive performance, creating an environment where active management and fundamental research remain particularly important.

• Over the long term, we continue to believe the sector is supported by ageing demographics and continued advances in medical science and technology, providing attractive opportunities for companies capable of delivering differentiated innovation.

For Allianz Life ESG-Integrated Multi-Asset Fund and Allianz Life ESG-Integrated Multi-Asset Fund (MYR-Hedged):

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

Market Review and Outlook

Market Review:

Markets were volatile in July as renewed US–Iran tensions briefly pushed oil prices higher, reviving inflation concerns and placing upward pressure on government bond yields as markets reassessed the path of monetary policy. Despite a strong US earnings season, investor sentiment remained cautious amid elevated technology valuations and uncertainty over the policy outlook. The US dollar remained firm as higher yields and renewed geopolitical tensions supported demand for safe-haven assets.

Equity performance was mixed. US markets finished broadly flat as strong second-quarter earnings and continued AI investment were offset by higher bond yields and elevated technology valuations. Market leadership broadened beyond the largest technology companies, with industrials, financials and energy outperforming as investors rotated away from some of the highest valued AI beneficiaries. European equities were little changed, with strength in industrials and financials balancing technology related declines. The UK outperformed, supported by its exposure to energy and financial companies, while emerging markets lagged amid weakness across the Asian semiconductor supply chain.

Government bonds came under pressure as higher energy prices and persistent inflation concerns reinforced expectations that policy rates could remain elevated for longer. Credit markets were comparatively resilient, supported by attractive income and broadly stable corporate fundamentals.

Commodities were led higher by oil, although prices retreated from their peak as concerns around supply disruption eased. Gold was volatile, balancing the headwind from higher real yields against continued central-bank demand and structural reserve diversification trends.

Performance:

Against this backdrop, the ESG Multi-Asset Fund posted a negative return. Whilst both equities and fixed income detracted, exposure to alternatives provided welcome diversification. Commodities were broadly flat over the month.

Within equities, thematic exposures were the main drivers of negative performance. The Sustainable Energy basket was affected by profit-taking, while the Industrial Capacity and Robotics baskets also detracted. Equity manager performance was mixed: the Global Unconstrained Equity Strategy underperformed its opportunity set, weighed down by its constructive positioning in the semiconductor industry, while the Systematic Active Equity Portfolio outperformed its opportunity set. Allocations to Japanese equities and options positions on European banks helped to partially offset losses.

Fixed-income exposures detracted across the board as renewed inflation concerns placed upward pressure on yields. However, the Fund's underweight duration positioning helped to mitigate losses.

Alternatives provided ballast in a volatile market environment, with positive performance from renewable energy infrastructure as energy prices remained high, as well as listed private equity and venture capital exposures. Gold was broadly flat over the month.

For Allianz Life ESG-Integrated Multi-Asset Fund and Allianz Life ESG-Integrated Multi-Asset Fund (MYR-Hedged):

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

Positioning:

The portfolio maintained a neutral stance on equities and a cautious approach to fixed income over the month.

At the beginning of the period, profits were taken on the Japan versus global equities position following strong performance and closed our China AI basket and trimmed our Robotics basket amid concerns over semiconductor valuations. A protective option position on US technology equities was also introduced in response to similar concerns, before being closed later in the month.

Low-cost, long-dated options on the euro–US dollar and US dollar–Canadian dollar exchange rates were established. These positions took advantage of unusually low option pricing and were intended to provide protection against increasingly divergent growth, inflation and monetary policy outcomes across major economies.

Within fixed income, a cautious stance was maintained, with a preference for investment-grade credit given its income and diversification benefits.

Market Outlook:

We have become modestly more constructive on portfolios as several important near-term risks have eased. While uncertainty around inflation and financial conditions is likely to increase into September, our base case remains one of resilient growth and gradually moderating inflation, supporting a modest overweight to risk assets while retaining the flexibility to respond to incoming macroeconomic data.

We maintain a moderately positive view on equities. Corporate earnings have remained resilient and the recent rally has broadened beyond the largest technology companies. Continued investment in AI infrastructure should remain supportive of earnings over the medium term, although elevated valuations and ongoing uncertainty around the pace of AI adoption and monetisation are likely to keep volatility in parts of the technology sector elevated. This reinforces the importance of active portfolio construction, diversification and disciplined risk management.

Within equities, we continue to favour the US over Europe, reflecting the relative resilience of the US economy and its leadership in AI investment and earnings growth. Europe continues to offer selective opportunities, particularly in areas supported by defence spending and infrastructure investment, but these themes remain medium-term in nature rather than representing a material change in the near-term macro outlook. We therefore retain an overall preference for the US while remaining selective within European equities.

In fixed income, higher yields have improved the attractiveness of duration. While inflation remains the principal macroeconomic risk, further evidence of moderating price pressures would support moving closer to a neutral duration position. We have therefore become more constructive on intermediate US duration, although implementation remains measured ahead of key inflation and labour-market data. We continue to favour quality within fixed income, as credit spreads remain relatively tight and financial conditions are likely to become increasingly important as refinancing needs rise.

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

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

Market Review

The portfolio was negatively impacted by weakness across equities, convertible securities, and high yield bonds.

Top contributors were led by several hyperscalers in Microsoft and Amazon that reported strong quarterly results within their respective cloud businesses. Apple advanced on optimism around its upcoming product cycle and capital-light artificial intelligence (AI) strategy, and a cloud-based data platform gained on an improved fundamental outlook. Several oil & gas companies reported margin strength, and multiple Financials exceeded expectations. The other top contributors to performance were a discount retailer, and a major food & beverage company.

Top detractors in the period were largely concentrated in tech hardware and infrastructure companies benefitting from the AI investment cycle. Many portfolio holdings pulled back in July after recording robust year-to-date gains exiting Q2. Positioning was related to semiconductors, semiconductor capital equipment, power generation, data storage, and compute. The other top detractor was an electric vehicle manufacturer that missed expectations on elevated operating expenses.

Most option positions expired below strike and the portfolio was able to retain the set premiums. Exposure increased the most in Health Care, Financials, and Real Estate, and decreased the most in Technology, Communication Services, and Consumer Discretionary. Covered call option positioning increased month-over-month.

Market Outlook

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

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

Convertible securities' outperformance of equities could expand over the remainder of the year, and high yield bonds are pacing for a positive but below-coupon annual return. Given their defensive characteristics, these asset classes can mitigate market volatility better than equities, which historically average a mid-teens intra-year decline even in annual periods of positive returns.

US convertible securities have an attractive asymmetric return profile, providing upside participation potential when stock prices rise and downside mitigation when stock prices fall. The asset class is on pace to outperform the broad equity market again in 2026, helped by solid earnings growth, expanding market breadth, stable credit spreads, and robust new issuance. After record new issuance in 2025, primary market activity is trending for another unprecedented year with 2026 estimates residing around USD 130-135 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 a positive, but below-coupon return for 2026. The market's attractive total return potential is a function of its discount to face value and higher coupon, which also serves to cushion downside volatility. Credit fundamentals are stable, near-term refinancing obligations remain low, and the market's credit quality composition has improved. In this environment, new issuance is expected to remain steady, spreads can stay tight, and the default rate should continue to reside below the historical average.

A covered call options strategy can be utilised to generate premium income. In periods of elevated or rising equity volatility, premiums collected may translate into more attractive annualised yields.

Collectively, these three asset classes can provide a steady source of income and a compelling "participate and protect" return profile.

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

For Allianz Life Global Unconstrained Equity Fund, Allianz Life Global Unconstrained Equity Fund (MYR-Hedged) and Allianz Life Global Unconstrained Equity Fund (USD):

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

Market Review and Outlook (Apr - Jun 2026)

(Target Fund Manager only produces commentaries on quarterly basis)

Market Review:

Markets bounced back from Q1's sell off in early April as the United States and Iran agreed a ceasefire, limiting the risk of prolonged higher oil prices and an extended inflation shock to the economy. While negotiations remained fractious over the months that followed, the ceasefire provided reassurance that both sides were willing to deescalate, freeing the market to respond to what was a very strong Q1 earnings season, particularly in the US where 87% of companies beat consensus estimates.

The artificial intelligence (AI) buildout continued to attract significant capital during the quarter. From SpaceX's record-breaking IPO2 to the billions of dollars raised by technology companies through equity and debt issuance, it is clear that compute capacity constraints remain acute, investors continue to believe in the future returns this investment can generate and, crucially, capital markets remain willing to provide the liquidity needed to fund it. This spate of investment is no doubt aiding the wider US industrial economy: ISM manufacturing and new order PMIs remained in expansionary territory over the quarter in the region. Additionally, despite fears of AI-driven job displacement, employment remained resilient over the period. That said, consumers continued to face affordability pressures, particularly at the lower end, and elevated interest rates remained a headwind to household spending. From an investment perspective, this, coupled with competitive dynamics and shifts spending habits, leave us more enthusiastic about the mid-term outlook for the industrial economy than consumer-facing industries at this time, with portfolio positioning reflecting this opportunity set.

Outlook:

We remain constructive on the outlook for equity markets. Despite significant macro uncertainty and volatility during H1, labour markets remained resilient, corporate earnings generally exceeded expectations, and investment activity stayed exceptionally strong, particularly across technology, infrastructure and industrial end markets. Spending plans linked to AI continue to increase despite elevated interest rates and periodic macroeconomic uncertainty. The scale of this investment cycle dwarfs that of previous years and is increasingly influencing economic activity, corporate revenues and earnings growth across a wide range of industries. While we remain vigilant for signs of slowing demand or weakening funding sentiment, current evidence remains supportive.

Against this backdrop, market dispersion remains high. We continue to see meaningful differences between leaders and laggards as companies adapt at varying speeds to structural shifts in technology, industry and consumer behaviour, reinforcing the importance of being selective. We remain focused on identifying businesses capable of sustaining and compounding attractive earnings growth over the long term, which we believe is often underappreciated by the market. Given the concentrated nature of recent returns and increasingly divergent company outcomes, bouts of volatility are likely to persist. Our focus remains on distinguishing short-term market noise from genuine changes in fundamentals to capture compelling long-term value creation for investors. We continue to seek 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 news flow and narratives.

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

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

Market Review and Outlook

Performance Overview:

• The BGF World Technology Fund returned -13.0% (A2, net of fees) during the month of July, underperforming the MSCI ACWI IT 10/40 Index which returned -8.1%

Market:

• U.S. equities were mixed in July. The MSCI ACWI finished the month virtually unchanged while the S&P 500 slipped -0.13% and the NASDAQ fell sharply by -6.61%. A concentrated de-rating of AI infrastructure and semiconductor names weighed on large-cap tech, though the broader market performed relatively better, with leadership rotating away from the most crowded technology trades amid rising Treasury yields, firmer crude prices, and a hawkish Fed hold.

• The broader market held up better than the headlines suggested in July, but the damage was concentrated and severe. Information Technology was the worst-performing sector, down roughly -8.0%, with Communication Services close behind (down -7.1%), as the AI-infrastructure complex de-rated. Semiconductors were at the epicenter as the group fell 22.1% , the worst month since December 2002. Software diverged sharply higher, underscoring that this was a hardware and capex intensity repricing rather than a broad technology unwind. Energy reversed course decisively after three months of declines, rallying roughly 11% as Brent crude soared 24% on renewed U.S.-Iran hostilities and threats to Red Sea and Black Sea shipping. Defensives and cyclicals provided ballast, with Utilities gaining 2.7%, Health Care up almost 2.5% and Financials 2.4% also.

• The Federal Reserve again held interest rates steady in July at 3.50%–3.75%, but the character of the debate shifted decisively. The 9-3 vote marked the fifth consecutive hold, with three dissenters all voting to raise rates by 25 basis points, a clear sign that the Committee is not convinced that the inflation fight has been won. Chair Warsh again withheld forward guidance, reiterating that "there is no soft inflation target" while cautioning that 5+ years of above-target inflation "cannot be cured in nine weeks." Markets did the tightening instead with the 30-year yield rising above 5.2%, its highest since 2007, and the 10-year reached a 13-month high near 4.68%.

• Corporate earnings were strong in July, but the market stopped rewarding AI investment indiscriminately and began differentiating sharply between capital allocators. Hyperscaler results beat across the board. Google Cloud accelerated to +82%, Azure to +43% and AWS to +37%. Alphabet and Meta sold off on rising capex and collapsing free cash flow while Microsoft rallied 15.5% on visible returns and spending discipline. The Big Four capex is tracking towards $733 billion in 2026, and discussion has migrated from whether AI spending is justified to who can prove the returns.

• The EURO STOXX 50 edged higher in July, gaining 0.47% while the broader STOXX 600 rose by almost 1.2% to a record close, the fourth consecutive monthly advance following strong corporate earnings in spite of Middle East hostilities and AI related volatility that impacted U.S. tech.

• Asia-Pacific equities bore the brunt of the global AI de-rating in July as the semiconductor concentration that drove first-half gains amplified the reversal. South Korea's KOSPI fell roughly 22%, its worst month since 2008, while Japan's Nikkei 225 declined 10.2% and Taiwan's TAIEX lost 6.8%. The selloff reflected a repricing of expectations rather than weakening demand.

Sectors:

• Moonshot AI launched Kimi K3, intensifying global AI competition: Chinese AI startup Moonshot unveiled Kimi K3, a 2.8-trillion-parameter open-weight model that it says delivers frontier-level performance while offering significantly lower API pricing than leading Western models. The launch reignited debate around AI economics and competition.

• OpenAI expands its frontier model lineup with GPT 5.6: OpenAI introduced the GPT 5.6 family, including its flagship Sol model alongside lower-cost Terra and Luna variants. The launch highlights intensifying competition around model performance, pricing and enterprise adoption, while underscoring the growing strategic importance of frontier AI development.

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

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

• TSMC reinforces the AI infrastructure investment cycle: TSMC reported record quarterly results, raised its full-year revenue outlook to above 40% growth, and increased planned capital expenditures as demand for AI chips continues to outpace supply. The results reinforce that hyperscaler investment in AI infrastructure remains strong despite growing investor scrutiny around AI spending.

• Tesla Delivers Blowout Q2 Deliveries: Deliveries beat consensus by a meaningful 25% from a year ago and 34% growth from the first quarter. The share price decline on the back of such a good report is attributable to concerns that high gas prices helped, albeit temporarily. While demand for Teslas has been hit in the U.S. following the expiration of federal EV tax credits, Europe is moving in the opposite direction. According to the European Automobile Manufacturers Association, Tesla registrations (a proxy for sales) hit 28,000 cars across the continent, up 108%.

• Meta Enters the Cloud Wars: Meta shares climbed 11% following news that the company is building a cloud business to sell excess compute capacity, a move drawing comparisons to Amazon's early AWS playbook. Meta was the single largest contributor to both the S&P 500 and NASDAQ on the day, offsetting broader tech weakness. Neocloud pure-plays reacted sharply, with CoreWeave down 14%, emphasizing how quickly the AI compute landscape can reprice when a hyperscaler's strategy evolves.

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

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

Market Review

Equity Market:

• The MSCI ACWI Index rose 0.1% in July, as strength in energy and financials helped offset pressure on technology and AI-linked growth stocks amid higher Treasury yields and continued questions around the return on investment of elevated AI-related spending. In the U.S., the S&P 500 Index was essentially flat, declining 0.1%, as strength in energy was offset by pressure on large-cap technology. European equities gained 1.0%, supported by energy and financials as higher oil prices and rising rates benefited more value-oriented parts of the market.

• Emerging market equities fell 3.1% in July, as weakness in South Korea and broader pressure across AI-linked semiconductor-heavy markets outweighed gains in China, India, and Brazil. South Korea's KOSPI Index declined 22.2%, as the crowded AI-memory trade reversed sharply and weighed on a market heavily concentrated in large semiconductor names.

Bond Market:

• Developed market sovereign bond yields broadly rose in July amid renewed geopolitical tensions. In the U.S., rates sold off as the Fed held rates steady, but Chair Warsh refrained from signaling potential future rate hikes in case of higher inflation. Against this backdrop, the 10-year Treasury yield rose 27 bps to 4.73%, and the 30-year Treasury rose 32 bps to 5.27%, their highest levels this year. Outside the U.S., rates generally moved higher against hawkish central bank holds. In Europe, the German 10-year Bund yield increased 35 bps to 3.21%, the U.K. 10-year gilt yield increased 29 bps to 5.05%, and the 10-year JGB yield rose 11 bps to 2.79%.

• Global IG credit posted negative returns of -1.29% for the month, underperforming like duration government bonds by 0.12%, as spreads widened 2bps in July. Global HY credit delivered negative returns of -0.29%, with the B-rated segment of the high yield market outperforming BB-rated and CCC-rated bonds.

• Agency MBS returned -1.42% in July, underperforming like-duration Treasuries by 43 bps, as the Treasury curve bear steepened and rate volatility increased, driving greater mortgage extension risk and modest spread widening.

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

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

Market Outlook

Macro uncertainty persists, and both inflation and growth outcomes appear more fat tailed. The Fed held rates steady again in July. However, three dissents in favor of a hike and Chair Warsh's comments hinting at a lower bar to tightening keep the risk of a hike before year-end elevated. A hold remains our base case. With fiscal tailwinds fading and the savings rate down after repeated cost-push shocks, income growth must increasingly carry the consumption outlook. This tilts growth risks lower, despite resilient AI capex. We continue to emphasize high-quality, global exposures to help smooth returns in this fat-tailed macro environment. In fixed income, the reset higher in yields provides attractive income potential and compelling future returns. It also offers a meaningful cushion to absorb further volatility. We maintain exposure across front-end and intermediate maturities and remain constructive on U.S. duration. Fed Chair Warsh's shift away from forward guidance may add to rate volatility, two-sided policy surprises, and wider risk premia. We retain positioning in European rates, reflecting elevated downside risks to Eurozone growth. Lower inflation in emerging markets, paired with credible central banks, high real yields, and high carry, continues to drive exposure to EM local duration. We are constructive on U.S. TIPS to mitigate elevated near-term inflation risk. In this higher rate environment, TIPS also offer compelling carry. Within global spread markets, we continue to favor securitized assets. We remain focused on quality rather than reaching for yield, leaning on Agency MBS and highly-rated tranches of securitized assets. Within corporate credit, we emphasize structural protections and liquidity while staying cautious on broader credit beta. Tight spreads, ongoing re-leveraging tied to AI capex, and macro uncertainty reinforce the importance of bottom-up selection and strong underwriting. In equities, markets have remained volatile following a sharp, momentum-driven selloff in AI- and semiconductor-related names in late July. Investors continue to question the sustainability of the AI driven rally amid stretched valuations. However, Q2 earnings results surged across both developed and emerging markets. Regional tilts are driven by our disciplined, systematic approach to global stock selection. We see value in select markets outside the U.S., supported by cheaper valuations alongside strong momentum, growth, and quality characteristics.