Market Review and Outlook

June 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 softened in June, with the MSCI World Index declining 0.80% mom after two months of robust performance. Within the U.S. market, the Dow Jones Index continued its positive momentum, advancing +2.52% mom. However, technology and growth – oriented stocks experienced profit taking, with the S&P 500 slipping 1.06% mom and the Nasdaq Composite falling 2.81% mom, partially retracing the gains achieved in the preceding two months. Economic data remained broadly supportive of the U.S. economy, although growth momentum moderated slightly, with the S&P Global U.S. Composite Purchasing Managers' Index (PMI) easing to 51.9 in June from 52.2 in May, below the survey estimate of 52.2 but still signalling continued expansion in business activity.

The Middle East tension easing on the back of the US – Iran memorandum of understanding (MoU) helped spur Europe's Stoxx 50 Index by +4.59% mom. Its economic backdrop was also relatively benign during the month with its S&P Global Eurozone Composite PMI improving to 50.0 in June, above consensus' expectations and May's contractionary reading of 49.5. The Eurozone unemployment rate also recovered slightly to 6.2% in May 2026 from 6.3% in the previous month whilst Eurozone CPI came in within expectations at +3.2% yoy in May 2026 (April: +3.2% yoy).

In China, Shanghai Composite index gained +0.63% mom in June, supported by gains in technology (semiconductors) and financials. China's RatingDog China PMI Composite in June 2026 still recorded an expansionary reading of 53.6 versus May 2026's 54.0. Meanwhile, May CPI came in at +1.2% yoy, lower than survey's +1.3% yoy (April: +1.2% yoy). Apart from that, the People's Bank of China kept its 1 – year and 5 – year Loan Prime Rate (LPR) unchanged at 3.00% and 3.50% respectively, signifying the central bank's steady stance on monetary policy.

On the commodities front, Brent crude oil (-20.78% mom to USD72.92 per barrel) remained under pressure as geopolitical tensions in the Middle East eased. With the signing of the aforementioned US – Iran MoU, there were raised expectations of a reopening of the Strait of Hormuz, which could alleviate concerns over supply disruptions and improve the outlook for global energy flows. Meanwhile, crude palm oil prices (+0.09% mom) remained firm at RM4474/tonne. The resilience was underpinned by Indonesia's biodiesel mandate, concerns over potential disruptions arising from the country's evolving export policies and El Nino-related weather risks that could adversely affect palm oil output in the region.

Focusing on the ASEAN front, Thailand's SET index extended its rally with a +1.46% mom gain, partly supported by foreign buying to a tune of THB6.9bn (USD208m). Foreign investors were net buyers of the telecommunication sector on improving earnings outlook post-industry consolidation as well as the transportation sector on expectations of continued growth in passenger traffic.

In contrast, Indonesia's Jakarta Composite Index was down -7.90% mom, pressured by persistent foreign outflows amid fears of potential sovereign rating downgrade pressure and policy uncertainty. After deploying a 50bps hike in May 2026 to defend the rupiah against capital flight, Bank Indonesia implemented two additional 25bps increases in June 2026, pushing the benchmark interest rate to a 12 - month peak of 5.75%.

As for Malaysia, the FBMKLCI shed 1.13% mom in June (YTD-June: -0.96%) as it was weighed down by foreign selling and pre – election risk aversion ahead of the Johor and Negeri Sembilan state elections. In the month, foreign investors continued to pare exposure to Malaysian equity market with net selling of RM2.38bn, resulting in a cumulative YTD – June net outflow of RM3.13bn. Nevertheless, sentiment towards the Malaysian equity market was partly supported by the launch of the Value Up Guidebook in June 2026. Anchored under the Capital Market Masterplan 2026 – 2030, the Value Up Programme aims to encourage listed companies to enhance and communicate their long – term value creation strategies to attract both domestic and foreign investors.

Lastly, Singapore's Straits Times Index gained +2.64% mom, led primarily by gains in the banking sector. May's Non – Oil Domestic Exports (NODX) expanded to +38.4% yoy, beating consensus' +30.5% (April: +24.4% yoy), driven by robust growth in both electronics exports (eg. integrated circuits, disk media products and PCs) and non – electronics export (eg. pharmaceuticals, specialized machinery).

In June, the U.S. Treasury (UST) yields were volatile but ultimately ended the month higher between +2 to +5bps mom, except for the 5 – year UST yield which was down 2bps mom. The 10 – year UST yield varied by nearly 20bps in the month of June before ending the month 3bps higher at 4.47%. Inflation remained elevated with May CPI at +4.2% yoy (Survey: +4.2% yoy, April: +3.8% yoy), making it the largest acceleration in three years due to spike in energy prices stemming from global supply shocks. Labour market showed persistent underlying strength as the May nonfarm payrolls surged by 172k mom (Survey: +88k, April revised: +148k) while the unemployment rate stayed at a low 4.3% (Survey and April: 4.3%). At his first Federal Open Market Committee (FOMC) meeting as Chairman, Kevin Warsh surprisingly delivered a heavily hawkish pivot. While the committee voted unanimously to maintain the federal funds rate at 3.50% – 3.75%, the official statement was structurally revamped to be shorter and entirely stripped of its previous interest – rate cutting bias. Furthermore, the updated "dot plot" eliminated expectations for near – term relief, revealing that half of the FOMC officials now project at least one rate hike for the remainder of 2026. Fed fund futures responded accordingly by the end of June, completely discarding rate – cut probabilities and moved to price in a 34% chance of a rate hike as early as July.

Malaysian Government Securities (MGS) yields movement were mixed between -2 to +5bps mom across the curve. May's headline inflation rose slightly to +2.0% yoy (Survey: +2.1% yoy, April: +1.9% yoy), largely driven by non – core items, particularly vegetables and electricity prices. On the economic growth front, the April Industrial Production Index (IPI) staged a powerful acceleration, surging by +8.2% yoy (Survey: +4.5% yoy, March: +3.1% yoy) to mark its fastest growth rate since September 2022, as the manufacturing, mining and electricity sectors recorded stronger growth.

Foreign funds turned net buyers in June with net inflows of RM4.9bn (May: net outflows of RM4.3bn). The foreign share of MGS remained stable at 33.6% (May: 33.6%), while the foreign share of MGS+MGII edged down slightly to 20.6% (May: 20.8%), with foreign investors favouring shorter – dated Treasury bills. Malaysia's foreign reserves rose by USD2.0bn to USD132.6bn as of end – June (May: USD130.6bn).

Market Outlook

The signing of a U.S. – Iran MoU marked a constructive step towards de – escalation, helping to ease near-term geopolitical concerns. However, global investors are likely to remain attentive to further developments given the uncertainties surrounding the agreement's implementation and long – term durability. Domestically, investor attention is likely to focus on the upcoming state elections in Johor and Negeri Sembilan in the near term. Over the medium term, market sentiment will hinge on the execution of key national initiatives, including Budget measures, the National Energy Transition Roadmap (NETR) and the 13th Malaysia Plan (13MP), as well as the trajectory of the country's exports, tourism recovery and investment activities.

Against this backdrop, we maintain a constructive yet cautious stance on the market outlook given ongoing volatility and macro uncertainties. Our portfolio strategy continues to focus on fundamentally strong, long-term investment opportunities, while maintaining the agility to tactically capitalize on market dislocations through selective trading opportunities.

According to the June FOMC statement, U.S. economic activity remained solid though the 2026 real GDP growth forecast was nudged down slightly to 2.2% (from 2.4% in March) in part, due to the conflict in the Middle East. Productivity growth and capital investment were strong. Job gains have kept pace with the workforce, and the unemployment rate has changed little. The Committee also reaffirmed its policy of maintaining ample reserves in the banking system. However, the meeting delivered a distinctly hawkish shift through heavily revised economic projections and changes to Fed communication under the new Fed Chair Kevin Walsh. Driven by a surge in median 2026 inflation forecasts to 3.6%, the Fed's updated "dot plot" revealed a significant reversal, raising the year-end rate projection to 3.8% and signaling that the next policy move will likely be a rate hike rather than a cut. While the Fed points towards tightening, there is a growing share of investors expecting the central bank to hold rates steady due to the mounting uncertainty around the inflation outlook as recent price pressures appear closely linked to energy markets, particularly elevated oil prices, which may prove temporary as supply conditions normalize.

For Malaysia, latest developments point towards resilient growth in the second quarter, driven by sustained domestic demand and stronger – than – expected export performance. Therefore, BNM has reaffirmed that the growth projection for 2026 is expected to be within the forecast range of 4% – 5%. The growth outlook remains subject to downside risks from a prolonged conflict in the Middle East and lower commodity production. Upside potential to growth could arise from a better global growth outlook following de – escalation of the conflict, stronger demand for E&E goods and higher tourism activity. 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?

- The equity market moved sideways ending in slight negative territory in USD terms in June. The trend-following strategies Momentum and Revisions showed solid outperformance versus the market.

What hurt?

- Based on the long-term negative correlation, the outperformance of Momentum is accompanied by Value underperforming versus the broad equity market. Dividend stocks within Value underperformed in the second half of June. This is the main reason for the underperformance of the Fund.

Market Review

June was a volatile month for global equities. The MSCI All Country World Index (ACWI) finished the month broadly where it started, with movements initially driven by events in the Middle East. The fragile US-Iran ceasefire and hopes for a peace deal effectively collapsed as the US hit military and surveillance targets in southern Iran and Tehran launched strikes against US military installations in neighbouring Gulf states early in the review period. However, geopolitical tensions swiftly eased after Pakistan's Prime Minister Shehbaz Sharif announced that the US and Iran had reached a permanent peace deal. However, sentiment was bolstered mid-month by renewed hopes of a peace deal and the historic Nasdaq debut of Elon Musk's SpaceX – the first in a wave of mega initial public offerings (IPOs). The resumption of global oil flows through the Strait of Hormuz helped risk assets rally into month-end as oil prices slumped, helping to overcome losses triggered by a series of Tech-led pullbacks stemming from concerns over waning semiconductor demand and renewed fears about artificial intelligence (AI) spending.

US equities eased in June. Stocks were pressured early on amid renewed missile and drone strikes in the Gulf. Meanwhile, President Donald Trump's efforts to prevent the Israeli military campaign in southern Lebanon from derailing a potential peace deal between Washington and Tehran were thwarted after Iranian-backed militia Hezbollah rejected the US-brokered truce between Tel Aviv and Beirut. However, the S&P 500 and Nasdaq Composite indices moved higher and the Dow Jones Industrial Average touched a fresh record high on news of a US-Iran peace deal, with the so-called peace dividend lifting stocks and triggering expectations of a more dovish stance from the US Federal Reserve (Fed). US Vice President JD Vance subsequently concluded the first round of direct talks with Iranian officials in the Swiss Alps, agreeing a 60-day roadmap to secure a final deal, including waiving sanctions on Iran. Wall Street moved lower on a hawkish pivot from the Fed, while Tech stocks sold off in the run-up to a wave of mega IPOs amid fears that portfolio rebalancing will result in a massive liquidity rotation from richly valued chip stocks into new listings. Tariff tensions were a further headwind as the US threatened higher levies on 60 trading partners, including the European Union (EU), the UK and Japan. The new tariffs stem from a probe into goods made by forced labour by the office of the US Trade Representative Jamieson Greer under Section 301 of the US Trade Act of 1974.

European equities finished June higher. Markets tracked Wall Street lower early on, as optimism around a breakthrough in US-Iran peace talks faded. Meanwhile, trans-Atlantic tensions resurfaced after the Office of the US Trade Representative concluded its investigation into alleged forced labour enforcement failures and threatened higher tariffs on EU shipments to the US. Market jitters returned after the European Central Bank (ECB) announced the first rate hike since September 2023. However, the Stoxx 600 Index touched a new record high in the relief rally that followed news of a peace deal between Washington and Tehran and the reopening of the crucial Strait of Hormuz shipping lane. Elsewhere, Kyiv stepped up long-range missile attacks against Russia as well as Russian-occupied territory in Ukraine, while European Commission President Ursula von der Leyan announced a fresh package of sanctions against Russia. French President Emanuel Macron welcomed world leaders to Évian-des-Bains for the annual G7 Summit, with leaders reaffirming their commitment to Ukraine. However, Tech stocks got caught up in the AI-led sell-off later in the month.

For Allianz Life Global High Payout Fund:

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

Market Outlook

The global economy is likely to remain stable, especially as the crisis in the Middle East appears to be easing. At the same time, AI investments are supporting growth and valuations in parts of the equity market. Despite the fragile geopolitical environment, we therefore remain positive on international equity markets. At a regional level, we favour the US and emerging markets over Europe and Japan. Inflation risk and the possibility of higher interest rates for an extended period are likely to direct investors' attention more strongly towards value, income, and quality factors. Value stocks appear promising, as they enable diversification in an AI-driven market and could benefit from a changing macroeconomic environment. After a long period of dominance by growth stocks and companies with extremely high market capitalisations, price volatility could trigger a rotation towards a stronger focus on companies' fundamentals. The theme of "strategic autonomy" is also likely to gain further importance, as reflected in rising government spending on defence, energy, and infrastructure. In Asia as well, equities could benefit from these global themes. China stands out due to the rapid adoption of AI across its economy. In this environment, we believe that investment success will depend primarily on careful decisions at the country, sector, and individual stock levels.

For Allianz Life Asia Multi-IncomePLUS Fund:

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

Market Review

Asia ex-Japan equities gave back some of their earlier gains in June as Technology stocks came under pressure towards month-end, offsetting the positive sentiment generated by the de-escalation of tensions in the Middle East. South Korean and Taiwanese equities reached a series of new highs before moderating. Offshore Chinese equities were notably weak, with large-cap internet and ecommerce companies weighed down by persistently soft domestic demand. In contrast, onshore A-shares outperformed for another month, extending a trend that has been evident for much of the past year. Australian equities delivered modest returns during the month, with weak economic data continuing to weigh on investor sentiment. On the other hand, India delivered positive returns during the month, benefitting from improving global risk sentiment, easing oil prices following the US-Iran ceasefire, and resilient domestic investor demand.

For fixed income, June was another constructive month for Asia credit markets, supported by easing geopolitical tensions and a sharp decline in oil prices following the announcement of a US-Iran memorandum of understanding. The reopening of the Strait of Hormuz helped reduce energy-related concerns and contributed to a broader improvement in risk sentiment. That said, credit markets exhibited notable divergence beneath the surface. Investment grade (IG) spreads widened 4 basis points (bps) as investors grappled with the implications of a more hawkish US Federal Reserve (Fed) outlook following the June Federal Open Market Committee (FOMC) meeting. New Fed Chair Kevin Warsh's communication prompted markets to reprice the expected path of policy rates, leading to renewed concerns over higher for longer rates. High yield (HY) markets proved more resilient. Improved geopolitical sentiment, easing energy prices and continued demand for carry supported spread tightening, particularly among higher beta and sovereign-related credits. As a result, spread across the HY complex compressed by 16 bps.

The Fund return was positive in USD terms in June.

A top stock contributor in the equity portfolio was Kingboard Laminates, a Chinese producer of printed circuit board (PCB) materials. The stock rallied during the month on optimism around artificial intelligence (AI) driven demand for high-end PCBs and copper-clad laminates. In longer term, the company is expected to benefit from the structural growth in AI servers and high-performance computing, which require increasingly advanced PCB materials.

Conversely, a key detractor came from a leading Chinese manufacturer of heavy-duty truck engines. The company has been expanding into power solutions in areas such as AI data centre backup power and battery technology, that should benefit from the AI infrastructure buildout. We used the share price weakness to add more positions.

The asset allocation at the end of the month was 69.8% in Asian equities and 30.0% in Asian fixed income.

During the month, equity portfolio activity focused on taking profits from strong performers and increasing exposure to high-conviction holdings that are well positioned to benefit from long-term structural growth trends. For example, a new initiation was a Taiwan-based semiconductor manufacturer with a vertically integrated business model covering wafer design, manufacturing as well as component assembly, which is well positioned to benefit from growing demand for AI infrastructure, cloud computing and automotive electronics.

Within the fixed income sleeve, we implemented several relative-value switches to enhance portfolio positioning while maintaining a broadly stable overall risk profile.

For Allianz Life Asia Multi-IncomePLUS Fund:

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

Market Outlook

Geopolitical concerns have moderated following the easing of tensions in the Middle East, while lower oil prices provide a more supportive backdrop for many of the region's net energy-importing economies. Although some consolidation in AI-related stocks would be unsurprising after a strong rally, we would view any pullback as an opportunity to add to high-conviction positions, given the powerful and durable 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 remain constructive on the outlook for Asia ex Japan equities over the long term. We continue to focus on companies with strong fundamentals, clear competitive advantages and exposure to long-term structural trends, which we believe are well-positioned to compound earnings over time.

On the fixed income side, with oil prices retreating and inflation concerns moderating, investor focus has shifted back towards the growth outlook. Although market continues to price in rate hikes, it remains unclear whether the recent economic strength can be sustained. Any signs of slowing growth could challenge the market's current expectations and lead to a reassessment of the rates outlook. From a valuation perspective, spreads remain a key constraint, leaving limited room for further compression. Against this backdrop, we believe that risk reward has become increasingly asymmetrical. While carry remains supportive, the potential for further spread tightening appears limited relative to downside risks from growth disappointment, shifting rate expectations, or increased supply. We continue to prefer a defensive to neutral stance in portfolio construction, emphasising income generation and maintaining selectivity in risk positioning.

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 government bond markets remained volatile in June, but the rates backdrop turned more constructive towards month-end as the sharp decline in oil prices eased inflation expectations and trimmed Fed rate-hike bets. At end-June, markets were pricing in a rate pause at the July FOMC meeting and a roughly 56% probability of a hike in September. In Malaysia, local demand helped stabilize the MGS curve despite a mildly bearish bias with yields rising modestly across most tenures except the 5-year MGS which eased 3bps. The 10-year MGS yield rose 4bps to 3.60%. Domestic economic growth indicators continued to exhibit resilience, supported by strong export growth, PMI returning above 50, robust IPI growth, alongside a narrower fiscal deficit on a monthly basis. Coupled with relatively contained inflation, as widely expected, Bank Negara Malaysia left the OPR unchanged at 2.75% at its July MPC meeting.

Equity Market Review

Markets were broadly sanguine following the US-Iran peace agreement, or rather MOU but the sustainability of the ceasefire were in question, rightfully so given the nature of the agreement. Markets were volatile as the escalation to re-escalation oscillated throughout the month with signification violations in Lebanon. The month in any case saw the drop in commodity prices, higher interest rate expectations, and the regional tech stocks sell-off. Going back to commodities, oil prices certainly have reached, with the Brent falling some 20%, although crude palm oil remained steady. Precious gold continues to see a sell-down falling 11.7% during the month and falling 7.2% for the year.

Closer to home, the KLCI fell 1.13% to 1,664.06pts. Gains during the first part of the month swung to losses on risk aversion on the back of tech stocks sell-off which flowed to local stocks, with an added element with the state elections in Johor and Negeri Sembilan, led to cautious investor sentiment. This brings the quarter performance to a drop of 1.56% and slipping 0.96% on year-to-date basis. Sector wise, plantations, construction and consumer were gainers while industrials, healthcare and property lagged.

In macroeconomics, fiscal position constraints have been alleviated following the ceasefire, given the ballooning fuel subsidy budget. However, returning to the fray, was the issue on trade as the USTR has proposed a 10% tariff on Malaysian goods. Elsewhere, the election fever is heating up with both Johor and Negeri Sembilan state elections happening soon.

Elsewhere in macroeconomics, May's export surged 45.2% yoy, the fastest pace since August 2022, driven by a 70.5% surge in electronics shipments and a near-doubling of exports to the US (+97.7% yoy), widening the trade surplus to RM40.4bn. This follows a strong April (+36.9% yoy). The strong data points reflect both the structural AI-driven upcycle in electrical and electronic (E&E) products and a surge in re-export volume, which bodes well for the outlook for stocks in this sector.

With regards to the currency, BNM had announced on June 24 that it would intensify existing measures to encourage foreign exchange inflows which entails engagement withs GLCs and corporates to repatriate and convert overseas earnings as well as expanding their Qualified Resident Investor programme. Perhaps further helping this was the reserves rising to US$130bn in May, the highest level since August 2014. Net foreign outflows were again reported in June amounting to an outflow of RM2.4bn in June but lesser than May's RM3.6bn outflow. This brings the year-to-date net selling to RM3.1bn. During the period, selling concentrated in the financials, healthcare and consumer.

Regionally, the KLCI was the second worst performer, after Indonesia, which tumbled 7.9%. Indonesia which continues to dominate the news headlines, has taken steps to focus on rupiah stability with interest rate increase and pulling back some its social support. Main outperformer was Philippines which gained 4.7% followed by Singapore and Thailand which climbed 2.6% and 1.5% respectively. In currency, the DXY Index gained 2.3% during the month, with the MYR affected the most, falling 3.0% followed by the Baht, dropping 2.1%. The Rupiah 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%–4% for the year, with coupon income likely to remain the primary driver of performance. Market technicals also remain supportive, underpinned by sustained demand from domestic institutional investors, improving foreign inflows, and healthy corporate credit fundamentals. Nevertheless, near-term volatility may persist due to global geopolitical uncertainty and US inflation risks, although the impact on the domestic market is expected to be limited.

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.

While we will continue to tactically seek entry opportunities in government sukuk for trading purposes, our core allocation remains overweight in corporate sukuk to anchor the Fund's income generation. Corporate credits generally offer higher yields and exhibit lower price volatility, helping to cushion against potential mark-to-market fluctuations amid further rate volatility Our credit selection strategy remains focused on high-quality AA-rated and selective single-A rated issuers, where we continue to see consistent value in terms of yield pickup and credit stability. We will remain active in the primary market to capture attractive new issuances, while continuing to selectively add exposure in the secondary market where recent spread adjustments have created more compelling entry levels.

Equity Outlook & Strategy

Just as US and Iran have indicated that an agreement is reached for the reopening of the Strait of Hormuz, both have started another round of skirmish as at writing. However, more importantly, question remains whether near-term inflation volatility would then lead to then interest rate volatility to then be disruptive for equity market valuations. Already, we have seen interest rate hikes in certain pockets of global central banks while the Fed's hike expectations have certainly been raised. The disruption or rather surge in energy prices, although have moderated since, would invariably lead to tighter financial conditions and weaker sentiment (less spending) which will ultimately hamper growth and earnings outside of the AI theme. Market sentiment as aforementioned suggests these risks are not factored in yet. Another factor has been, even prior to the war has been on the private credit which still an issue to the financial markets.

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 outperformed the benchmark in Q2. Positive stock selection in the Information Technology, Materials and Energy sectors was the key contributor.

At a stock level, a key contributor during the quarter was Suzhou Dongshan Precision, a printed circuit board (PCB) manufacturer and key supplier of flexible circuit boards (FPCs) to Apple. The market is increasingly seeing Dongshan as the beneficiary of artificial intelligence (AI) driven computing demand, rather than a legacy PCB manufacturer. Last year's acquisition of Source Photonics, which added optical solutions to its product mix, has helped to position Dongshan higher up the AI hardware value chain.

Conversely, a detractor was Minimax, an AI company focused on the development and commercialisation of large-scale foundation models and AI applications. The share price was weaker as the market adopted a more cautious stance towards the pace of revenue monetisation. There is also an impending technical headwind as the lock-up expiry on stock held by pre-initial public offering (pre-IPO) and cornerstone investors begins in early July.

Market Outlook

The last three months was another period where China A-shares outperformed offshore markets. Indeed, one of the most striking features of China equities over the past year has been the sustained strength of A-shares, in stark contrast to the much weaker performance in Hong Kong. Over this period, the MSCI China A Onshore Index has delivered returns of more than 40%, while the offshore-dominated MSCI China Index is in negative territory.

While periods of divergence between onshore and offshore markets are not uncommon, the magnitude of the current gap is notable and represents the widest dispersion in close to a decade. In our view, the reasons lie primarily in a combination of shifting fundamentals as well as the direction of fund flows.

In terms of fundamentals, the structure of the A-shares market has changed materially over the past decade. Historically, China A-shares were widely regarded as a proxy for the domestic economy. However, this characterisation has become less relevant as the market has evolved. The weight of the Technology sector has more than tripled during this period and now exceeds the combined weight of the Financials, Consumer and Real Estate sectors.

While the China A-share market does not yet have globally recognised "flagship" names comparable to TSMC or Samsung Electronics, China's push for technological self-sufficiency has provided a sustained tailwind to its domestic ecosystem. Notably, the Tech universe within China A-shares is heavily skewed towards hardware and enabling technologies. This includes the semiconductor supply chain and the "picks and shovels" of the AI investment cycle. These stocks have experienced – and continue to benefit from – a significant improvement in earnings expectations, supported by valuation re-ratings as investors increasingly factor in the scale of the long-term AI opportunity.

In contrast, offshore China indices have a very different composition. They remain dominated by internet platforms and ecommerce companies, where earnings trends have been weaker and, in many cases, subject to downward revisions. This reflects a combination of soft domestic consumption in China, intense competitive pressures, and rising capital expenditure (capex) linked to AI deployment. Overall, we see internet platforms having moved from being a primary engine of China tech growth to a more mature, capital-intensive segment.

At the same time, the resurgence in IPO activity in Hong Kong has introduced an additional headwind. There have been more than 80 IPOs year-to-date in Hong Kong focused mainly on Tech-related areas. These new listings have acted as a magnet for capital, with incumbent large-cap Technology names being a funding source for the AI trade, further weighing on index-level performance.

In our view, from a longer-term perspective, the current divergence between onshore and offshore China equities reflects more than cyclical dynamics. It also signals a structural shift in market composition and earnings drivers. In particular, we see China's national AI strategy creating a self-sustaining growth cycle independent of global tech cycles. This is supported by clear policy direction, rapid infrastructure buildout (compute, data centres, power), and accelerating adoption across industrial and consumer end markets.

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)

In recent months, we have used periods of market weakness, driven largely by events in the Middle East, to build exposure to long-term growth areas such as AI and electrification. For example, we initiated positions related to semiconductor materials, AI computing capacity and power demand for AI servers. These companies are well positioned to benefit from China's push for enhanced technological self-sufficiency. Conversely, we have reduced exposure in areas where domestic demand weakness and policy headwinds are putting earnings at risk – the white liquor space, for example.

Overall, we maintain a preference for innovative companies with strong research and development (R&D) capabilities and an ability to expand market share in structurally growing industries.

At quarter-end, approximately 55% 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 (+4.2%), while the biggest underweight is Consumer Discretionary (-3.1%).

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 mixed in June, with the MSCI All Country World Index (ACWI) declining modestly over the month, reflecting a period of consolidation following strong gains earlier in the year. Market leadership broadened as investors rotated away from the mega-cap Technology names, amid increased scrutiny on their growing capital intensity. At the same time, a more cautious tone from newly appointed the US Federal Reserve (Fed) Chair Kevin Warsh weighed on markets. Despite these headwinds, several developments supported investor sentiment. Geopolitical tensions in the Middle East showed signs of easing following a ceasefire agreement, while economic data in the US pointed to ongoing resilience in activity and labour markets. Corporate earnings remained constructive, particularly among semiconductor and memory companies, which are benefitting from the artificial intelligence (AI) infrastructure spending backdrop. In addition, capital markets activity was lifted by the high-profile initial public offering (IPO) of SpaceX, which became the largest IPO on record. From a sector perspective within the MSCI ACWI, Health Care and Financials were the strongest performers, as investors favoured defensive and more cyclical areas of the market. In contrast, Communication Services and Materials underperformed for the month.

From a macroeconomic perspective, US economic data releases were broadly solid. US labour market expectations pointed to moderating job growth with unemployment remaining relatively steady. Labour market releases remained resilient, with non-farm payrolls data showing that the US economy added 172,000 jobs in May – more than double consensus estimates of 85,000. Similarly, the unemployment rate held steady at 4.3% for the third month in a row. The Federal Reserve Bank of Atlanta's GDPNow June estimate for annualised economic growth for Q2 of 3.0%. On the monetary policy front, the Fed maintained the federal funds rate at 3.50%-3.75% in Chair Kevin Warsh's inaugural policy meeting. Elsewhere, the European Central Bank (ECB) and Bank of Japan (BoJ) raised rates by 25 basis points (bps) against, while the Bank of England (BoE) held rates steady.

Oil prices were lower in June, following the announcement of a US-Iran ceasefire deal that led to a reopening of the Strait of Hormuz. Oil fell back near pre-war levels by month-end, as flows picked up through the strait, reaching approximately 75% of pre-war levels. Separately, gold prices also fell in June, touching the lowest levels since November last year, as the Fed commentary fuelled fears that policymakers could keep interest rates higher amid near-term inflation risks. The precious metal closed the month just above USD 4,000 an ounce as investors rotated into the US dollar.

During the period, the Fund outperformed versus the blended benchmark (50% MSCI ACWI Index/50% MSCI World Information Technology Index). The Fund continues to outperform over the year-to-date period, spanning the period before the Iran conflict, through the escalation and recent de-escalation recovery that started in April.

From a sector perspective, Information Technology and Industrials were the largest contributors, while Financials and Consumer Staples were offsetting. Overall portfolio outperformance was driven by the AI infrastructure dimension, with notable strength across semiconductor equipment, memory and networking holdings benefitting from strengthening AI data centre spending. AI-enabled industries also contributed to relative performance, helped by Industrials and Health Care stock selection. AI applications were slightly offsetting because of underperformance of our edge computing holdings.

Contributors

Lam Research Corp. is a leading global supplier of wafer fabrication equipment (WFE) and services for the semiconductor industry. Shares outperformed during the period, supported by optimism for greater WFE orders to meet the strengthening memory demand backdrop. On a longer-term basis, the fundamental backdrop for semiconductor capital equipment spending environment remains healthy given the growing demand for leading edge semiconductors that include advanced logic chips and high-bandwidth memory. Lam Research is well positioned through its broad product portfolio that can address customer technology roadmaps and production objectives.

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 contributor. Shares underperformed amid investor scrutiny on increasing hyperscaler capital intensity. Microsoft had an average 6.6% weight in the blended benchmark, while the Fund had an average allocation of 0.4%.

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

Ciena Corp. is a leading provider of optical networking systems, routing and switching solutions, and automation software. Although the company reported strong earnings results, shares underwent profit taking over the month alongside other photonics-related companies as investors focused on the potential for a slower adoption ramp for co-packaged optics, even as underlying industry trends remain constructive. Looking forward, the company is poised to benefit from strong optical networking spend associated with the AI infrastructure investment cycle, which we believe can drive upside revisions to the company's revenues and profits over the next year.

Our position in ON Semiconductor Corp., a power semiconductor provider with presence across various end-markets, was another top detractor over the period. The stock underperformed after ON Semi announced that it will acquire Synaptics in an all-stock transaction. Looking out, ON Semi's growth trajectory remains robust given the company's focus on being a value-added semiconductor supplier to high-growth opportunities that include electric vehicles, data centres, silicon carbide, and physical AI.

New Buys and Sells

During the month, the Fund participated in the initial public offering (IPO) of SpaceX, establishing a modest initial position that we may build over time as the opportunity develops. The company is a leading provider of reusable launch services and the operator of the Starlink broadband network. We believe the accelerating demand for AI workloads may create multiple long-term opportunities for the company. In addition to developing AI compute infrastructure, including the Colossus AI data centre, Starlink's global connectivity network could serve as an important enabler of distributed AI workloads. Over the longer term, we believe SpaceX's low-cost launch capabilities and plans for orbital data centre architecture could position the company at the forefront of a future space-based AI computing ecosystem.

We initiated our position in FedEx Corp., which is a provider of high-margin parcel and express delivery services with an integrated global network optimised for speed, reliability, and ecommerce volumes. The company recently spun off its less than truck load business. The post-spin FedEx is a more agile, technology-enabled parcel leader positioned for margin expansion through internal AI deployment and operational focus. The company has set targets to embed AI into more than half of its core workflows by 2028.

We exited our position in SLB Ltd. after previously trimming the position. With the conflict between the US and Iran appearing to move towards resolution, it appears oil prices could remain under pressure. As SLB shares have exhibited a relatively high correlation to oil prices in the short term, we elected to reallocate capital to opportunities with more favourable risk-reward characteristics.

The Fund sold its position in Akamai Technologies Inc. amid greater investor scrutiny around the company's increasing capital expenditures (capex), which is weighing on earnings and free cash flow over the near term. Although we believe these investments should improve Akamai's long-term earnings growth trajectory, we expect that it could take some time for the company to prove the investments will improve results.

Market Outlook

Despite recent volatility, we maintain a constructive longer-term outlook for equities. Ongoing negotiations with Iran have helped provide some additional visibility on the potential path towards a full reopening of the Strait of Hormuz, although the timing and outlook remains uncertain. The recent supply chain headwinds from the conflict have prompted central banks to pay closer attention to near-term inflation risks, contributing to market expectations for some additional monetary tightening. At the same time, markets have recently demonstrated a willingness to look through geopolitical uncertainty and refocus on corporate fundamental factors, supported in part by healthy Q1 earnings results. Within this context, we continue to maintain a balanced portfolio of companies benefitting from innovation and favour those better positioned to navigate a more complex environment. There may be opportunities to upgrade select names and add to high conviction ideas amid any market volatility to better position the portfolio for improved performance.

Over the intermediate term, an improved economic and earnings growth backdrop across more sectors should drive a broadening out effect in the equity market. We believe central banks globally should return to an easing bias as inflation risks abate. In the US, the Trump administration's pro-business agenda also provides tailwinds through tax cuts, deregulation, domestic investments, and manufacturing reshoring. These efforts should help stimulate growth for both consumers and corporations across more areas of the economy as the conflict with Iran eases.

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 cycle is being funded by some of the biggest and most profitable companies in the world. There are likely pockets of speculation with some data centre projects and private companies, and we may see period of digestion at some point in a few years.

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

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

AI infrastructure: The ongoing expansion of global AI data centres remains stronger than many investors appreciate, and concerns about capital spending are likely to persist as we climb the wall of worry. There are many bottlenecks to this new AI industrial revolution buildout, which continues to provide many compelling opportunities. Some key areas include accelerated computing chips, semiconductor manufacturing equipment, power production and power efficiency, 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 gave back some gains in June, as Tech-led selling pressure towards month-end offset earlier gains from the de-escalation of tensions in the Middle East. South Korea and Taiwan equities notched a series of fresh highs before tailing off. Offshore China stocks were notably weak, with large cap internet and ecommerce platforms under pressure from ongoing soft domestic demand. Conversely, India delivered positive returns. Given the country's dependence on energy imports, the US-Iran truce and subsequently lower oil prices helped to alleviate concerns around inflation and the current account deficit.

Japanese equities had another good month. The Nikkei 225 crossed the historic 70,000 level, spurred by artificial intelligence (AI) related enthusiasm. The Bank of Japan (BoJ) delivered a widely anticipated 25-basis-point (25-bps) rate hike at its June meeting, bringing the policy rate to 1.0% – the highest level since September 1995. Expectations are for a further rate hike to 1.25% before year-end. Real wage growth rose by 1.9% year-on-year marking the third consecutive monthly gain following a year of declines. Japanese headline inflation crept back up to 1.5% year-on-year in May from 1.4% in April, coming in below the BoJ's 2% target for the fifth month in a row.

The Fund underperformed the benchmark in June, mainly due to stock selection. Selection effects in Taiwan and Japan were the key source of relative detraction.

For example, a top detractor was a baseboard management control supplier from Taiwan. This business plays a significant role in the global AI supply chain, especially given its relationships with hyperscalers and dedicated enterprise customers. Beyond this, the company is expanding its footprint into the smart factory and automation space. The stock came under some profit taking pressure after a strong rally. We maintain conviction in this technology and the management strategy.

Conversely, a key contributor last month was a Chinese industrial technology company focused on optical communications, power transmission, renewable energy, and energy storage. As such, the company is exposed to several growth themes across power grid upgrades and security, data centre and AI infrastructure demand, and alternative energy solutions, all major areas of investment in China.

During the month, we made few changes to the overall portfolio positioning. We added a new name in Japan that is positioned to benefit from demand for advanced memory storage products and enterprise data storage solutions. As AI shifts from model training to inference, the amount of data that needs to be stored, retrieved, and managed is growing rapidly. This should increase demand for higher-capacity and higher-performing memory technologies.

At a sector level, Industrials remains a key overweight, including exposure to aerospace and defence companies. Names from Japan and South Korea in this area continue to benefit from improving corporate governance and a greater focus on durable profitability. Health Care also remains a core theme with Asian companies playing an increasingly critical role in global research and development of new drugs and treatment therapies. We maintain our conviction around the pace of drug discovery and development, particularly as biopharma companies continue to integrate AI applications.

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

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. Geopolitical concerns have moderated following the easing of tensions in the Middle East, while lower oil prices provide a more supportive backdrop for many of the region's net energy-importing economies. Although some consolidation in AI-related stocks would be unsurprising after a strong rally, we would view any pullback as an opportunity to add to high-conviction positions given the powerful and durable 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. 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 gave back some of their earlier gains in June as Technology stocks came under pressure towards month-end, offsetting the positive sentiment generated by the de-escalation of tensions in the Middle East. South Korean and Taiwanese equities reached a series of new highs before moderating. Offshore Chinese equities were notably weak, with large-cap internet and ecommerce companies weighed down by persistently soft domestic demand. In contrast, onshore A-shares outperformed for another month, extending a trend that has been evident for much of the past year. Technology and artificial intelligence (AI) related companies remained among the strongest performers.

India delivered positive returns during the month. The market benefitted from improving global risk sentiment, easing oil prices following the US-Iran ceasefire, and resilient domestic investor demand, which helped offset continued foreign institutional investor outflows. As a significant net importer of energy, India is a key beneficiary of lower oil prices, which helps to ease concerns around inflationary pressures and the current account deficit.

Stock selection among South Korean names added value, but this was offset by stockpicking in Taiwan.

At a stock level, a top performer was Hua Hong Grace Semiconductor, one of China's leading semiconductor foundries. The company manufactures chips on behalf of third-party customers for applications including electric vehicles, consumer electronics and communications equipment. The shares performed strongly in response to improving industry conditions and growing demand for domestically produced semiconductors. We view the company as well positioned to benefit from China's push for greater technological self-sufficiency amid ongoing export restrictions and geopolitical uncertainty.

Conversely, a 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 do not see it altering our positive long-term investment thesis.

Portfolio positioning was broadly unchanged during the month. We initiated two new positions in Chinese Industrial companies with exposure to structural growth themes linked to power transmission infrastructure and rail electrification. At the margin, we increased exposure to Industrials while reducing exposure to Consumer Discretionary companies.

Overall, geographic and sector positioning remains relatively close to the benchmark. We are broadly neutral across the region's largest markets, including China/Hong Kong, Taiwan and South Korea, while maintaining an underweight position in India.

At the sector level, Financials remain the largest overweight, while Consumer Discretionary is the most significant underweight. The portfolio's largest holdings at month-end were Taiwan Semiconductor Manufacturing Company, Samsung Electronics and SK Hynix.

Market Outlook

We remain constructive on the outlook for Asian equity markets. Geopolitical concerns have moderated following the easing of tensions in the Middle East, while lower oil prices provide a more supportive backdrop for many of the region's net energy-importing economies. Although some consolidation in AI-related stocks would be unsurprising after a strong rally, we would view any pullback as an opportunity to add to high-conviction positions, given the powerful and durable 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 finished lower for the month. Geopolitical tensions eased, helping stabilise energy prices and temper macro uncertainty. On the US economic front, labour market data, retail sales, and several business activity surveys surprised to the upside, pointing to continued growth, while inflation measures remained elevated and consumer confidence missed expectations. June marked a shift in global monetary policy with an interest rate hike from the European Central Bank (ECB) – the first in nearly three years – due to energy-driven inflation risk. The Czech National Bank and Bank of Japan (BoJ) also raised rates, while the US Federal Reserve (Fed) left interest rates unchanged with new Fed Chair Kevin Warsh removing forward guidance and emphasising price stability. Against this backdrop, the probability of a Fed rate hike rose, while the 10-year US Treasury yield and crude oil finished well off intra-month highs.

In this environment, key markets closed lower:

- Global equity markets, as measured by the MSCI World Index, returned -0.69%.*
- Global convertible securities, as measured by the ICE BofA Global 300 Convertible Index, returned -0.58%.**
- Global high yield bonds, as measured by the ICE BofA Global High Yield Index, returned -0.04%.**
- Global fixed income, as measured by the Bloomberg Global Aggregate Index, returned -0.71%.^

The portfolio held up well despite weakness across asset classes.

Top contributors in the period were primarily companies viewed as direct beneficiaries of the ongoing artificial intelligence (AI) infrastructure investment cycle, including several semiconductor-related companies such as Tokyo Electron and Advanced Micro Devices. An industrial manufacturer that offers power generation solutions rallied further after announcing a dividend increase and a major pharmaceutical developer gained after receiving favourable clinical trial data on several pipeline drugs. A diversified services provider expected to benefit from revenue synergies and cost efficiencies was another top contributor.

Top detractors were concentrated among companies funding AI infrastructure buildouts, as investors focused on the timeline and feasibility of monetising elevated spending. Hyperscalers including Amazon, Microsoft, and Alphabet, among others, as well as semiconductor companies like Nvidia and Broadcom, held back performance. Apple was lower after announcing price increases due to heightened memory costs. The other top detractors were a safety and environmental company in addition to select software and space exploration positions that faced industry-wide headwinds.

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

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

Market Outlook

The global economic outlook is positive for H2, supported by the AI buildout, high-income consumer, and downstream effects of pro-growth domestic policies as well as sustained labour market stability and easing geopolitical tensions. Conversely, persistent inflation would be a key economic risk.

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.

For Allianz Life Global Income Fund:

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

Global convertible securities have an attractive asymmetric return profile, providing upside participation potential when stock prices rise and downside mitigation when stock prices fall. The asset class 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.

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 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 30 June 2026 unless otherwise stated.
* Source: MSCI, as at 30 June 2026
^ Source: Bloomberg, as at 30 June 2026
** Source: BofA Merrill Lynch, as at 30 June 2026
^^ Source: ICE Data Services, as at 30 June 2026
# Source: BofA Research, as at 30 June 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

June was a volatile month for global equities. The MSCI All Country World Index (ACWI) finished the month broadly where it started, with movements initially driven by events in the Middle East. The fragile US-Iran ceasefire and hopes for a peace deal effectively collapsed as the US hit military and surveillance targets in southern Iran and Tehran launched strikes against US military installations in neighbouring Gulf states early in the review period. However, geopolitical tensions swiftly eased after Pakistan's Prime Minister Shehbaz Sharif announced that the US and Iran had reached a permanent peace deal. However, sentiment was bolstered mid-month by renewed hopes of a peace deal and the historic Nasdaq debut of SpaceX.

From a geographical perspective, European markets were the strongest in aggregate, posting a solid positive return. Japan and the UK followed closely behind, also finishing the month in positive territory. Emerging markets were little changed on the month, despite heavy losses from index heavyweight China. Turning to the MSCI ACWI, the Communication Services sector fell the most in June, followed by Energy and Materials. On the other side, stocks in the Health Care, Financials and Industrials sectors posted solid gains.

After a quiet May, the major central bank rate-setting committees reconvened against an evolving geopolitical backdrop. As widely anticipated, the European Central Bank (ECB) delivered a 25-basis-point (25-bps) rate hike – its first since September 2023 – bringing the benchmark lending rate to 2.25%. Similarly, the Bank of Japan (BoJ) raised rates by 25 bps to 1.0%, the highest level in 31 years, with Governor Kazuo Ueda reaffirming his commitment to further monetary policy normalisation. Meanwhile, the Bank of England's (BoE's) Monetary Policy Committee voted 7-2 to hold the base rate steady at 3.75%. The US Federal Reserve (Fed) held the federal funds rate at a target range of 3.50%-3.75% in new Chair Kevin Warsh's debut at the helm.

Oil prices plummeted in June. Renewed hostilities in the Gulf triggered uncertainty about US-Iran peace talks early in the month, although Brent crude eased on news that Israel and Lebanon had agreed a ceasefire. Oil resumed its ascent after the US threatened to seize Kharg Island, home to Iran's biggest oil export terminal. The announcement of a US-Iran peace deal mid-month saw Brent crude retreat from recent highs, amid hopes that the Strait of Hormuz will fully reopen.

The Fund returned positively (in EUR, gross of fees) in June and year-to-date. Sector Allocation has been positive due to the overweight in Industrials and the underweight in Communication Services. Stock selection, overall lagging, has been positive in Information Technology while being negative in Consumer Discretionary, Materials and Industrials.

From a thematic perspective the Fund benefitted to the exposure to Clean Water and Land as well as to Electrification. On the other hand, the exposure to Humanoid Robots and Strategic Autonomy created a burden for the portfolio. TSMC, Marvell and Fluence outperformed as investors continued to favour companies exposed to artificial intelligence (AI) infrastructure and grid electrification.

TSMC benefitted from strong advanced-node demand, high high-performance computing (HPC) exposure and robust margin guidance, reinforcing its role as a critical AI supply chain enabler. Marvell was supported by enthusiasm around custom AI silicon, optical connectivity and data centre infrastructure, where growth expectations remain strong. Fluence rallied on improving sentiment towards battery storage, helped by a large order backlog, hyperscaler demand and expectations for a revenue rebound.

Hyundai underperformed as tariff costs, softer global vehicle demand and rising input costs weighed on earnings momentum. Norsk Hydro lagged despite operational resilience, as lower alumina prices, weaker power production and softer extrusion demand limited upside. Additionally, not owning Lam Research and the underweight to Micron created a burden.

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 June, as developments surrounding the conflict in the Middle East and subsequent ceasefire announcements drove market sentiment. Following a ceasefire between the U.S. and Iran, oil prices fell sharply, reversing much of the risk premium that had built earlier in the quarter. In the U.S., headline CPI rose to 4.2% year over- year in May, marking its highest reading since April 2023, while the unemployment rate held steady at 4.3%.

Fixed income markets were mixed globally in June, as the decline in energy prices was counterbalanced by stronger-than-expected economic data and expectations that policy rates may remain restrictive for longer. In the U.S., firm labor market conditions and continued economic resilience pushed the 10-year Treasury yield 3 bps higher to 4.47%. Elsewhere, yields generally moved lower, with the U.K. 10-year Gilt declining 6 bps to 4.76% and Germany's 10-year Bund falling 8 bps to 2.86%, despite a 25 bps rate hike from the European Central Bank. By contrast, in Japan, the 10-year government bond yield rose 2 bps to 2.68% as the Bank of Japan increased its policy rate to 1.00%, its highest level since 1995.

Large-cap equities were weaker over the month, pressured by a late-month selloff in technology and semiconductor stocks. The MSCI World Index declined 0.7%, while the S&P 500 fell 1.0% as investors reassessed AI-related earnings expectations and elevated valuations across large-cap technology companies. Within credit, investment grade spreads widened modestly, with U.S. spreads widening 2 bps to 76 bps while remaining unchanged in Europe at 78 bps. High yield spreads were mixed, with U.S. spreads widening 1 bp to 275 bps and Euro high yield spreads tightening 9 bps to 279 bps.

During the month, the PIMCO GIS Income Fund returned 0.50% after fees (in USD, for the Institutional class, Accumulation share), bringing YTD '26 performance to 1.40%.

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:

• Broad equity indices were mixed in June. The MSCI ACWI slipped -0.80% while the Nasdaq 100 was essentially flat, dipping slightly into the red by -0.12% and the S&P 500 fell by -0.95%. Resilience in AI-linked names helped cushion large cap tech, though broader sentiment was tempered by cautious positioning around macro data, rate-path uncertainty, and profit-taking after a strong prior run.

• The broader market saw a pullback in June, with leadership rotating away from the previous month's high-fliers. Communication Services was the worst-performing sector (roughly –7.2%), and Information Technology also lagged (down ~3.3%), as mega-cap tech and AI-infrastructure names cooled. Traditional value and cyclical sectors took the lead, with Industrials rallying +7.19% and Health Care gaining +6.46%. Energy extended its downward trend for a third consecutive month, slipping another 5.14% as Brent crude tumbled ~23% on the month.

• The Federal Reserve held interest rates steady in June at 3.50%–3.75%, reflecting continued confidence in the underlying strength of the U.S. economy but persistent concern over elevated inflation. Policymakers struck a firmer tone than in prior meetings, removing language that implied eventual policy easing and emphasizing the need for additional evidence that inflation is moving sustainably toward target. As a result, expectations for near-term rate cuts diminished, reinforcing a "higher-for-longer" policy backdrop.

• Corporate earnings remained broadly supportive in June, while investor attention increasingly shifted toward the durability of the global growth outlook, the path of interest rates, and the potential impact of geopolitical tensions. Although underlying demand trends remained resilient in several areas, markets became more focused on whether elevated valuations can be sustained amid mixed macroeconomic signals, policy uncertainty, and changing expectations for future corporate profitability.

• The EURO STOXX 50 advanced in June as improving risk appetite and resilient earnings supported European equities, though investor focus increasingly shifted toward the economic impact of higher energy prices and geopolitical uncertainty. Conditions continued to support select technology and industrial companies as European markets remained more sensitive than their U.S. counterparts to slowing growth expectations and energy market volatility.

• Asia-Pacific equities remained supported in June by AI-linked semiconductor markets in South Korea and Taiwan, as demand for advanced memory and AI infrastructure benefitted companies across the regional technology supply chain. However, gains were less uniform than in prior months as investors weighed elevated valuations, rising geopolitical tensions, and growing scrutiny over the returns on unprecedented AI-related capital spending.

Stocks:

• At a high level, active positioning within the biotechnology subsector was the largest contributor to active returns. Conversely, active positioning within the providers & services subsector detracted from relative returns.

• An off-benchmark position in Moderna was the largest contributor to relative performance at the individual security level. Shares were driven by improved sentiment around its pipeline, including encouraging vaccine and oncology updates.

• Not holding a position in EssilorLuxottica also contributed to relative performance. The global eyewear company's stock was pressured by concerns on growth expectations, particularly for AI-connected products.

• Elsewhere, an overweight position in Gilead Sciences was the largest detractor from relative performance. The biotechnology company's stock was pressured following disappointing results from an oncology study.

• Finally, not holding a position in Bayer also detracted from relative performance. The company's stock rallied after a favourable legal ruling reduced a key overhang for the firm.

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 biotechnology subsector. In contrast, the fund reduced its exposure to pharmaceutical companies.

• At the individual security level, the fund increased its position in biotechnology company AbbVie, on the back of positive pipeline results for an oncology drug. The fund also increased its position in Merck due to positive pipeline progress for multiple drugs across oncology and immunology. Furthermore, the fund increased its exposure to life sciences company Illumina after a less than expected competitive threat and the expectation of solid fundamentals.

• Conversely, the fund reduced its position in Johnson & Johnson, locking in profits after a period of strong performance. The fund also reduced its position in Pfizer, following disappointing results for a late-stage oncology drug candidate. Lastly, the fund reduced its position in Intuitive Surgical due to pricing concerns amidst increasing competition.

Key Positioning & Outlook:

• We continue to expect a high degree of stock dispersion in the sector driven by increasing scientific innovation, emerging technologies and policy shifts underscoring a flexible approach to investing across the sector while emphasising scientific attributes at the company level.

• We view the direct, portfolio-level impact of conflict in the Middle East as limited, with healthcare exposure primarily transmitted through second-order macro channels—namely energy-driven inflation, interest rate dynamics, and shifts in risk appetite—rather than through direct operational disruption. With the sector still trading at discount to the broader equity market, we believe the risk/reward profile remains attractive.

• Over the long-term, secular drivers for the sector remain in place; firstly, aging demographics in both developed and developing countries and secondly, innovation in medical science and technology. The combination of these secular trends, with favourable valuation creates an attractive long-term investment opportunity.

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:

The second quarter was marked by resilient risk appetite despite a volatile macroeconomic backdrop. Geopolitical developments in the Middle East remained a key driver of sentiment. While periods of escalation led to sharp moves in oil and renewed concerns around inflation expectations, subsequent ceasefire hopes helped ease market concerns. At the same time, economic activity remained broadly resilient and investor attention increasingly shifted back toward structural growth themes, most notably the continued strength of the AI investment cycle. Central banks remained cautious, with the Federal Reserve, European Central Bank and Bank of England keeping policy restrictive as they assessed the balance between persistent inflation risks and still supportive growth conditions.

Equity markets delivered strong gains over the quarter, recovering from earlier volatility as investors looked through geopolitical uncertainty and focused on resilient earnings momentum. US equities advanced, supported by strong corporate results and renewed enthusiasm around AI-related infrastructure spending. Emerging markets also performed strongly, led by Asian markets with significant exposure to the semiconductor and technology supply chain. European and Japanese equities also moved higher, helped by improving risk sentiment, although performance was more muted relative to the US and emerging markets.

Fixed income markets produced positive but uneven returns. Government bond yields remained volatile as investors weighed stronger inflation data, higher energy prices and uncertainty over the path of monetary policy. In Europe and the UK, bond markets also experienced periods of pressure, although falling oil prices and easing geopolitical concerns later in the quarter helped stabilise sentiment. Credit markets were supported by the broader recovery in risk appetite and solid corporate fundamentals, with both investment grade and high yield credit generating positive returns over the quarter.

Commodity markets were highly sensitive to geopolitical developments. Oil prices were volatile, rising sharply during periods of concern around Middle East supply disruption before falling back as ceasefire expectations improved and fears of a broader energy shock eased. Gold remained supported by geopolitical uncertainty and fiscal concerns, although risk-on sentiment at times limited demand for defensive assets. The US dollar weakened over the quarter, which provided support to emerging markets and broader global risk assets.

Performance:

Over the second quarter, the ESG Multi-Asset Fund delivered a positive return, driven primarily by developed market equities, with listed alternatives and fixed income also making positive contributions. Commodities and macro asset allocation tilts detracted modestly over the period, while volatility strategies were broadly flat.

Within equities, actively managed developed market equity strategies were the strongest contributors. The core Systematic ESG Developed Active Equities Strategy consistently outperformed its opportunity set, benefiting from exposure to AI-related themes and US equities. The Global Unconstrained Equities Strategy also added value over the quarter, supported by strong stock selection, particularly within the technology sector. Thematic equity allocations contributed positively overall, with strength across AI, robotics, industrial capacity and sustainable energy exposures more than offsetting weaker performance from selected metals security and hedging positions. Emerging market equities were broadly neutral over the quarter, as positive contributions earlier in the period were offset by weaker returns in June.

Fixed income made a modest positive contribution, led by investment grade credit as credit spreads remained supportive. Yield curve positioning also added value, while government rates exposure was broadly neutral over the quarter.

Listed alternatives contributed positively overall despite some weakness towards the end of the quarter. Returns were supported by growth-oriented private market exposures, including holdings with exposure to innovative companies such as SpaceX and Anthropic, alongside renewable energy investments, which benefited from continued demand for power infrastructure and energy security themes. These gains more than offset the pullback experienced by some private market holdings in June.

Commodities were a modest detractor over the quarter, primarily reflecting weaker performance from gold and gold mining exposures as safe-haven demand eased. Cash and foreign exchange made a small positive contribution.

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:

Over the second quarter, portfolio positioning remained dynamic, balancing participation in equity market strength with disciplined downside risk management. Equity exposure was actively managed throughout the period, maintaining a preference for developed markets while selectively increasing exposure to Europe to capture potential upside from an anticipated deescalation in geopolitical tensions, a backdrop in which European equities were expected to outperform. Exposure to high conviction structural themes, including artificial intelligence, industrial capacity, energy security and reshoring, was maintained, although allocations to parts of the AI ecosystem were reduced following strong performance and more selective valuations.

Risk management remained a key focus. As markets rallied and geopolitical uncertainty persisted, downside protection was enhanced through option strategies across US, technology and Japanese equities. Emerging market equity exposure was reduced as the macroeconomic backdrop became less supportive, particularly alongside a stronger US dollar.

Within fixed income, the portfolio maintained an overall underweight duration stance, reflecting expectations for higher bond yields, while tactically reducing this underweight as yields rose and valuations became more attractive.

Commodity and foreign exchange exposures were also actively managed, with precious metals positions reduced as conviction weakened and selected currency positions adjusted to reflect evolving macroeconomic and geopolitical risks. Overall, the portfolio remained positioned to participate in structural growth opportunities while maintaining a disciplined approach to risk management.

Market Outlook:

We maintain a broadly neutral stance in portfolios. Growth appears intact into the third quarter, but the range of outcomes beyond this point has widened. Fading fiscal support, tighter real financial conditions and a potential slowdown in AI-related capital expenditure could weigh on activity, while continued AI buildout, disinflation and a possible recovery in industrial activity could support a more favourable scenario.

Against this backdrop, we continue to favour the US over Europe. The US economy remains relatively resilient and continues to benefit from AI-linked investment and earnings delivery. That said, the case for Europe has improved at the margin, particularly where fiscal spending could support infrastructure and reconstruction-related themes.

We take a moderately positive view on equities. Corporate earnings have remained resilient despite elevated uncertainty, while continued investment in AI is supporting capital expenditure and earnings growth. This backdrop remains favourable for mega cap technology, semiconductors and selected cyclical sectors. At the same time, increasing dispersion across AI-linked assets reinforces the importance of managing concentration, industry and stock-specific risks, particularly where expectations may have outpaced fundamentals, leaving valuations vulnerable should enterprise AI adoption or monetisation disappoint.

In fixed income, elevated inflation uncertainty and fiscal risks underpin our cautious stance. Recent moves in yields have improved the case for duration, particularly in the US and Europe, but firm real yields and the potential for a hawkish Federal Reserve surprise argue for patience. Evidence of moderating inflation would create scope to move closer to neutral duration. We remain selective in credit, where spreads continue to appear relatively tight.

In currency markets, the US dollar may continue to benefit from safe-haven demand during periods of heightened uncertainty, while higher yields may provide additional near-term support. However, we have little appetite to chase recent strength. Longer term, diversification away from the dollar remains an important structural consideration. Precious metals remain an important hedge against geopolitical and inflation risks, though managing exposure tactically remains of critical importance.

In this environment, we believe a dynamic and diversified approach to portfolio construction remains essential. Maintaining flexibility to increase risk exposure as uncertainty subsides, while preserving resilience through diversification and active risk management, will be critical to navigating evolving macroeconomic, policy and geopolitical conditions.

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 impacted by mixed performance across risk assets.

Top contributors in the period were primarily companies viewed as direct beneficiaries of the ongoing artificial intelligence (AI) infrastructure investment cycle, including several chipmakers in the memory and compute space led by Micron, semiconductor equipment manufacturers such as Applied Materials, and multiple data storage providers like Seagate. An industrial manufacturer that offers power generation solutions also benefitted and rallied further after announcing a dividend increase. A major pharmaceutical developer gained after receiving favourable clinical trial data on several pipeline drugs.

Top detractors were concentrated among companies funding AI infrastructure buildouts, as investors focused on the timeline and feasibility of monetising elevated spending. Hyperscalers including Amazon and Alphabet, among others, as well as semiconductor companies like Nvidia and Broadcom, had the largest negative impact on the portfolio. Apple was lower after announcing price increases due to heightened memory costs. A space exploration company faced industry-wide headwinds, and a cloud services company consolidated year-to-date gains.

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

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

Market Outlook

The economic outlook is positive for H2, supported by the AI buildout, high-income consumer, and downstream effects of pro-growth domestic policies as well as sustained labour market stability and easing geopolitical tensions. Conversely, persistent inflation would be a key economic risk.

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.

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)

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 +1.9% (A2, net of fees) during the month of June, outperforming the MSCI ACWI IT 10/40 Index which returned +0.1%

Market:

• U.S. equities were mixed in June. The MSCI ACWI slipped -0.80% while the Nasdaq 100 was essentially flat, dipping slightly into the red by -0.12% and the S&P 500 fell by -0.95%. Resilience in AI-linked names helped cushion large-cap tech, though broader sentiment was tempered by cautious positioning around macro data, rate-path uncertainty, and profit-taking after a strong prior run.

• The broader market saw a pullback in June, with leadership rotating away from the previous month's high-fliers. Communication Services was the worst-performing sector (roughly –7.2%), and Information Technology also lagged (down ~3.3%), as mega-cap tech and AI-infrastructure names cooled. Traditional value and cyclical sectors took the lead, with Industrials rallying +7.19% and Health Care gaining +6.46%. Energy extended its downward trend for a third consecutive month, slipping another 5.14% as Brent crude tumbled ~23% on the month.

• The Federal Reserve held interest rates steady in June at 3.50%–3.75%, reflecting continued confidence in the underlying strength of the U.S. economy but persistent concern over elevated inflation. Policymakers struck a firmer tone than in prior meetings, removing language that implied eventual policy easing and emphasizing the need for additional evidence that inflation is moving sustainably toward target. As a result, expectations for near-term rate cuts diminished, reinforcing a "higher-for-longer" policy backdrop.

• Corporate earnings remained broadly supportive in June, but investor attention increasingly turned to the sustainability of the AI investment cycle. While demand trends across semiconductors, memory, and infrastructure remained strong, markets became more focused on whether unprecedented hyperscaler spending can generate sufficient returns to justify elevated valuations and continued optimism surrounding AI-driven growth.

• The EURO STOXX 50 advanced in June as improving risk appetite and resilient earnings supported European equities, though investor focus increasingly shifted toward the economic impact of higher energy prices and geopolitical uncertainty. While AI-related enthusiasm continued to support select technology and industrial companies, European markets remained more sensitive than their U.S. counterparts to slowing growth expectations and energy market volatility.

• Asia-Pacific equities remained supported in June by AI-linked semiconductor markets in South Korea and Taiwan, as demand for advanced memory and AI infrastructure benefitted companies across the regional technology supply chain. However, gains were less uniform than in prior months as investors weighed elevated valuations, rising geopolitical tensions, and growing scrutiny over the returns on unprecedented AI-related capital spending.

Sectors:

• Samsung, Micron and SK Hynix pass $1T as AI memory becomes a core infrastructure trade: SK Hynix topped $1T in market value, joining Samsung Electronics, which crossed the threshold earlier in May, and Micron Technology, which reached the milestone in late May. The move underscores how AI data-center demand is repricing the memory market, particularly high-bandwidth memory, as tight supply and rising prices turn memory suppliers into central beneficiaries of the AI infrastructure buildout.

• SpaceX IPO brings the AI-and-space infrastructure trade to public markets: SpaceX completed the largest IPO in history, pricing shares at $135 before opening at $150 and closing its first day around $160, valuing the company at roughly $2.1 trillion. The debut highlighted investor appetite for capital-intensive platforms that combine space, satellite broadband, launch infrastructure and AI data-center ambitions, while also raising questions around valuation, governance and retail participation.

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

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

• Oracle's earnings spotlight both the scale and cost of the AI cloud buildout: Oracle reported record Q4 revenue of $19.2 billion, up 21%, with cloud revenue up 47% and cloud infrastructure revenue up 93%. Remaining performance obligations jumped to $638 billion, driven largely by large-scale AI contracts, but the company also reported negative FY2026 free cash flow of $23.7 billion and said it expects to raise about $40 billion in FY2027, highlighting the tension between rising AI demand and the capital intensity required to serve it.

• Intel Foundry showed progress on advanced chip manufacturing roadmap: Intel announced that Intel 18A-P entered risk production, positioning it as a performance-enhanced version of Intel 18A with 9% higher performance at iso-power or 18% lower power at iso-performance, while remaining design-rule compatible with Intel 18A. The update matters for the AI semiconductor supply chain because it shows Intel trying to rebuild credibility in leading-edge foundry manufacturing as demand for AI compute continues to rise.

• Accenture's selloff raises questions about AI's near-term payoff for IT services: Accenture reported Q3 FY2026 revenue of $18.7 billion, up 6% in U.S. dollars and 3% in local currency, but new bookings declined to $19.3 billion and the company narrowed full-year local-currency revenue growth guidance to 3%–4%, down from its prior 3%–5% range. Shares sold off sharply after the report, highlighting investor concern that AI is disrupting the traditional IT-services model faster than it is creating visible revenue upside for consultants.

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 declined ~0.8% in June, as a late-month selloff in technology and semiconductor stocks offset an otherwise supportive backdrop of resilient earnings and easing geopolitical tensions. In the U.S., the S&P 500 Index dropped 1.0%, pressured by weakness across large-cap technology as markets reassessed the sustainability of AI-related spending and future earnings expectations. European equities1 gained 3.0%, benefiting from improving earnings momentum and resilient economic data.

• Emerging market equities2 fell 1.4% in June, as weakness across North Asian technology and semiconductor markets outweighed support from improving global growth expectations. South Korea's KOSPI Index3 finished unchanged at 0.0%, as continued enthusiasm around AI related semiconductor demand was offset by a sharp late-month reversal in technology shares.

Bond Market:

• Developed market sovereign bond yields were mixed in June, despite broadly rallying on news of a ceasefire between the U.S. and Iran. In the U.S., 10-year Treasury yields ended the month 3 bps higher at 4.47%, as markets digested jobs data and hawkish rhetoric from the Fed, though rates remained unchanged. In the U.K., 10-year gilt yields fell 6 bps to 4.76% amid evolving political dynamics and softer inflation. German 10-year Bund yields fell 8 bps to 2.86%, while the ECB hiked rates 25 bps. In Japan, the 10-year JBG yield rose 2 bps to 2.68% as the BOJ raised its policy rate to 1.00%, its highest level since 1995. Meanwhile, the curve continued to steepen on fiscal concerns and higher JGB volatility.

• Global IG credit posted positive returns of 0.35% for the month, underperforming like duration government bonds by 0.06%, as spreads widened 2bps in June. Global HY credit delivered positive returns of 0.38%, with the B-rated segment of the high yield market outperforming BB-rated and CCC-rated bonds.

• Agency MBS4 returned 0.22% in June, underperforming like-duration Treasuries by 7 bps. Higher coupons outperformed even as the Treasury curve flattened, while FNMAs outperformed GNMAs and 30-year MBS outperformed 15-year MBS.

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

Despite Middle East de-escalation and lower oil prices, macro uncertainty persists, and both inflation and growth outcomes appear more fat tailed. We expect U.S. inflation to remain modestly above target through 2026, but not enough to prompt another Fed hike. Thus, keeping policy on hold through year-end despite market pricing for roughly one hike. With fiscal support fading and savings stretched, consumption is likely to slow below trend in the second half of 2026, tilting growth risks lower even 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, prevailing yield levels provide attractive income potential, and duration can function as an important shock absorber within portfolios. We maintain exposure to U.S. duration, where high starting rates drive equity-like expected returns. While Fed Chair Warsh's shift away from forward guidance may add to front-end rate volatility and wider risk premia, we see value across front-end and intermediate maturities at current yield levels. We retain positioning in European rates, reflecting elevated downside risks to Eurozone growth. We maintain exposure to other developed markets, such as the U.K. and Australia. Lower inflation in emerging markets, paired with credible central banks, high real yields, and high carry, continue to underpin exposure to local EM duration. We are constructive on U.S. TIPS as a hedge against elevated near-term inflation, with compelling carry. Within global spread markets, we continue to favor securitized assets. Agency MBS valuations remain attractive relative to corporates, offering a compelling mix of yield, spread, liquidity, and quality. Senior tranches of non-agency MBS and select consumer loan-backed ABS remain resilient, supported by diversified collateral and elevated carry. Within corporate credit, we see continued need for selectivity, as tight spreads, re-leveraging tied to AI capex funding, and an uncertain macro backdrop reinforce the importance of bottom-up selection and strong underwriting. In equities, earnings are still expected to surge across developed and emerging markets, even as markets question the sustainability of the AI-driven rally. Regional tilts are driven by our systematic, data-driven approach to stock selection. We see value in select markets outside the U.S., supported by cheaper valuations alongside strong momentum, growth, and quality characteristics. Our systematic approach leans away from the Magnificent 7 amid frothy valuations, favoring style-, country-, and sector-diversified exposures that can capture rotations in market leadership.