Market Review and Outlook

May 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 equity markets extended their upward momentum in May 2026, underpinned by sustained capital deployment into artificial intelligence (AI) infrastructure. The MSCI World Index rose by +4.37% mom, while the Dow Jones Industrial Average too advanced +2.78% mom, surpassing the 51,000 mark to reach a new all–time high. Technology – oriented indices also continued to outperform, with the Nasdaq Composite and the Philadelphia Semiconductor Index posting strong gains of +8.36% mom and +22.14% mom, respectively, reflecting robust investor appetite for AI – linked growth sectors. Risk sentiment was further supported by a temporary de – escalation in U.S. – Iran geopolitical tensions, which led to an easing in previously elevated Brent crude oil prices. Despite the constructive market backdrop, macroeconomic data pointed to persistent inflationary pressures, with U.S. core CPI rising to +2.8% yoy in April, up from +2.6% yoy in March, driven by higher sticky domestic service costs amid higher costs for shelter and transportation services.

In Europe, the Euro Stoxx 50 Index rose +2.87% mom, supported by easing Middle East geopolitical tensions that helped alleviate regional energy cost pressures. However, the macroeconomic backdrop remained fragile, as the S&P Global Eurozone Composite PMI declined to 47.5 in May 2026 from 48.8 in April, due to the contraction in private sector activity amidst high energy costs. Weaknesses in the services sector and slowing manufacturing activity prompted firms to reduce headcount for the fifth consecutive month. In Asia, South Korea's KOSPI index delivered a strong +28.45% mom return, closing at a record 8,476.15 points, underpinned by accumulation of memory heavyweights, Samsung Electronics and SK Hynix, amid a rise in high – bandwidth memory (HBM) pricing. Concurrently, Taiwan Stock Exchange index sustained its upward trajectory, gaining +14.92% mom to finish the month at a historic 44,732.94 points. This surge has reshaped the global equity landscape, elevating Taiwan and South Korea to the fifth – and sixth – largest equity markets globally, respectively.

On the commodities front, Brent crude oil declined sharply by 16.62% mom to USD 92.05 per barrel, as geopolitical risk premiums eased following reports of a 60 – day ceasefire extension between the U.S. and Iran and progress toward a broader diplomatic agreement. Meanwhile, crude palm oil (CPO) futures edged down -0.75% mom to RM4,470 per tonne, primarily weighed by weak export demand in May, with shipments falling due to the absence of festive buying, although downside was partially cushioned by continued support from biofuel mandates.

Closer to home, ASEAN markets delivered mixed performance. Thailand's SET Index extended its rally with a +5.00% mom gain which resulted in the index rising +26.07% on a YTD basis, partly spurred by improved sentiment from easing geopolitical tensions and expectations surrounding government stimulus measures. In contrast, Malaysia's FBM KLCI declined 2.26% mom, weighed by continued foreign outflows totaling RM3.56bn during the month under review, which reversed prior inflows, resulting in a YTD net outflow of RM300.08m. Nonetheless, Malaysia's economy remained resilient, with GDP expanding +5.4% yoy in 1Q2026, exceeding the preliminary estimate of +5.3%, supported by strong domestic demand, solid private investment, and continued growth in AI – and semiconductor – related manufacturing, which helped offset headwinds from rising fuel costs and global trade tensions. Singapore's Straits Times Index rose approximately +2.48% mom, underpinned by resilient economic fundamentals, including +6.0% yoy GDP growth in 1Q2026, supported by strong global demand for AI infrastructure. This was further supported by Singapore's Non – Oil Domestic Exports (NODX), which surged +24.5% yoy in April, accelerating from +15.3% in March on the back of strong electronics exports and a rebound in pharmaceuticals.

Meanwhile, Indonesia's Jakarta Composite Index sharply declined 11.92%, making it one of the worst – performing markets globally, as it was affected by MSCI's concern over the invest ability of Indonesian equities. To defend its currency, Bank Indonesia embarked on a rate hike to 5.25%, which had fallen to record lows, and to curb imported inflation. Investors were also concerned about the Prabowo administration's move to take greater control over key commodity exports.

In May, U.S. Treasury (UST) yields increased by 1 – 16 bps across the curve. Yields spiked sharply towards mid-month with the 30 – year yield fleetingly surpassing the 5.19% threshold to a multi-year high due to the lack of meaningful progress in resolving the Iran conflict and the ensuing energy inflation predicament. Yields retraced toward the end of the month as temporary ceasefire dialogues eased immediate inflationary fears. Mirroring the rise in core CPI, war – driven energy spikes also caused wholesale inflation to surge to +6.0% yoy (Survey: +4.8% yoy; March revised: +4.3% yoy), marking its fastest acceleration since December 2022. Nevertheless, the labor market demonstrated resilience as April revised job gains surpassed expectations at +179k mom (Survey: +65k mom, March revised: +214k mom) while the unemployment rate held steady at 4.3% (Survey and March: 4.3% yoy). Against the uncertain economic backdrop, a scheduled leadership transition took place at the Federal Reserve (Fed), with Kevin Warsh succeeding Jerome Powell as Fed Chair.

Locally, Malaysian Government Securities (MGS) yields were mixed, moving between -1 to +5 bps mom across the curve, apart from the 15 – year and 20 – year tenors, which remained unchanged at 3.82% and 4.07%, respectively. At the May Monetary Policy Committee (MPC) meeting, Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) unchanged at 2.75% as widely expected. In its statement, BNM highlighted that while supply chain disruptions stemming from Middle East conflicts, along with rising energy and commodity prices, are beginning to weigh on global growth momentum, Malaysia's strong fundamentals are expected to sustain domestic economic stability. April's headline inflation rose to +1.9% yoy (Survey: +1.9% yoy, March: +1.7% yoy), mainly due to higher transport costs.

Market Outlook

In the near term, market conditions are expected to remain volatile amid heightened geopolitical tensions in the Middle East. Nonetheless, a degree of cautious optimism persists on the prospect of a diplomatic resolution involving the U.S., Iran, and Israel. A successful outcome would likely pave the way for the long – awaited reopening of the Strait of Hormuz, facilitating the normalization of energy exports from the region. Such a development could alleviate energy price pressures and, in turn, contribute to a moderation in global inflation dynamics. Domestically, attention would center on the execution of key national priorities, including Budget measures, the National Energy Transition Roadmap (NETR) and the 13th Malaysia Plan (13MP), as well as the trajectory of exports, tourism and investment activities.

Against this backdrop, we maintain a constructive yet cautious stance on the market outlook amid persistent volatility and macro uncertainties. The portfolio strategy will remain anchored on fundamentally strong, long – term investment opportunities, while retaining flexibility to tactically and opportunistically capitalise on market dislocations through selective trading strategies. At the same time, we will remain vigilant on geopolitical developments and other emerging risks, while retaining flexibility to adjust our strategy as market conditions evolve.

According to the recent FOMC statement, U.S. economic activity continues to expand at a solid pace, though inflation remains elevated, in part reflecting the recent increase in global energy prices. Job growth has remained resilient and the unemployment rate has shown little change in recent months, holding steady at 4.3%. While the implications of Middle East developments for the U.S. economy remains uncertain, the FOMC continues to be attentive to dual – mandate risks, maintaining the fed fund rate target range of 3.50% - 3.75% while staying committed to returning inflation to 2% over the longer run. Markets had reacted by pricing in a higher – for – longer hold through the rest of the year with growing implied probabilities of an interest rate hike if upcoming CPI prints continue to trend higher.

Following a better – than – expected growth performance of 5.2% in 2025, Malaysia's growth momentum has officially carried into the new year, with GDP expanding by 5.4% in 1Q2026. Despite the escalation of the situation in the Middle East, both BNM and International Monetary Fund (IMF) have recently raised their Malaysian 2026 GDP growth forecasts to 4% – 5% and 4.7% respectively. These affirmations provide a degree of comfort that Malaysia is better positioned to weather the current external uncertainties. Both headline and core inflation in 2026 are 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. BNM remains vigilant, with the MPC ready to manage excessive volatility and support sustainable growth with price stability. 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?

- Equity markets experienced a strong rebound led by high-risk names. In that environment, the dividend strategy could not hold up with its benchmark. The Fund, however, posted a positive result in May.

What hurt?

- The defensive nature of the dividend styles could not hold up during a market driven by most volatile names. Dividend Yield, Dividend Reliability and Quality were lagging in May.

Market Review

Global equities rose in May. The MSCI All Country World Index (ACWI) was largely driven by events in the Middle East and the commentary emanating from Washington and Tehran. Stocks rallied on slumping oil prices on reports that the two sides may be edging closer to agreeing a peace deal, only to retreat amid subsequent clashes near the Strait of Hormuz. Risk assets were supported into month-end as oil dipped back below USD 100 a barrel on optimism surrounding a deal to reopen the strait and extend the fragile ceasefire. Turning to the MSCI ACWI, Information Technology shares led the way, boosted by the artificial intelligence (AI) rally, with the Consumer Discretionary and Materials sectors also generating positive returns. Conversely, Energy and Utilities were the worst performing sectors.

US equities ended the month higher. The S&P 500 and Nasdaq Composite indices touched fresh highs as the so-called peace dividend drove stocks higher amid reports that Washington and Tehran could be closing in on a peace deal. However, stocks gave back some early gains as talks stalled, with spiking oil prices reigniting inflation fears and pushing bond yields higher. Chip stocks also sold off on profit taking amid mounting concerns that a higher interest rate environment will prove volatile for richly valued tech stocks. Trans-Atlantic tensions flared when US President Donald Trump threatened to slap a 25% tariff on all car exports from the European Union (EU), and again when he threatened to withdraw 5,000 US troops from Germany and a pullback from the North Atlantic Treaty Organisation (NATO). On the domestic front, redistricting chaos ahead of the US mid-term elections in November led to accusations of partisan gerrymandering and dampened investor confidence. More positively, the run-up to the long-awaited meeting between President Trump and Chinese President Xi Jinping in Beijing stoked optimism around a potential thaw in Sino-American relations. Solid Q1 corporate earnings were an additional tailwind, while renewed optimism around a peace deal supported stocks into month-end.

European equities rose in May but finished slightly behind the global index. The Stoxx 600 Index tracked Wall Street higher early as optimism around a breakthrough in US-Iran peace talks helped to ease oil supply and inflationary concerns. However, reports of clashes near the Strait of Hormuz intermittently roiled markets. Elsewhere, Russia intensified attacks on Ukraine, including a hypersonic ballistic missile strike on multiple targets in Kyiv. A number of suspected Russian drone incursions were also reported in Romania, Finland and the Baltic states. Renewed trans-Atlantic tensions also rattled sentiment, with US President Donald Trump threatening to withdraw 5,000 troops from Germany after Chancellor Friedrich Merz criticised the US war with Iran. German carmakers plunged after President Trump threatened to impose a 25% tariff on all auto exports from the European Union (EU) to the US, with Brussels calling on Washington to honour last year's US-EU bilateral trade agreement capping levies at 15%. Meanwhile, in an attempt to calm relations, EU lawmakers agreed provisional wording to remove EU levies in accordance with the so-called Turnberry Agreement, after President Trump set a 4 July deadline for the bloc to either comply or face higher tariffs.

Market Outlook

Healthy corporate earnings, high investments in AI and hopes of a boost to productivity should continue to support the equity markets. US equities, in particular, are likely to benefit, seeing that corporate earnings momentum remains strong, above all in the Technology sector. That is why, at the regional level, the US and large Asian technology hubs are still attractive. In Europe, hopes of a significant pickup in earnings have recently faltered. The Industrials sector, in particular, is suffering from the fallout of the conflict in Iran and energy-supply concerns. However, there is still a chance that government investment may stimulate growth during the remainder of the year. In Japan, the persistently expansionary monetary policy, growth packages and progress with corporate governance issues make for a relatively benign environment.

At the sector level, Technology remains predominant. At the same time, traditional industry stocks are getting more attention, as they benefit from digital infrastructure construction and from war-related shortages. Demand for defensive sectors such as Food or Telecommunications might increase in case of major market disruptions. Overall, we remain constructive for equities, despite the persistent geopolitical risks. Active stock selection is gaining even more importance, seeing that companies with a convincing earnings outlook should benefit most.

For Allianz Life Asia Multi-IncomePLUS Fund:

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

Market Review

Asia ex Japan equities extended their gains in May although there was a divergence of country returns. South Korea was the strongest performer, followed by Taiwan, as the accelerating global artificial intelligence (AI) and semiconductor upcycle lifted chip leaders and their wider supply chains. For China, onshore China A-shares returned positively but offshore China stocks saw some pullback as large internet platforms funding rotation into companies offering more direct exposure to AI-related themes. Australian equities were little changed in the month, with weak economic data continuing to weigh on sentiment. On the other hand, Indian equities moved modestly lower and closed the month behind the broader emerging markets (EM) index, pressured by foreign investor outflows as surging oil prices and escalating US-Iran tensions dampened sentiment. Elsewhere, ASEAN markets delivered mixed return. Thailand outperformed on attractive valuations but Indonesia was hit by heavy foreign outflows and a sharp rupiah depreciation despite central bank intervention.

For fixed income, May saw a further recovery in the Asia credit market, with spread performance remaining broadly supportive through most of the month. The US-Iran conflict remained an important macro driver throughout the period. Market sentiment was supported at various points by signs of progress in US-Iran peace talks and hopes for de-escalation, which contributed to lower oil prices and a firmer tone in risk assets. Both investment grade (IG) and high yield (HY) spreads continued to tighten, though unevenly, with mid-month profit taking in HY and higher-beta sectors. By month-end, spreads tightened beyond pre-conflict levels, supported by resilient technicals, negative net supply, and selective demand for carry. On the rates side, rising US Treasury yields weighed on performance amid upside consumer price index (CPI) and producer price index (PPI) surprises. However, Treasury yields eased later in the month as US-Iran peace talks reduced macro pressures. Credit bonds delivered positively, with HY bonds outperformed IG bonds.

The Fund's return was positive in USD terms in May.

A top stock contributor in the equity portfolio was Samsung Electro Mechanics, a leading electronic components manufacturer based in South Korea. With the acceleration of demand for high-performance components such as multilayer ceramic capacitors (MLCC) to support AI servers, the company is well positioned to benefit from the structural AI growth trend.

On the other hand, a detractor was a Hong Kong real estate developer with business operating in both Hong Kong and mainland China. The company remains a preferred holding given its visible project pipeline, management's strong execution track record as well as the consistent commitment to dividend growth.

The asset allocation at the end of the month was 70.4% in Asian equities and 29.1% in Asian fixed income.

During the month, equity portfolio activity focused on taking profits from strong performers and adding exposure to companies with solid fundamentals and attractive dividends. For example, a new initiation was a Taiwan-based fabless chipmaker which are well-positioned to benefit from accelerating regional and global AI computing demand, and at the same time, pays a dividend.

Within the fixed income sleeve, we continued to increase our allocation to HY bonds with a focus on the short end. In addition, we remained active in the primary market, selectively deploying capital into attractive new issuance opportunities.

For Allianz Life Asia Multi-IncomePLUS Fund:

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

Market Outlook

Asian equity markets continue to face a more volatile near-term backdrop as a result of higher energy prices with uncertainty around a weaker global economic outlook adding another layer of caution. However, these concerns have so far been overshadowed by the strength of AI-related stocks across the region.

Elevated oil prices have a significantly different impact on key markets around Asia. Overall, we see China's diversified economy as relatively well positioned for extreme scenarios, especially after years of building self-reliance across energy, food, and supply chains. China has looked to reduce exposure to oil and gas and to hedge this via pipelines from Russia and Central Asia. Conversely, India is more vulnerable to events in the Middle East. It imports most of its oil and gas from the Gulf, relies heavily on the Strait of Hormuz for energy flows, and depends on the region for a large share of remittances, meaning any disruption can quickly feed through to inflation, the currency, and growth.

Looking beyond these near-term risks, we remain on the positive side on the outlook for Asia ex Japan equities over the long term. In particular, we expect Technology to remain a feature going forward. Companies with strong fundamentals, exposure to long-term structural trends, and a competitive edge remain in focus, although it won't be surprising to see some volatility given how strongly some of these Technology names had rallied.

On the fixed income side, the market action in May suggests that Asia Pacific USD credit remains supported by favourable technicals, although valuations have become richer and more sensitive to macro headlines. By late May, both IG and HY were reported to be trading inside pre-conflict spread levels, while net supply in Asia credit remained negative. This backdrop has continued to cushion spreads, even as Treasury volatility and geopolitical uncertainty periodically interrupted the rally. Looking ahead, the market appears to be balancing strong carry and supportive technicals against a less compelling valuation cushion. Although markets are increasingly pricing in a benign outcome, energy market disruptions have not fully normalised and the risk of renewed escalation has not disappeared. Against this backdrop, we should remain cautious in overall risk positioning and continue to focus on carry generation rather than capital appreciation. With valuations remaining at the tighter end of historical ranges, relative performance is likely to depend more on issuer selection, balance sheet resilience, and refinancing visibility than on broad beta exposure alone.

For Allianz Life Amanah Dana Ikhlas:

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

Market Review

Sukuk Market Review

The Malaysian government bond yields were largely range bound with marginal moves across the curve. The 10-year MGS yield held steady around 3.57% at end-May. Primary market auctions remained well-received with the 10y MGII, 7y MGS and 30y MGII recording healthy BTC of 2.87x, 2.59x and 2.29x respectively. On corporate side, issuance pipeline was healthy and issuers were generally more generous in pricing wider credit spreads. BNM maintained the OPR at 2.75% in early May, signalling a stable OPR outlook into the foreseeable future with upside risk to inflation expected to be contained on account of domestic policy measures, especially the continuation of fuel subsidies. Economic fundamentals remain supported by a firm GDP growth of 5.4% in 1Q26 (4Q25: 6.2%) and strong export data which accelerated sharply to 36.9% YoY in April, primarily driven by robust E&E demand.

Equity Market Review

Global equities were again higher in May with the US markets rising to record highs after weathering bouts of volatility during the month due to the higher US 10-year and ongoing conflict in Middle East, although hopes of a ceasefire has led the Brent oil crude to fall around 20% to US$93/bbl (remains circa +50% on year-to-date basis). Elsewhere, hard metals were up while precious metals gold were down 1.7% to US$4,540/oz. The technology sector again carried market performance as strong earnings as well as upgrades provided the catalyst. Nasdaq was the standout in the developed markets, climbing 8.4% but Tech heavy Asia such as Korea, Japan and Taiwan gained higher, up 28.4%, 14.9% and 11.9% respectively. Besides the ongoing conflict in the Middle East, leaders of the global superpower met in Beijing for a 2-day summit. It was also noted that the delegation from the US comprised of high-profile CEOs of global tech giants including Jensen Huang (Nvidia) and Lisa Su (AMD).

Closer to home, the KLCI fell 2.3% to 1,683pts weighted down by foreign selling, weaker-than-expected earnings season and the persistent conflict in the Middle East. Like regional markets, Malaysia tech stocks did perform but was not represented in the main index. Within the constituent, top gainers were YTL Power, Maxis and AMMB while bottom performers were Nestle Axiata and PPB. In the case of the broader market, technology, utilities and healthcare were the top performing sectors while energy, consumer and plantation lagged. Furthermore, performance for the month could be distorted by the month-end MSCI rebalancing which may have led to sharp movements in some names, which in this case has been strong foreign outflows. Elsewhere, election heat has risen with a possibility of an early general election while state elections has been set in Johor and Negeri Sembilan. Going back to the earnings season, disappointingly, was generally weaker, with beat-to-miss ratio moderating from the previous earnings results.

Foreigners sold RM3.5bn during the month which pushed year-to-date net selling RM750m (May 26: net foreign buying YTD of RM3bn). However, as aforementioned, the heavy selling was seen on the last day of the month at RM1.6bn which accounted about 40% of the net outflow for the month due to the MSCI index rebalancing as aforementioned.

Regionally, lack of AI plays and the persistently high oil prices continue to weight on the performance, as far as the main indexes are concerned. Some Asean central banks have turned hawkish, most notably Indonesia (another 25bps hike in June) and the Philippines. Indonesia was the worst performer, tumbling 11.9% followed by Malaysia's 2.3% drop. Philippines fell slightly by 1.1%. Thailand and Singapore outperformed the region gaining 5.0% and 2.5% respectively. The DXY Index had a slight uptick by 0.9% which saw the MYR and the THB gained 0.2% each while the PHP and the IDR lost 0.2% and 3.0% respectively.

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

As at writing, US and Iran have indicated that an agreement is imminent paving way to the reopening of the Strait of Hormuz. The interim peace deal would see the US and Iran to extend their ceasefire and go into further negotiations over nuclear programme and lifting the blockade of Iranian ports. It remains to be seen whether near-term inflation volatility would then lead to then interest rate volatility to then be disruptive for equity market valuations. The disruption or rather surge in energy prices, although have moderated since, would invariably lead to tighter financial conditions and weaker sentiment (less spending) 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 May. Positive stock selection in the Information Technology sector was the main contributor.

At a stock level, a key contributor was Shengyi Technology, a producer of copper clad laminates (CCL) and other materials used in multilayer printed circuit boards. The company reported strong results at the end of April. Demand has been supported by the rising CCL intensity of artificial intelligence (AI) related applications such as servers and network equipment, keeping pricing firm. At the same time, ongoing specification upgrades have strengthened Shengyi's technology leadership, driving a more favourable product mix and supporting margin expansion.

Conversely, a detractor last month was Busy Ming, a snack retailer that operates a large network of stores offering a wide range of low-cost packaged snacks. There was no specific news flow during the month, and we attribute the share price weakness primarily to profit taking following the previous rally, alongside broader softness in the consumer sector amid the market's strong concentration in AI-related names.

Market Outlook

May was another month where China A-shares significantly outperformed offshore markets. Year-to-date, the MSCI China A Onshore Index has returned +11%, compared to MSCI China -8% (USD). The difference is driven primarily by the performance of Technology stocks.

During a European client roadshow this month, one of the most frequently asked questions was: "Why has China Technology performed so badly?" This highlights how, for many Western investors in particular, the China Tech story remains anchored in the big internet and ecommerce platforms that dominate offshore indices.

These businesses are increasingly perceived as more mature "traditional" Tech names. Growth has moderated, weighed down by weak domestic consumption, while rising AI-related capital expenditure (capex) (albeit less intense than in the US) has reduced the free cash flow previously allocated to share buybacks. As a result, these stocks are often used as a funding source for more direct AI beneficiaries within China, or to support participation in new technology initial public offerings (IPOs) in Hong Kong.

In reality, broader China Tech has performed well, particularly companies more directly exposed to AI. The ChiNext Index, a growth and technology-focused board within the Shenzhen Stock Exchange often referred to as China's Nasdaq, has recently broken through to new all-time highs, supported by strong performance in AI-related names.

Because China does not have a "TSMC" or a "Samsung Electronics", its Tech companies do not often hit the headlines. Nonetheless, they are playing a key role in the buildout of China-centric AI infrastructure including chips, data centres, models and applications. Indeed, in a number of cases, they are also key suppliers to US hyperscalers.

For example, this includes "picks and shovels" companies specialising in optical transceivers, which convert data into light for ultra-fast transmission over fibre optic cables, and printed circuit boards, which provide the foundational layer connecting components such as processors, memory and storage. These technologies are critical for AI hardware, enabling high-speed data flow and supporting intensive computing workloads reliably.

May also saw President Trump's visit to Beijing. From a market perspective, while short on concrete outcomes, the overall tone of the summit was constructive, with an apparent effort to establish a diplomatic roadmap. Geopolitical tensions, which have historically weighed heavily on Chinese equities, have clearly eased, supported by China's increasing ability to neutralise US economic pressure.

We have not changed portfolio positioning significantly over the last month. Previously, in reaction to events in the Middle East, we used the market pullback as an opportunity to build exposure in companies leveraged to AI and electrification. Overall, we maintain a preference for innovative companies with proven research and development (R&D) capabilities and an ability to capture and expand market share.

At month end, the Fund has around 49% in China A-shares. The portfolio continues to have relatively close-to-benchmark sector allocations, so that stock selection remains the key relative performance driver. At month end, the largest sector overweight is Industrials (+4.4%), while the largest underweight is Consumer Discretionary (-3.0%).

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 advanced in May, with the MSCI All Country World Index (ACWI) delivered modest gains amid generally supportive risk sentiment. Equity markets benefitted from continued enthusiasm around artificial intelligence (AI) and broadly resilient corporate earnings, particularly in the US. Stocks also benefitted from slumping oil prices on reports that the US and Iran may be edging closer to agreeing a peace deal. From a sector perspective for the MSCI ACWI, performance was largely concentrated within the Information Technology sector, which was the only sector to outperform the global index. The sector benefitted from broadening AI rally, with strong returns across semiconductors, hardware, and software. Conversely, Energy and Utilities were the worst performing sectors. Energy equities were volatile during the month, reflecting sharp swings in underlying commodity prices rather than company-specific fundamental factors.

From a macroeconomic standpoint, incoming data in May suggested a US economy that remained resilient. Labour market releases indicated continued job growth. Non-farm payrolls data showed that the US economy added 115,000 jobs in April, beating consensus estimates and marking the second consecutive monthly rise, while the US unemployment rate held steady at 4.3%. Elsewhere, the annualised Q1 gross domestic product (GDP) print was revised down to 1.6% from an initial estimate of 2.0%, while the Federal Reserve Bank of Atlanta's GDPNow running estimate of annualised economic growth ticked up to over 4% for Q2.

May was a quiet month for the major central bank rate setters, with only the People's Bank of China (PBoC) meeting and leaving its loan prime rates unchanged for the 11th consecutive month. In the US, Kevin Warsh was confirmed by the Senate to serve as the new chair of the US Federal Reserve (Fed), succeeding Jerome Powell.

Oil prices eased in May. Brent crude moved off recent highs at the start of the month, falling back below USD 100 a barrel amid hopes of a US-Iran peace deal and news that a handful of tankers had crossed the strait, spurring hopes that the crucial shipping lane might fully reopen. Meanwhile, gold prices fell slightly in May. The precious metal rose early on as mounting optimism around a US-Iran peace deal helped to ease inflationary risks and expectations of higher interest rates. However, prices resumed their descent, closing the month above USD 4,500 an ounce, as cautious optimism mounted around the prospects of a deal to end the conflict.

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, Financials and Health Care were the largest contributors, while Industrials and Information Technology were offsetting. Overall portfolio outperformance was driven by the AI infrastructure dimension, with notable strength across hardware, memory, and semiconductor holdings benefitting from strengthening AI data centre spending. AI applications outperformed as the broader software sector recovered. AI-enabled industries delivered positive absolute returns but underperformed amid a narrow market backdrop, as performance was largely concentrated in the Information Technology sector.

Contributors

Flex Ltd. is a leading contract manufacturer, offering solutions that span from initial design to manufacturing through the life cycle of customer product. The key performance driver has been the market's positive reaction to Flex's strong quarterly results, and its decision to spin off the Cloud and Power Infrastructure segment, which investors view as unlocking the value of a high-growth AI data centre power and thermal platform. Looking forward, Flex remains a key provider of advanced manufacturing solutions and operates global supply chains across a diverse set of industries, including AI hyperscalers. Flex is involved in producing high-performance AI server racks as well as power solutions for AI data centres, positioning the company to capitalise on the AI infrastructure buildout.

Our position in semiconductor memory producer Micron Technology, Inc. was among the largest contributors over the period. The stock outperformed in May, supported by growing evidence of a persistently tight memory environment driven by strong AI infrastructure demand, which may support improved dynamic random-access memory (DRAM) and NAND pricing. Micron remains well positioned to capitalise on the strong semiconductor memory market with demand for memory continuing to exceed available supply. The company is also making strides on high bandwidth memory, which is essential for AI infrastructure.

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

Caterpillar Inc. manufactures construction and mining equipment, engines as well as power generation solutions. Shares underperformed amid fears of increased competition in the turbine generator space. In the long term, Caterpillar continues to have a compelling growth trajectory, as its leadership in heavy machinery and onsite power solutions positions it to benefit from the AI infrastructure buildout. The company is also favourably positioned to capitalise on a recovery in global demand for autonomous and efficient industrial systems.

GE Vernova Inc., which manufactures and services energy equipment, was another detractor over the period. The stock underwent some profit taking over the month, as broader heavy-duty gas turbine manufacturing capacity expanded, weighing on investor sentiment. Looking ahead, the strengthening growth in AI data centres is driving electricity demand – projected to double US power needs by 2030 – is directly benefitting the company. This has driven a surge in orders for its gas turbines and grid equipment that should convert to strong revenue and profit growth for GE Vernova.

New Buys and Sells

We exited the remaining position in Meta Platforms, Inc. after the company reported results that included a continued increase in capital spending plans. We have a more cautious view on Meta's investments, as the company must prove its ability to keep pace on AI innovation and execute internal projects to generate high return from investments. Presently, we view this as a higher risk path that could weigh on shares.

Additionally, we sold the position in Deere & Co., as the company has been experiencing a downturn in its core large agriculture business. Farmers have been deferring equipment purchases amid lower crop prices, higher costs, and elevated interest rates. This has pushed the recovery timeline further out, driven earnings downgrades, and pressured margins. While construction and small agriculture remain relatively resilient, they do not offset the large agriculture weakness.

There were no new buys during the month.

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 de-escalation, although the timing and outlook remains uncertain. 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. Many major central banks have cut interest rates or signalled a bias for future cuts to keep financial conditions supportive of economic growth. In the US, the Trump administration's pro-business agenda also provides tailwinds through tax cuts, deregulation, domestic investments, and manufacturing reshoring. These efforts should help stimulate growth for both consumers and corporations across more areas of the economy as the conflict with Iran eases.

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.

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)

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

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

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

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

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

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

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

Market Review

Asia Pacific equities extended their gains in May. South Korea was the strongest performer, followed by Taiwan, as the accelerating global artificial intelligence (AI) and semiconductor upcycle lifted chip leaders and their wider supply chains. China stocks saw some pullback overall with macro data remaining subdued, but Tech stocks continued their rally. Onshore A-shares outperformed offshore markets, with large internet platforms funding rotation into companies offering more direct exposure to AI-related themes.

Japanese equities rose with the Nikkei 225 reaching a record high during the month driven by AI momentum. Expectations of further rate hikes from the Bank of Japan (BoJ) continued to mount as higher oil costs intensified inflationary risks. Market expectations are that the BoJ will implement a 25-basis point (25-bps) rate hike at its June meeting. Economic fundamentals showed resilience. Exports rose for the eighth consecutive month and beat consensus estimates, soaring by 14.8% in April compared to the same time last year as semiconductor shipments surged. Headline inflation edged back to 1.4% in April, coming in below the BoJ's 2% target for the fourth month in a row.

The Fund underperformed the benchmark in May. Selection effects in South Korea and Japan were the key source of relative detraction, with previous winners giving up some gains. These include Technology and Defence related stocks, which remain core long-term holdings despite recent volatility. On the positive side, there were also strong contributions from select Technology names in Taiwan and South Korea, which continued to strengthen on AI acceleration.

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

Conversely, a key contributor last month was a Taiwan-based specialised semiconductor equipment manufacturer, focused on integrated circuit (IC) test handlers and thermal control systems used to ensure that chips meet the required specifications prior to shipment. As AI chips require more advanced and longer testing, test handling becomes a more valuable part of the value chain. We see tight supply and strong pricing power in this segment.

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

At a sector level, Industrials remains a key overweight, including exposure to aerospace and defence companies. We also continue to see AI as having a transformational impact on many businesses across sectors. As such, not only is Technology an overweight sector, but we also see opportunities in other areas such as Health Care. 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 New Zealand, 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

Asian equity markets continue to face a more volatile near-term backdrop as a result of higher energy prices with uncertainty around a weaker global economic outlook adding another layer of caution. However, these concerns have so far been overshadowed by the strength of AI-related stocks across the region.

Elevated oil prices have a significantly different impact on key markets around Asia. Overall, we see China’s diversified economy as relatively well positioned for extreme scenarios, especially after years of building self-reliance across energy, food, and supply chains. China has looked to reduce exposure to oil and gas and to hedge this via pipelines from Russia and Central Asia. Conversely, India is more vulnerable to events in the Middle East. It imports most of its oil and gas from the Gulf, relies heavily on the Strait of Hormuz for energy flows, and depends on the region for a large share of remittances, meaning any disruption can quickly feed through to inflation, the currency, and growth.

In Japan, government measures to address energy supply – including the use of reserves, diversification of procurement sources, and supply chain strengthening – are progressing. While upward pressure on costs remains in the near term, the impact on the real economy is likely to stay manageable. Overall, we maintain a constructive long-term view on Japanese equities. Structural drivers remain supportive, with inflation and ongoing governance reforms expected to underpin earnings growth while reinforcing a stronger focus on shareholder value. We also see the Japanese yen as significantly undervalued.

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 extended their gains in May. South Korea was the strongest performer, followed by Taiwan, as the accelerating global artificial intelligence (AI) and semiconductor upcycle lifted chip leaders and their wider supply chains. China stocks saw some pullback overall with macro data remaining subdued, but Tech stocks continued their rally. Onshore A-shares outperformed offshore markets, with large internet platforms funding rotation into companies offering more direct exposure to AI-related themes.

India equities moved modestly lower in May and closed the month behind the broader emerging markets (EM) index. Stocks rose initially after Prime Minister Narendra Modi's Bharatiya Janata Party (BJP) consolidated gains in state elections, reinforcing expectations of political stability and policy continuity. However, foreign investor outflows subsequently dragged Indian indices lower as the US and Iran traded fire in the Strait of Hormuz and oil prices continued their ascent above USD 100 a barrel. Domestic equity buying continued demonstrate resilience throughout the period.

The Fund outperformed the benchmark in May. Stock selection among Technology names was the key source of added value.

At a stock level, a top performer was SK Hynix from South Korea. This business has made great advances from being a traditional memory supplier to high bandwidth memory. Its share price has rallied strongly on the back of surging demand for high-performance AI memory chips. We believe longer-term demand related to AI applications will continue to accelerate the need for high bandwidth memory, where SK Hynix is expected to remain a key global provider.

Conversely, a detractor was Zijin Mining, which is engaged primarily in the exploration and development of gold, copper, and zinc. Throughout the past year, the stock has been a beneficiary of sustained strength in copper and gold prices, driven by long-term demand for copper and US dollar weakness, respectively. However, more recent volatility in metals prices, as well as some profit taking, have weighed on the share price.

We have not made significant changes to the portfolio as a result of the Middle East situation, and at this stage have no plans of doing so. However, we have been monitoring markets closely for opportunities in the more volatile environment. In that regard, we repositioned somewhat among names in South Korea, Taiwan, and China.

Overall, geography and sector allocations remain relatively close to benchmark. We are generally neutral in the larger markets of Hong Kong/China, Taiwan, and South Korea. However, we have an off-benchmark Energy-related position in Australia, Santos, which plays directly into Asian liquified natural gas (LNG) demand due to long-term energy security needs of many major regional economies. As a non-Middle Eastern supplier, with projects not only in Australia, but also in Papua New Guinea and Alaska, Santos offers a diverse source of oil and gas supply in the current conflict environment.

At a sector level, Financials is the primary overweight position, while Consumer Discretionary is most underweight. Top names in the portfolio at month-end were SK Hynix, TSMC, and Samsung Electronics.

Market Outlook

Asian equity markets continue to face a more volatile near-term backdrop as a result of higher energy prices with uncertainty around a weaker global economic outlook adding another layer of caution. However, these concerns have so far been overshadowed by the strength of AI-related stocks across the region.

Elevated oil prices have a significantly different impact on key markets around Asia. Overall, we see China's diversified economy as relatively well positioned for extreme scenarios, especially after years of building self-reliance across energy, food, and supply chains. China has looked to reduce exposure to oil and gas and to hedge this via pipelines from Russia and Central Asia.

Conversely, India is more vulnerable to events in the Middle East. It imports most of its oil and gas from the Gulf, relies heavily on the Strait of Hormuz for energy flows, and depends on the region for a large share of remittances, meaning any disruption can quickly feed through to inflation, the currency, and growth.

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

For Allianz Life Global Income Fund:

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

Market Review

Global equity and fixed income markets finished higher for the month. Corporate earnings results in May remained strong with the S&P 500 Index on pace to deliver its highest quarterly earnings growth and surprise percentage since 2021. On the economic front, unemployment declined and the manufacturing sector continued to expand, while inflation rose and personal savings, income, and consumption fell. There was no Federal Open Market Committee (FOMC) meeting in May, but Kevin Warsh was officially sworn in as the next Chairman of the US Federal Reserve (Fed). Against this backdrop, the 10-year US Treasury yield and crude oil settled well below intra-month highs on lower odds of reescalation in the Middle East.

In this environment, key markets closed higher:

- Global equity markets, as measured by the MSCI World Index, returned +4.61%.*
- Global convertible securities, as measured by the ICE BofA Global 300 Convertible Index, returned +4.62%.**
- Global high yield bonds, as measured by the ICE BofA Global High Yield Index, returned +0.50%.**
- Global fixed income, as measured by the Bloomberg Global Aggregate Index, returned +0.34%.^

The portfolio was positively impacted by strength in global equity and fixed income markets.

Top contributors were primarily linked to optimism around the artificial intelligence (AI) buildout, reinforced by strong earnings reports that reflected significant demand for compute and managements reaffirming or raising capital expenditure (capex) guidance. Beneficiaries comprised several semiconductor companies, including Nvidia, Advanced Micro Devices, and Broadcom, multiple hyperscalers such as Microsoft, and infrastructure plays tied to cloud computing. Apple also contributed on the back of a strong earnings report, a strategic chip partnership announcement, and AI strategy rollout, and an insurance provider gained on better-than-expected bottom-line results.

Top detractors were a number of Energy companies, such as an exploration and production company that missed earnings expectations, and several utility operators that were lower on mergers and acquisitions (M&A) headlines and conflict-related uncertainty, respectively. Additionally, multiple energy technology companies declined on mixed quarterly reports. A big-box retailer was hampered by margin concerns, an industrial manufacturer offered underwhelming guidance, and Alphabet consolidated April gains. The other top detractors were a pharmaceutical developer and a communications equipment company.

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

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

Market Outlook

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

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

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

Return expectations for 2026 also remain unchanged. Convertible securities could outperform equities again and high yield bonds could deliver another year of coupon-like returns. Given their defensive characteristics, convertible securities, 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 a record year of new issuance in 2025, primary market activity likely slows in 2026 but remains elevated around USD 105-115 billion.# Aside from diversification benefits, new issuance expands the opportunity set of investments with attractive terms and the desired risk/reward characteristics.

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

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

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

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

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

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

Global equities rose in May. The MSCI All Country World Index (ACWI) was largely driven by events in the Middle East and the commentary emanating from Washington and Tehran. Stocks rallied on slumping oil prices on reports that the two sides may be edging closer to agreeing to a peace deal, only to retreat amid subsequent clashes near the Strait of Hormuz. Risk assets were supported into month-end as oil dipped back below USD 100 a barrel on optimism surrounding a deal to reopen the strait and extend the fragile ceasefire. Turning to the MSCI ACWI, Information Technology shares led the way, boosted by the artificial intelligence (AI) rally, with the Consumer Discretionary and Materials sectors also generating positive returns.

May was a quiet month for the major central bank rate setters, with only the People's Bank of China (PBoC) meeting and leaving its loan prime rates unchanged for the 11th consecutive month. In the US, Kevin Warsh was confirmed by the Senate to serve as the new chair of the US Federal Reserve (Fed), succeeding Jerome Powell. The vote largely followed party lines but represented the narrowest Senate approval margin since the process began in 1977. With US inflation elevated, Warsh faces a particularly tough challenge, as he aims to contain price pressures through monetary policy without undermining economic growth or the labour market. A volatile geopolitical backdrop and heightened economic uncertainty are likely to further complicate the balancing act. The Bank of England (BoE) is expected to hold the base rate at 3.75% at its June meeting, while speculation that the European Central Bank (ECB) could raise rates mounted. Elsewhere, the Bank of Japan (BoJ) is expected to deliver a 25-basis-point (25-bps) rate hike in June.

Oil prices eased in May. Brent crude moved off recent highs at the start of the month, falling back below USD 100 a barrel amid hopes of a US-Iran peace deal and news that a handful of tankers had crossed the strait, spurring hopes that the crucial shipping lane might fully reopen. Despite reports of fresh exchanges of fire in the strait, oil prices eased amid renewed optimism around a deal, with Brent crude recording the steepest monthly decline in six years to close May just above USD 91 a barrel. Meanwhile, gold prices eased in May. The precious metal rose early on as mounting optimism around a US-Iran peace deal helped to ease inflationary risks and expectations of higher interest rates.

The Fund returned positively (in EUR, gross of fees) in May and year-to-date, underperforming the benchmark. Sector allocation was negative as the overweight to Industrials and the underweight to Information Technology created a burden. Stock selection has been weak among Information Technology sector as the underweight to Micron and SK Hynix contributed negatively given that both stocks skyrocketed. Humanoid Robots contributed positively, driven my solid momentum in China, while AI Adaption suffered from negative mix on stock selection.

In May, performance was mainly driven by a rotation into AI, semiconductors and high-growth technology, while more defensive and capital-intensive names lagged. Datadog outperformed after strong quarterly results and upgraded guidance reinforced confidence that AI-related cloud workloads are supporting demand for observability and monitoring software. Arm Holdings benefitted from the broader AI semiconductor rally, with investors focusing on its exposure to data centres, custom silicon and higher royalty opportunities. Orbbec also gained from enthusiasm around robotics, 3D vision and AI-enabled hardware, helped by improving growth and profitability.

By contrast, Cheniere Energy underperformed as investors reacted negatively to earnings volatility and a large reported quarterly loss, even though the underlying liquified natural gas (LNG) demand story remains intact. CDSB lagged after results disappointed expectations, with the market questioning the quality and sustainability of growth driven partly by tariff effects. SSE also underperformed as lower earnings and heavy investment needs weighed on sentiment, with rising capital expenditure (capex) putting pressure on near-term cash flow despite the longer-term appeal of grid and renewables infrastructure. Overall, May rewarded scalable AI-linked growth stories and penalised companies with earnings volatility, regulatory exposure or high capital intensity.

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 remained constructive in May, as markets began pricing in potential geopolitical de-escalation following April's sharp rebound. In the U.S., headline CPI rose to 3.8% y/y in April, from 3.3% in March, exceeding expectations and driven primarily by higher energy costs linked to the ongoing conflict with Iran. The unemployment rate in the U.S. held at 4.3% in April, in line with expectations. The U.S. dollar strengthened modestly against major currencies. While energy markets remained volatile throughout the month, oil prices fell sharply toward month-end after trading above $110 per barrel earlier in May. Investor sentiment improved, supported by progress in U.S.–Iran negotiations and continued earnings resilience.

Yields were volatile across fixed income markets, initially rising amid inflation concerns driven by Middle East tensions, before declining later in the month as oil prices moderated. In the U.S., the 10-year Treasury yield rose by 6 bps to 4.44%, while the 30-year Treasury yield closed at 4.97% after peaking at 5.19% intra-month. Globally, yields were mixed: the U.K. 10-year Gilt fell 20 bps to 4.81%, the German 10-year Bund declined 10 bps to 2.94%, and the 10-year Japanese Government Bond yield rose to 2.67% after peaking mid-month.

Equity markets extended gains in May, supported by strong global earnings momentum, improving geopolitical sentiment, and investor enthusiasm for AI. The MSCI World Index rose 4.6%, while the S&P 500 advanced 5.3% over the month. Emerging markets outperformed developed peers, with the MSCI Emerging Markets Index returning 9.7%, driven by strong gains in Taiwan and South Korea amid continued strength in AI-related demand. Within credit, constructive risk conditions supported further spread tightening. U.S. and Euro area investment grade spreads tightened by 8 bps and 3 bps to 73 bps and 77 bps, respectively, while U.S. and Euro high yield spreads tightened by 11 bps and 10 bps to 272 bps and 284 bps, respectively.

During the month, the PIMCO GIS Income Fund returned 0.70% after fees (in USD, for the Institutional class, Accumulation share), bringing YTD '26 performance to 0.90%.

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:

• Equities across geographies were strongly bullish in May. The MSCI ACWI rose +5.2% while the Nasdaq 100 gained +10.6% and the S&P 500 climbed 5.2%. The risk-on sentiment was supported by strong earnings, easing geopolitical concerns, and ongoing momentum in AI-linked names.

• Most sectors enjoyed tailwinds from the bullish sentiment, with 6/11 posting positive returns. Information Technology was the strongest performer, rallying 16.0% for the month while Health Care rallied 1.9% and Consumer Discretionary gained 3.3%. Industrials were flat on the month while Energy was the biggest laggard, slipping -5.8% during the period.

• Federal Reserve policy remained on hold in May with officials maintaining the target rate range at 3.50%-3.75% as inflation concerns outweighed the case for near-term easing. Policymakers continued to emphasize a data-dependent, wait-and-see approach, suggesting that rate cuts could be delayed until inflation shows clearer progress toward target.

• Corporate earnings remained resilient in May, with AI-related companies leading results across semiconductors, memory, and infrastructure, while broader Q1 earnings strength helped support risk appetite. S&P 500 healthcare companies had the second highest percentage of companies reporting earnings above estimates in Q1, with 89% of firms beating expectations.

• The EURO STOXX 50 advanced in May, rising 2.9% as improved risk appetite and resilient earnings supported European equities, though gains lagged the AI-led momentum in U.S. and global tech markets amid persistent inflation concerns and renewed Middle East-driven energy pressure.

• Asia-Pacific equities extended their rally in May, again led by AI-linked semiconductor markets in South Korea and Taiwan, as rising demand for high-bandwidth memory and broader AI hardware lifted Samsung Electronics, SK Hynix and TSMC linked supply chains. Korea's KOSPI reached fresh record highs during the month, powered by the AI memory-chip boom.

Stocks:

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

• Not holding a position in Zoetis was the largest contributor to relative performance at the individual security level. Shares were pressured as the animal health company shared weak financial results, which included a forward-looking guidance cut.

• Not holding a position in CSL also contributed to relative performance. The Australian biotechnology firm faced headwinds following a revision of fiscal year 2026 expectations, which included guidance cut.

• Elsewhere, an underweight position in Eli Lilly was the largest detractor from relative performance. The stock rallied during the period on the back of continued confidence in their obesity platform, as well as positive results for the company's drug pipeline.

• Finally, an overweight position in Medline also detracted from relative performance. The company's stock was pressured following quarterly results which saw revenue growth, but deteriorating profitability as a result of higher costs of goods sold.

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

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

Changes:

• During the month, the fund increased its exposure to the pharmaceuticals subsector. In contrast, the fund reduced its exposure to medical devices & supplies companies.

• At the individual security level, the fund increased its position in health insurance company Elevance Health, on the back of improving fundamentals. Furthermore, the fund increased its exposure to Eli Lilly after strong quarterly results and positive phase 3 data for retatrutide, a weight loss drug.

• Conversely, the fund reduced its positions in AbbVie and Medtronic, due to competitive concerns specific to these companies.

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:

May was another eventful month for financial markets, with developments in the Middle East remaining the main driver of investor sentiment. Early optimism that the US and Iran could reach an agreement helped ease concerns about disruption to global energy supplies. Reports suggesting progress towards a ceasefire and further diplomatic negotiations led to a sharp fall in oil prices, reducing fears that higher energy costs would fuel inflation and slow economic growth.

Economic data from the US also supported markets, with a stronger than expected employment report underscoring continued economic resilience. Although stronger inflation data prompted some caution during the middle of the month, sentiment improved as reports pointed to growing progress in negotiations between the US and Iran.

Global equity markets delivered strong returns with US equities reached new record highs, helped by renewed enthusiasm for AI and strong gains in technology related companies. European and Japanese equities also moved higher, while South Korea was among the strongest performing markets.

Bond markets experienced a volatile month as inflation concerns and uncertainty in the Middle East initially pushed government bond yields to multi year highs in several major markets. In the UK, 10-year gilt yields briefly reached their highest level since 2008 amid political uncertainty. However, falling oil prices helped ease inflation concerns later in the month, supporting a recovery in government bonds. UK gilts and European sovereign bonds posted solid gains, while US Treasuries ended the month modestly higher despite earlier weakness.

Elsewhere, commodity markets saw some of the biggest moves. As mentioned above, brent crude oil recorded its largest monthly decline since the early stages of the pandemic in March 2020. The fall reflected growing expectations that tensions in the Middle East could ease and that energy supplies would become less constrained. Gold also declined for a third consecutive month as investors became less concerned about inflation and shifted towards riskier assets such as equities.

Performance:

The ESG Multi-Asset Fund delivered a positive return over the month. Developed Market Equities were the primary contributor, with Listed Alternatives and Fixed Income also adding value. Emerging Market Equities and Precious Metals detracted from performance.

The core Systematic Active Equity portfolio was the largest contributor and outperformed its opportunity set, benefiting from exposure to AI-related themes and US equities. The Global Unconstrained Equity portfolio also contributed positively but modestly lagged due to stock selection within technology and materials. Thematic equity exposures added value overall, led by AI, technology and sustainable energy themes, while Industrial Capacity and Metals Security lagged broader equity markets. Hedging strategies and EM ex-Technology exposures detracted.

Listed Alternatives extended their positive performance, supported by growth-oriented holdings with exposure to private market innovators such as SpaceX and Anthropic. Renewable energy exposures also performed well, benefiting from increasing AI driven power demand and a continued focus on energy security.

Investment Grade Credit and yield curve steepening strategies contributed positively to returns. Exposure to gold was a modest detractor during the month.

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

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

Positioning:

The portfolio entered the month with a neutral equity stance, yet expressing a preference for U.S. equities over Europe and leaning into selective allocations to customised and targeted thematic equity baskets. Within our thematic allocations, we remain constructive on AI, industrial reshoring, energy security and metals security, where structural drivers continue to support earnings growth and long-term return potential. While we remain mindful of elevated positioning in parts of the AI ecosystem, we retain selective exposure to themes underpinned by durable secular trends and resilient earnings expectations. As the month progressed, geopolitical risks resurfaced, prompting us to manage equity exposure dynamically through the implementation of a put spread on U.S. equities to help protect against a potential market drawdown.

Early in the month, we took profits on our emerging markets ex-technology equity position, as the original investment thesis of a low-inflation, high-growth environment had weakened.

While we maintained a cautious view on duration, the sharp rise in bond yields driven by geopolitical tensions provided an opportunity to tactically reduce the portfolio's duration underweight. We did this by taking profits on both our U.S. and European yield-curve steepener positions.

Overall, the portfolio remains positioned to capture upside opportunities while mitigating downside risks, supported by a continued focus on active management, diversification, and disciplined risk management.

Market Outlook:

We maintain a neutral near-term stance in portfolios, reflecting continued uncertainty surrounding geopolitical developments, particularly in the Middle East. While markets have largely priced in potential for resolution, the path and timing remain unclear. Additionally, the conflict in Iran has triggered a global energy shock, contributing to inflationary pressures, although the impact has thus far been largely confined to energy-sensitive sectors.

Against this backdrop, we continue to favour the US over Europe. The US economy has shown greater resilience and remains relatively insulated from energy-related disruptions. Recent manufacturing and labour market data also continue to point to underlying economic strength. That said, we are monitoring geopolitical developments closely, as a meaningful de-escalation could act as a positive catalyst for Europe.

We take a moderately positive view on equities. Corporate earnings have remained resilient despite elevated uncertainty, while continued investment in AI is supporting both capital expenditure and earnings growth. This backdrop remains particularly favourable for software companies, where adoption trends and fundamentals continue to strengthen. As geopolitical risks ease and volatility moderates, we see potential for further upside through selective re-risking in growth-oriented areas of the market.

In fixed income, elevated inflation uncertainty and fiscal risks underpin our cautious stance. A more benign geopolitical backdrop and evidence of moderating inflation would create scope to close our duration underweight. 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. Longer term, however, diversification away from the dollar remains an important structural consideration.

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

Equities, convertible securities, and high yield bonds finished higher for the month. Corporate earnings results in May remained strong with the S&P 500 Index on pace to deliver its highest quarterly earnings growth and surprise percentage since 2021. On the economic front, unemployment declined and the manufacturing sector continued to expand, while inflation rose and personal savings, income, and consumption fell. There was no Federal Open Market Committee (FOMC) meeting in May, but Kevin Warsh was officially sworn in as the next Chairman of the US Federal Reserve (Fed). Against this backdrop, the 10-year US Treasury yield and crude oil settled well below intra-month highs on lower odds of reescalation in the Middle East.

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

Top contributors were primarily linked to optimism around the artificial intelligence (AI) buildout, reinforced by strong earnings reports that reflected significant demand for compute and managements reaffirming or raising capital expenditure (capex) guidance. Beneficiaries comprised several semiconductor companies, such as Micron and Nvidia, data storage providers including Western Digital and Seagate, multiple hyperscalers led by Microsoft, and infrastructure plays tied to cloud computing. Apple also contributed on the back of a strong earnings report, a strategic chip partnership announcement, and AI strategy rollout.

Top detractors were several Energy companies, including a utility operator that declined on mergers and acquisitions (M&A) headlines, and an exploration and production company that missed earnings expectations. A big-box retailer was lower on margin concerns, an industrial services provider offered underwhelming guidance, and Alphabet consolidated April gains. A rare earth miner indicated potential adverse impacts from a plant closure despite strong quarterly results, and a tech hardware manufacturer faced supply constraints. The other top detractors were a health care REIT and a power generation company.

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

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

Market Outlook

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

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

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

Return expectations for 2026 also remain unchanged. Convertible securities could outperform equities again and high yield bonds could deliver another year of coupon-like returns. Given their defensive characteristics, convertible securities and high yield bonds can mitigate market volatility better than equities, which historically average a mid-teens intra-year decline even in annual periods of positive returns.

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)

US convertible securities have an attractive asymmetric return profile, providing upside participation potential when stock prices rise and downside mitigation when stock prices fall. The asset class is on pace to outperform the broad equity market again in 2026, helped by solid earnings growth, expanding market breadth, stable credit spreads, and robust new issuance. After a record year of new issuance in 2025, primary market activity likely slows in 2026 but remains elevated around USD 75-80 billion. Aside from diversification benefits, new issuance expands the opportunity set of investments with attractive terms and the desired risk/reward characteristics.

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

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

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

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

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 (Jan - Mar 2026)

(Target Fund Manager only produces commentaries on quarterly basis)

Market Review:

Markets were rocked by US—Israeli strikes on Iran and wider military action across the region including Iranian attacks on neighbouring gulf states. Iran's effective closure of the Strait of Hormuz, a key shipping route accounting for c.20% of global oil supply3, triggered a sharp rise in oil prices and fears of an inflation resurgence, pushing out expectations for central banks rate cuts. That being said, the global economic impact of recent events will be highly dependent on their duration given short-term disruption to oil markets can be managed by drawing on reserves. The moves in both oil prices and equity markets more broadly appeared to reflect an expectation for military action to be relatively short-lived, and this has also been our base case given incentives for all parties point to a resolution.

These developments followed an already volatile period for markets in January and February, marked by significant stock-level dispersion even as equity indices rose in aggregate. Much of this volatility was linked to the release of new large language models most notably Anthropic's Claude Opus 4.5 in late November and the subsequent launch of Opus 4.6 in early February – which signalled a material step-up in model capabilities and the potential onset of agentic AI deployment within enterprises. This, in turn, prompted a rapid reassessment of pricing power and business models across the software and financial data sectors. At the same time, it boosted confidence in the sustainability of data centre capacity build out, given explosion in token use that would ensue from greater AI deployment in the workplace.

The aforementioned sales of Adyen and Masimo freed up capital to Fund two new positions for the portfolio: Keysight Technologies and Hexcel.

Hexcel was founded in the late 1940s in the basement of a suburban home by fraternity brothers from Berkeley. It has become a leading supplier of carbon fibre and advanced composites and today is the number one supplier of aerospace composites by both sales and capacity. Carbon fibre is ~5x stronger and ~30% lighter than aluminium and, for this reason, the proportion of composite material used in each progressive generation of aircraft increases as original equipment manufacturers chase weight, reliability and efficiency improvements. The latest generations of planes are roughly 50% composite materials, up from 10% in the mid-1990s, yet these composite-rich aircraft still represent less than 7% of the total global commercial fleet. As fleets are replaced, composite content growth heralds a significant opportunity for Hexcel: the company believe that the combined Airbus and Boeing backlogs represent a USD$10bn future sales opportunity. Hexcel are well placed to capitalise as this structural growth story manifests. The company has invested in capacity in recent years, bringing down margins, but now may realise good operational leverage as production ramps. Additional margin uplift may come from long-term contract renegotiations which are due later this decade. This combination of margin accretion and highly visible long-term revenue growth makes Hexcel an attractive asset for the Global Unconstrained portfolio. The company also derives ~39% revenue from its "Defence, Space and Other" division. Here the company has a rich pedigree: its strong but lightweight materials have been featured on history-making missions like Apollo 11. This division provides interesting optionality in the investment case as defence budgets grow and satellite use is further expanded.

Keysight Technologies provides essential testing and measurement solutions, spanning both hardware and software, used across research and development, manufacturing and post deployment phases in industrial and technology settings. Testing represents a relatively small proportion of overall customer spend, making reliability, accuracy and long-standing relationships critical, and contributing to a durable competitive moat. Historically, Keysight's earnings have followed wireless upgrade cycles; while we see optionality from the transition to 6G over the medium term, which appears to be coming through earlier than expected, we believe the market is under appreciating the company's exposure to structural growth areas. These include the expansion of semiconductor fabrication capacity, AI driven compute growth and rising data centre complexity, where Keysight's solutions are increasingly deployed. At its Q1 results (reported in February) Keysight delivered 23% YoY revenue growth, with 90bps YoY gross margin expansion, and record order growth (reported numbers, which include impact of FX and deals). Despite this, consensus forecasts the company to return to mid-single-digit revenue growth for 2027, which would put the shares on c.27x FY2 earnings. We believe that increased demand from AI will drive both revenue and margin surprise over time, while its diversified end markets and exposure to R&D may help buffer it from some of the cyclicality typically associated with the industrial economy.

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)

Outlook:

The near-term market outcome is likely to be heavily shaped by events in the Middle East: a protracted closure of the Strait of Hormuz will drive energy prices materially higher, with knock-on effects for inflation and global growth. However, our base case, at the time of writing (mid-March), is that the incentives for all parties point to a resolution: President Trump is cognizant of public opinion and inflation while Iran itself sources c.50% of government income and c.20%+ of GDP from oil. This is an ongoing base case and subject to interrogation on an intraday, ongoing basis, and we have developed new data dashboards to attempt to track the Strait itself and obtain real time, reliable information while being careful to assess the risk of false information circulating on social media.

Looking beyond this near-term risk, if energy supplies return to near-normal levels, we believe the outlook for equities remains constructive, with the potential for another year of strong earnings growth, particularly in the US. However, we would expect continued volatility and significant dispersion as AI disruption creates both meaningful efficiency gains and both winners and losers across sectors, and as COVID-19 distortions continue to impact consumer sectors. This reinforces our view that selectivity will be critical in what could be a very strong environment for equity markets.

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 newsflow 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 +20.5% (A2, net of fees) during the month of May, slightly underperforming the MSCI ACWI IT 10/40 Index by 0.1%.

Market:

• U.S. equities were strongly bullish in May. The MSCI ACWI rose +5.16% while the Nasdaq 100 gained +10.58% and the S&P 500 climbed 4.84%. The risk-on sentiment was supported by strong earnings, easing geopolitical concerns, and ongoing momentum in AI-linked names.

• Most sectors enjoyed tailwinds from the bullish sentiment. Information Technology was the strongest performer, rallying 18.01% for the month while Health Care rallied 2.96% and Consumer Discretionary gained 1.88%. Industrials were flat on the month while Energy was the laggard, slipping 4.35% during the period.

• Federal Reserve policy remained on hold in May with officials maintaining the target rate range at 3.50%-3.75% as inflation concerns outweighed the case for near-term easing. Policymakers continued to emphasize a data-dependent, wait-and-see approach, suggesting that rate cuts could be delayed until inflation shows clearer progress toward target.

• Corporate earnings remained resilient in May, with AI-related companies leading results across semiconductors, memory, and infrastructure, while broader Q1 earnings strength helped support risk appetite. Investors remained focused on whether elevated AI-driven growth can be sustained as hyperscaler spending rises and expectations become increasingly demanding.

• The EURO STOXX 50 advanced in May, rising 2.9% as improved risk appetite and resilient earnings supported European equities, though gains lagged the AI-led momentum in U.S. and global tech markets amid persistent inflation concerns and renewed Middle East-driven energy pressure.

• Asia-Pacific equities extended their rally in May, again led by AI-linked semiconductor markets in South Korea and Taiwan, as rising demand for high-bandwidth memory and broader AI hardware lifted Samsung Electronics, SK Hynix and TSMC linked supply chains. Korea's KOSPI reached fresh record highs during the month, powered by the AI memory-chip boom.

Sectors:

• Q1 Earnings Beat Expectations: The S&P 500 posted a blended Q1 earnings growth rate of 15.1%, with 84% of companies beating estimates by an average of 12.3% (vs. the 5-yr avg of 7.3%). Net profit margins hit a record 13.4%, the highest since FactSet began tracking. A key stat is IT sector margins expanded to 29.1%, up from 25.4% a year ago. The market is now pricing AI on returns, not just spending.

• Cerebras IPO spotlighted public market appetite for AI infrastructure: Cerebras Systems, the AI chipmaker challenging Nvidia, delivered one of the biggest AI-market moments of the month. Its IPO was reportedly 20x oversubscribed, priced at $185 per share, and shares closed their first day at $311.07, up roughly 68%. Cerebras' debut shows investors are willing to underwrite new AI compute platforms. Cerebras is a new holding in BAI. Blackstone Digital Infrastructure and Fervo Energy also came public. Both were received well with the former raising $1.75B to buy data centers and the latter up 35% on its debut.

• OpenAI Moved From Model Provider to Enterprise Deployment Partner: OpenAI launched the OpenAI Deployment Company, a majority-owned enterprise deployment business with more than $4 billion of initial investment, 19 global partners, and the acquisition of Tomoro, adding around 150 forward-deployed engineers and deployment specialists. The next phase of AI competition is extending to deployment capacity.

• Nvidia CEO Jensen Huang: "Run. Don't Walk" Toward AI: At Carnegie Mellon's commencement, Nvidia CEO Jensen Huang framed AI as a generational platform shift, telling graduates societies that retreat from technology do not stop progress, but "surrender the opportunity to shape it." He urged them to build responsibly and move quickly into AI, calling it a defining opportunity for careers, companies, and countries.

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

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

• Cloud, Capex & Chips: AI's Insatiable Appetite: Microsoft, Alphabet, and Amazon now have a combined $1.5 trillion in committed cloud backlog, highlighting AI demand is accelerating faster than capacity.

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 advanced 5.2% as stronger-than-expected global earnings, particularly from U.S. and Asian technology sectors, combined with easing geopolitical tensions and falling oil prices to support risk appetite and drive global equities higher. In the U.S., the S&P 500 Index rose 5.3%, reaching new highs as strong Q1 earnings combined with upward earnings revisions and resilient macro conditions, allowed markets to look through geopolitical risks. European equities gained 3.2%, benefiting from broadly positive earnings results and improving macro resilience, as easing energy pressures and expectations of geopolitical de-escalation helped stabilize sentiment across the region.

• Emerging market equities rose 9.7%, as robust earnings expectations, improving global growth conditions, and strong performance from AI supply-chain markets drove inflows. South Korea's KOSPI Index skyrocketed 28.5%, led by an AI-driven semiconductor boom, with surging demand for high-bandwidth memory and chip exports, alongside foreign inflows and improving geopolitical sentiment fueling a sharp re-rating of tech-heavy large caps.

Bond Market:

• Developed market sovereign bond yields were mixed in May, initially selling off broadly before rallying on optimism of a potential deal between the U.S. and Iran. Curves continue to flatten across most developed markets. In the U.S., 10-year Treasury yields rose 6 bps to 4.44% as inflation prints came in firmer-than-expected. U.K. gilts rallied, with 10-year gilt yields falling 20 bps to 4.81% supported by softer macro data and more supportive fiscal rhetoric and are now more in line with U.S. rates. Meanwhile, German 10-year Bund yields fell 10bps to 2.94% as inflation has remained relatively benign in the Eurozone. Japan remains an outlier, with the curve continuing to steepen and 10-year JGB yields rising 14 bps to 2.67% as inflation and demand risks skewed to the downside.

• Global IG credit posted positive returns of 0.83% for the month, outperforming like-duration government bonds by 0.37%, as spreads tightened 5bps in May. Global HY credit delivered positive returns of 0.68%, with the B-rated segment of the high yield market outperforming BB-rated and CCC-rated bonds.

• Agency MBS returned 0.14% in May, outperforming like-duration Treasuries by 9 bps, driven by higher coupons amid rising rates and slowing prepayments, coupled with strong bank and asset-manager demand.

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

Amid a fragile Middle East ceasefire and ongoing negotiations, macro implications remain uncertain. Supply-side inflationary pressures from limited progress in re-opening the Strait of Hormuz alongside AI-related demand keep inflation risks asymmetric, raising the potential for a "higher for longer" scenario for both inflation and interest rates, even as higher energy costs and tighter financial conditions amplify downside growth risks. Against this backdrop, we continue to prioritize up-in-quality positioning, global diversification, and disciplined risk management. In fixed income, duration positioning offers starting yields, which drive attractive income-generation potential and meaningful cushion against further sell-offs, with high-quality duration functioning as an effective shock absorber across diverse economic environments. We remain constructive on US duration, as US Treasuries continue to provide diversification benefits versus equity risk, particularly should growth slow materially. We maintain exposure to other developed markets, such as the U.K. and Australia, as well as select EM local markets exhibiting elevated real yields, higher quality, and attractive carry, and we continue to express balanced exposure across the front and intermediate tenors of the curve. We see value in US TIPS as a hedge against elevated near-term inflation risks, which become further amplified should disruptions in the Strait of Hormuz persist, though longer-term inflation expectations remain largely anchored. Across global spread markets, tight corporate credit spreads, ongoing re-leveraging from AI capex funding, and a still-uncertain macro backdrop leave limited upside from valuations, and we accordingly see relative value in up-in-quality securitized exposures over corporate credit. We favor well-seasoned non-agency MBS and high quality ABS, which present diversified collateral, strong carry, and resilient fundamentals, and we continue to utilize Agency MBS as a source of risk-free spread exposure given attractive valuations versus history. In equities, we retain conviction in global diversification and see potential for regional differentiation, with select markets outside the US exhibiting more reasonable valuations alongside attractive momentum, growth, and quality, particularly among semiconductor-related companies and EM technology stocks positioned along the AI supply chain. Our systematic, multi-factor approach enables style-, country-, and sector-diversified exposures that can capture rotations in equity market leadership, and we expect AI disruption and persistent geopolitical uncertainty to amplify volatility and dispersion, reinforcing the value of globally-diversified, disciplined portfolio construction.