Market Review and Outlook

September 2026

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

For the following funds:

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

Market Review

Global equities lost momentum in September 2026, with the MSCI World Index and Dow Jones Industrial Average declining 1.3% and 4.3% MoM, respectively. Sentiment weakened after the US Federal Reserve raised its federal funds target range by 25bps to 3.75% – 4.00%, marking its first increase since July 2023 as part of its efforts to bring inflation back to the 2.0% target. Higher borrowing costs and rising bond yields placed pressure on equity valuations, particularly for companies dependent on external financing. Nevertheless, continued investment in artificial intelligence (AI) supported technology earnings expectations, helping the Nasdaq Composite gain 1.9% over the month. Its outperformance was concentrated in large-cap technology companies, whose strong balance sheets and robust free cash flow provided greater resilience to tighter financial conditions.

In Europe, the Euro Stoxx 50 declined 2.4% MoM as monetary tightening extended beyond the US. The European Central Bank raised its deposit facility rate by 25bps to 2.50%, effective 10th September 2026, adding pressure to financing costs and equity valuations. Eurozone industrial producer prices rose 5.8% YoY in July, exceeding the consensus estimate of 5.5%. The increase was largely driven by energy costs, while price pressures across other industrial categories remained relatively contained.

In China, the Shanghai Composite Index declined 3.6% MoM as investors took profits following August's strong gains and remained cautious over weak domestic demand. Continued optimism surrounding AI investment supported selected semiconductor and technology hardware stocks, but the broader recovery remained uneven. Besides that, August industrial production growth accelerated to 5.2% YoY from 4.5% in July, while September's Manufacturing Purchasing Managers' Index (PMI) improved to 50.1 from 49.8, signalling a return to modest expansion. However, retail sales growth slowed to 0.4% YoY in August from 0.6% previously, missing expectations of 0.8%. CPI inflation increased to 0.8% YoY from 0.5% in July but remained subdued, underscoring limited pricing pressure and fragile household demand. Against this backdrop, policymakers signalled new measures to support growth and stabilise the property market, with People's Bank of China (PBOC) expanding targeted relending facilities and unveiling mortgage subsidies to ease household debt burdens.

Brent crude rose 14.4% MoM to USD103.53 per barrel on 30 September as escalating Middle East tensions and continued shipping disruptions through the Strait of Hormuz heightened concerns over global oil supply. Conversely, crude palm oil prices declined 4.4% MoM to RM4,424 per metric tonne as peak harvesting season lifted supply and inventories amid softer demand expectations. Competition from cheaper Indonesian supplies and weaker soybean oil prices, supported by expectations of a bumper US harvest, further weighed on CPO prices.

Within ASEAN, equity markets generally declined, although the balance of external and domestic pressures differed across countries. Indonesia's Jakarta Composite Index fell 7.0% MoM, reversing part of the previous month's gains as persistent rupiah weakness raised concerns over foreign capital outflows. Higher US yields reduced the relative appeal of emerging-market assets, while elevated oil prices added to imported inflation risks. Bank Indonesia maintained its benchmark policy rate at 5.75%, prioritising currency stability while continuing to support domestic growth. This policy balance left investors attentive to exchange rate volatility, funding costs and companies' foreign-currency exposure.

Singapore's Straits Times Index declined 1.4% MoM as investors following a higher global bond yields challenged the relative attractiveness of dividend-paying equities and raised refinancing concerns for leveraged businesses. Despite the market pullback, economic fundamentals remained supportive. The Ministry of Trade and Industry's (MTI) full-year GDP growth forecast stood at 4.5%–5.5%, reflecting strong first-half momentum and an improved outlook for AI-related investment. August non-oil domestic exports surged 46.2% YoY, accelerating from July's 24.1% growth as robust demand for electronics continued to support trade.

Thailand's SET Index declined 2.3% MoM, with domestic disruption adding to persistent foreign fund outflows. Widespread flooding across key provinces affected economic activity and raised concerns over agricultural output, tourism and household spending.

Domestically, the FBM KLCI declined 4.3% MoM as foreign selling and tighter global financial conditions weighed on sentiment. Nevertheless, Malaysia's economic fundamentals remained resilient, supported by strong external trade. Exports surged 45.5% YoY in August, driven by demand for electrical and electronic products, petroleum products and liquefied natural gas. The strong trade performance provided support for export-oriented industries, although earnings outcomes continued to depend on margins, input costs and currency exposure.

U.S. Treasury (UST) yields rose 39 – 59bps MoM across the curve, driven by surging oil prices that reignited inflation concerns and stronger – than – expected economic data. Notably, the 10 – year UST yield closed at 5.28%, approaching levels not seen since 2007, while the 30 – year UST yield ended at 5.63%, a level last seen in 2002. Weak demand at the 5 – year Treasury auction further weighed on sentiment, pushing the yield above 5.00% for the first time since 2007 before ending the month at 5.09%. Job growth in August was strong, with the revised figure showing an increase of 133k MoM (Survey: +55k MoM, July revised: -10k MoM) while the unemployment rate remained at 4.1% (Survey and August: 4.1%). Driven by strong demand in both manufacturing and services, the flash S&P Global U.S. Composite PMI surged to 58.4 (Survey: 55.3, August: 56.0) in September, its highest since July 2021. Following the 25bps rate hike at the September Federal Open Market Committee (FOMC) meeting, forward – looking projections show 16 of 18 officials anticipate at least 1 more hike this year, with 4 officials forecasting 2 additional hikes before year – end.

In line with the rise in global bond yields, the Malaysian Government Securities (MGS) yield curve shifted higher by 11 – 18bps mom, with the 10 – year MGS yield rising by 14 bps mom to finish the month at 4.00%. In the September Monetary Policy Committee (MPC) meeting, Bank Negara Malaysia (BNM) left the Overnight Policy Rate (OPR) unchanged at 2.75%, with some market participants interpreting the accompanying statement as slightly hawkish after removing the description of the prevailing OPR level as "appropriate". Meanwhile, August's headline inflation rose slightly to +1.9% YoY (Survey and July: +1.8% YoY), mainly due to higher transport costs.

Foreign funds turned net sellers in September with net outflows of RM1.8b as the strong net inflows of RM15.9b in August were likely concentrated in shorter – tenor bonds, which tend to be less sticky. Consequently, year – to – date inflows stood at RM17.5b as of end – September. The foreign share of both MGS and MGS+MGII declined marginally to 32.9% (August: 33.3%) and 20.5% (August: 20.6%) respectively. Meanwhile, Malaysia's foreign reserves were slightly lower at USD131.8b as of end – September (August: USD132.0b).

Market Outlook

Following a brief period of easing geopolitical concerns, recent developments in the Middle East have once again heightened tensions and renewed uncertainty surrounding shipping routes through the Strait of Hormuz. At the same time, investors remain increasingly focused on the trajectory of global interest rates following the more hawkish rhetoric delivered by Federal Reserve Chair Kevin Warsh at the Jackson Hole Symposium. He reiterated the central bank's firm commitment to delivering price stability.

Closer to home, market attention is expected to shift towards Malaysia's Budget 2027, scheduled to be tabled in Parliament on 9 October 2026. The budget is expected to play a pivotal role in shaping the country's economic growth trajectory in 2027, with anticipated areas of focus including semiconductor ecosystem development, AI, digitalisation initiatives, and the energy transition agenda. While we remain encouraged by Malaysia's resilient domestic economy, evidenced by 1H2026 GDP growth of 5.7% YoY, we remain mindful of escalating geopolitical risks and uncertainties surrounding the global monetary policy outlook.

Accordingly, we maintain a constructive yet measured stance on financial markets. Our investment approach continues to focus on fundamentally strong, high – quality companies capable of delivering sustainable earnings growth over the long term, while remaining alert to tactical opportunities arising from market volatility and dislocations.

September proved particularly challenging for global bonds, with yields ending the month at levels not seen for many years. Strong nominal growth, persistent inflation pressures, elevated fiscal borrowing needs and energy – related supply concerns have continued to support higher long – term rates. Investors demanded greater compensation for inflation uncertainty, fiscal risks, and a growing supply of government debt, with markets already pricing in an additional rate hike for the December FOMC meeting.

In Malaysia, latest developments point towards stronger-than-expected export performance amid sustained domestic demand. According to BNM, the solid growth momentum is expected to bring 2026 growth to around 5%, and the economy's sound fundamentals are expected to keep growth resilient in 2027. Stable labour market conditions and ongoing investment activity will remain supportive of domestic demand but this growth outlook remains subject to downside risks from a prolonged conflict in the Middle East as elevated global commodity prices will continue to exert upward pressure on cost conditions. As these developments remain fluid, the MPC will remain vigilant to ongoing developments and assess the balance of risks surrounding the outlook for domestic inflation and growth. We would continue to selectively accumulate bonds at reasonable valuations while prioritizing good quality names.

For Allianz Life Global High Payout Fund:

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

What helped?

- Global equity markets in USD terms were negative in September with trend following strategies outperforming. The Fund outperformed despite stable dividend and dividend growth stocks underperforming.

What hurt?

- The most defensive names and those with stable dividend and dividend growth contributed negatively.

Market Review

Global equities remained pressured in September, with the MSCI All Country World Index (ACWI) retreating as the Iran war widened to Yemen and Saudi Arabia, raising fresh concerns about supply disruptions. Risk assets sold off as crude prices moved sharply higher and clouded the inflationary outlook, prompting most major central banks to hike rates and signal further monetary policy tightening in the coming months. In Europe, political uncertainty in Germany weighed on sentiment after state elections exposed Chancellor Friedrich Merz's weakening grip on power, while France's soaring national debt was a further headwind. Against a backdrop of evolving geopolitical dynamics, the European Union (EU) signalled strengthening economic ties with Canada, outlining plans for the country to become the bloc's first associate member following a deepening Washington-Ottawa trade spat. Later on, the focus moved to the United Nations (UN) General Assembly in New York, or rather, to the meetings taking place on the sidelines. However, stocks eased in the absence of any major breakthroughs. Elsewhere, shifting investor sentiment towards artificial intelligence (AI) stocks continued to fuel volatility, with Tech stocks rebounding after a sharp sell-off sparked by warnings from top industry chiefs about AI's existential threat to humanity and calls for a slowdown in its development.

September was a turbulent month for US equities. Wall Street was pressured early on as re-escalating tensions in the Middle East stoked concerns about the impact of tighter financial conditions on the economic growth outlook. Stocks continued to ease after a stronger-than-expected jobs report reinforced bets of a rate hike from the US Federal Reserve (Fed), which duly transpired. However, stocks rebounded in the run-up to the UN General Assembly before easing in the absence of any major breakthroughs. Trans-Atlantic trade tensions intensified as President Trump issued a barrage of fresh tariff threats after Ottawa and Brussels announced, "an alliance for the future", with Canada becoming the EU's first associate member. Elsewhere, President Trump signed a Russian sanctions bill targeting Moscow's major trading partners, notably China and India. At home, despite US national debt topping USD 40 trillion, President Trump pledged to give every American adult USD 5,000 if the Republicans retain control of the House of Representatives and Senate in the upcoming mid-terms. Elsewhere, doomsday concerns triggered a Tech sell-off after industry leaders warned of the existential threat posed by AI and called for a slowdown in its development, although sentiment subsequently recovered, with the Nasdaq touching a new record-high later in the month.

European equities had a turbulent month, closing September modestly lower. The Euro STOXX 600 Index tracked Wall Street lower at the start of the month, with investors mulling the prospect of a protracted conflict in the Gulf amid renewed US-Iran air strikes. Stocks retreated after state elections in Germany rattled the political establishment and stoked concerns about political fragmentation, while lingering concerns over France's fiscal position also weighed on sentiment. Elsewhere, the ruling United Russia party won a super-majority in widely criticised elections, consolidating President Vladimir Putin's grip on power, while Russia launched a fresh wave of strikes on Ukrainian cities in retaliation for Ukraine's drone blitz on Moscow. At the UN General Assembly, Ukrainian President Volodymyr Zelenskyy signalled his willingness to engage in trilateral talks with Russia and the US to end the war in Ukraine. Meanwhile, the US, Denmark and Greenland signed a landmark security deal to expand the US military presence on Greenland. The agreement reaffirms Greenland's sovereignty and territorial integrity, while also defusing the diplomatic crisis sparked by President Trump's push to annex the mineral-rich, strategically important Arctic island.

For Allianz Life Global High Payout Fund:

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

Market Outlook

The global economic outlook has improved. Following a temporary slowdown, global growth is expected to regain momentum towards year-end. The US economy appears to be accelerating from a solid base, while growth in Europe is exceeding expectations and China could recover in Q4. Against this backdrop, we remain positive on equities, with a particular preference for emerging markets, followed by Japan, the US and Europe. Equity markets continue to be supported by robust corporate earnings, positive earnings revisions and ongoing investment in AI. The AI investment opportunity set is broadening beyond semiconductors to include data centres, optical interconnect technologies, advanced materials and next-generation power systems. In addition, we see opportunities in value stocks, which may contribute to portfolio diversification thanks to their attractive relative valuations and sensitivity to higher nominal and real interest rates.

For Allianz Life Asia Multi-IncomePLUS Fund:

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

Market Review

Asia Pacific ex Japan equities registered a modest decline in September. Shifting investor sentiment towards artificial intelligence (AI) stocks once again fuelled choppy trading and heightened market volatility, especially in markets with significant exposure to chipmakers. Taiwan and Korea recovered from previous weakness and led the advance. China equities were slightly weaker. Geopolitically, while the latest Trump-Xi meeting delivered few concrete developments, sentiment was unsettled by proposed US Senate legislation aimed at restricting federal procurement of Chinese-made optical transceivers. This sparked a sharp sell-off across Technology stocks towards month-end. Australian equities declined over the month despite resilient economic growth, as persistent inflation, higher interest rates and the market's limited exposure to AI-driven technology leaders weighed on sentiment. The India market also pulled back, with the renewed spike in oil prices weighing on sentiment. Elsewhere, ASEAN markets weakened, with Singapore briefly hitting a record high before giving back gains later in September.

For fixed income, Asia credit weakened in September as renewed geopolitical and inflation concerns drove a sharp rise in US Treasury yields. The ongoing US-Iran conflict remained an important source of uncertainty, with renewed supply disruptions pushing Brent crude above USD 100 per barrel during the month. Higher energy prices reinforced concerns that inflation could remain elevated for longer, while uncertainty surrounding the Strait of Hormuz and alternative regional supply routes contributed to periods of weaker risk sentiment. US economic data continued to point to resilient growth alongside persistent price pressures. Against this macro backdrop, the US Federal Reserve (Fed) raised its policy rate by 25 basis points (bps) to 3.75%-4.00% at its September meeting. Its updated economic projections showed stronger growth, lower unemployment and higher inflation relative to the June forecasts, while the median policy rate projection indicated a further 25 bps increase by year-end. The distribution of the projections was also more hawkish, with most committee members supporting at least one additional rate increase in 2026.

Despite a volatile market, the Fund's return was positive in USD terms in September.

At a stock level, the top contributor was MediaTek, a Taiwanese semiconductor design company. The business performed strongly as it continued to benefit from demand for chips used in AI infrastructure. In particular, its custom AI chips (ASICs) for hyperscale customers are emerging as an important growth driver. The company's positioning was further validated by Nvidia's strategic investment, highlighting MediaTek's increasing relevance in next generation AI computing platforms.

Conversely, a key detractor was Rio Tinto, one of the world's largest producers of iron ore based in Australia. Recent pullback in commodity prices weighed on share price. However, Rio Tinto remains a preferred holding. Its exposure to other metals such as copper is increasingly playing a critical role in electrification, grid expansion and AI-related power infrastructure. The company also has a strong cash generation and low leverage which supports recurring dividend returns to shareholders.

The asset allocation at the end of the month was 68.5% in Asian equities and 31.5% in Asian fixed income.

During the month, we initiated a position in a leading printed circuit board (PCB) manufacturer based in Taiwan, which is a key supplier of advanced high-end PCBs to many global technology customers. We also initiated a position in a major optical fibre and power cable maker in China, which should benefit from rising demand for optical connectivity solutions for AI infrastructure buildout. Conversely, we exited a position in an Indian conglomerate, as moderating earnings momentum, rising operating costs, and geopolitical uncertainties weighed on the outlook for its energy and petrochemicals businesses.

Within the fixed income sleeve, we executed relative value switches for both investment grade and high yield credits by reducing lower-yielding holdings and reallocating into higher-yielding opportunities.

For Allianz Life Asia Multi-IncomePLUS Fund:

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

Market Outlook

We remain constructive on the long-term outlook for Asian equity markets notwithstanding the potential for some near-term volatility in the higher rate environment.

While uncertainty surrounding developments in the Middle East persists, investor attention has increasingly shifted back towards corporate fundamentals. The latest results season across the region was generally encouraging, led by continued strength in the Technology sector. We see the pullback in Tech and AI-related stocks in previous months primarily reflecting a rotation in market positioning rather than a material change in the underlying structural growth drivers.

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

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

For fixed income, Asia credit is likely to remain exposed to elevated macro and rates volatility. Resilient US growth, persistent inflation and higher energy prices could keep monetary policy restrictive, while the ongoing US-Iran conflict remains a source of uncertainty for oil prices and global risk sentiment. Although markets have priced further policy tightening, there is still uncertainty over whether the full extent of those expectations will ultimately be realised. Credit fundamentals remain broadly resilient, particularly in higher-quality Asian issuers, but valuations offer limited protection. Spreads remain historically tight and have recently shown signs of widening, leaving little room for broad-based compression and increasing the risk of mark-to-market volatility. At the same time, high absolute yields provide a reasonable income cushion against moderate spread widening, suggesting that carry, rather than further spread compression, is likely to be the main driver of returns. Asian high yield remains supported by attractive carry and improving credit quality, but opportunities should be assessed selectively given the dispersion across issuers and sectors. Against this backdrop, we favour a more cautious portfolio stance. The emphasis should be on harvesting carry through issuers with resilient liquidity and manageable refinancing needs, while using security selection and relative-value opportunities to add incremental return.

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 sell-off in the domestic bond market continued into September, with government sukuk yields rising across the curve. The 3-year and 10-year GII yields increased by 12 bps and 9 bps to 3.48% and 3.96%, respectively. The repricing also extended to the corporate sukuk market, where yields rose by approximately 30 to 50 bps across the 6-month to 10-year curve between 28 August and 30 September 2026. We believe the magnitude and speed of the recent adjustment appear disproportionate to the prevailing interest rate environment, particularly with the OPR remaining at 2.75%. As such, we believe current market yields have already reflected a significant degree of caution over the interest rate outlook, potentially limiting the scope for further sharp increases in yields.

Equity Market Review

After a volatile few months, global equity markets were relatively "calm", albeit slipping slightly in Sep. The Fed turned restrictive causing lack of conviction broadly to investors and despite the unprecedent rise in bond yields in addition to oil prices surging, equity markets, again was rescued by the AI trade. Indeed, the few that gained during the month were the tech-heavy indices were Taiwan (+3.9%), Japan (+0.7%) and South Korea (+0.3%). Elsewhere, the anticipated Trump-Xi amounted to nothing substantial save for extending the bilateral trade truce until January 2027, leaving geopolitical and technology disputes unresolved.

However, the same can't be said for the KLCI as it plunged 4.33% to 1,651 pts for the month, on the back of persistent net foreign selling and the rapid rise in global bond yields with only 5 names in the main index was positive. Rate sensitive sectors were the main casualties, with property (IOI Properties and Sunway) and financials (RHB) leading the decline. Within the Bursa Malaysia sub-indices, Property, Consumer and Financials lagged while Energy, Construction and Utilities outperformed. Foreign funds net sold RM1.69bn (Aug: -RM1.53m) while shareholding stood at an all-time low of 17.8% (Aug: 18.1%). This brings year-to-date net foreign selling to RM6.45bn. Selling was concentrated in financials and utilities while plantation and transport saw inflows.

In macroeconomics, experts surged 45.5% yoy in Aug (Jul: +38.0%), while industrial production grew 4.7% for Jul (Jun: +6.5%). Headline inflation however picked up to 1.9% yoy in Aug (Jul: 1.8% yoy). Core inflation eased to 1.7%, but the Producer Price Index rose 10.7% yoy.

Perhaps with one eye looking at the upcoming state elections and general elections, the PM announced several measures including raising Sarawak's interim special grant, expanding flexibility under the Budi Madani Diesel programme, one-off RM500 flight-ticket assistance to students. The government also expanded electricity bill protection up to 800 kWh/month (from 600 kWh previously), exempting them from Automatic Fuel Adjustment, retail charge and Sales and Service Tax (SST).

All indices within the region fell with Indonesia being the worst performer, falling 7.0% mom, followed by Philippines (-4.6%), Malaysia (-4.3%), Thailand (-2.3%) and Singapore (-1.4%). The DXY Index gained 2.0% that led most Asean currencies lower against the greenback. The Ringgit (-1.4%) fell the most followed by Baht (-1.2%), Rupiah -0.8%) and Peso (-0.6%).

As aforementioned, Brent oil prices rose some 14% mom while other commodity broadly was lower. Metals generally retreated led by Gold (-6.3%) while industrial metals fell 1.9% as (aluminium fell 2.3%, palladium fell 11.5%, and platinum fell 4.5% although copper was flat at 0.8%). Crude palm oil fell some 4.4% during the month.

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 Malaysian fixed income for the remainder of 2026 remains cautiously constructive. While the sharp repricing weighed on the Fund's September performance, it has also created more attractive investment opportunities following the increase in yields across government and corporate sukuk. Given the extent of the recent yield adjustments and widening in corporate credit spreads, we believe valuations have become increasingly attractive, with a more favourable balance between potential downside risk and prospective returns. Although near-term volatility may persist, the higher yield environment provides a stronger starting point for returns over the medium term.

From a portfolio positioning perspective, we continue to favour mid-tenor corporate sukuk offering attractive carry and yield pickup over government securities. We are maintaining a neutral duration stance, balancing our constructive medium-term outlook against potential near-term volatility and supply pressures, particularly at the longer end of the yield curve. This approach allows us to maintain a healthy level of income generation while retaining flexibility to selectively extend duration should more compelling opportunities emerge.

The Fund remains overweight in corporate sukuk to anchor income generation, given their attractive yield pickup and relatively lower price volatility compared with government securities. Credit selection remains focused on high-quality AA-rated and selected A-rated issuers with resilient credit fundamentals. We also remain active in the primary market to capture attractive new issuances, while selectively adding exposure in the secondary market where recent spread widening has created more compelling entry levels. At the same time, we will continue to tactically seek trading opportunities in government sukuk to capitalise on potential market recovery and yield movements.

Equity Outlook & Strategy

AI stocks and its related theme continue to climb the wall of worry around tightening monetary and regulatory risks. Having said that, we remain positive on the theme but remain wary. Domestically, investors are likely to focus on the tabling of Budget 2027 on the 9th of Oct, looking at fiscal priorities, development spending, subsidy reforms, wage measures and sector-specific initiatives. Beyond this, political development remains centre stage, with Election Commission scheduled to meet on 7th Oct to determine the key dates for the Melaka state elections.

In markets, local market centric investors are likely to see the developments of the proposed expansion of the FBMKLCI to 50 constituents from 30 as well as the various initiatives to lift the standing of the local equity markets, such as the My Value-Up and the Gear-uP.

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

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

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

Market Review

The Fund lagged the benchmark in September. Stock selection in the Industrials sector was the key detractor.

At a stock level, the top detractors were:

• Contemporary Amperex Technology (CATL) – the world's largest manufacturer of electric vehicle batteries and a leading provider of energy storage systems. Despite a good set of results, there were concerns related to key customers diversifying battery suppliers, raising questions about CATL's future market share. In our view, the current share price offers an attractive risk-reward outlook, given the long-term growth story based around global electrification, energy storage adoption, and growing AI-driven power demand.

• Minimax – focused on foundation models and AI applications. The share price weakened on fears of intensifying competition and margin compression across China's AI model developers. A July placement lockup expiry also triggered selling pressure.

• Shengyi Technology – a leading producer of copper clad laminates and other high-performance materials used in printed circuit boards, which form the foundation of electronic devices such as AI servers, networking equipment and data centre infrastructure. The share price saw some profit taking after a strong August, following results significantly ahead of expectations.

The top contributors, on the other hand, included:

• Wuxi Biologics – a leading contract development and manufacturing organisation (CDMO) providing research, development and manufacturing services to global pharmaceutical and biotechnology companies. Growing confidence in the outlook for innovative drug development, encouraging clinical trial results across the industry, and signs of increasing partnership and licensing activity all contributed to a more positive view of the Health Care sector.

• Akeso – a clinical-stage biotech company with a focus on oncology. There were two main share price catalysts – first, positive trial results from a key new drug, and second, a major investment by AstraZeneca in Akeso's US licensing partner. We continue to see increasing opportunities for partnerships and licensing agreements with global pharmaceutical companies, which could support the commercialisation of innovative therapies outside China.

• China Construction Bank – one of China's largest commercial banks, providing a broad range of corporate and retail banking services. The share price benefitted from its defensive earnings profile, attractive dividend yield and improving sentiment towards China's Financial sector. Expectations for additional policy support to stabilise economic growth and support asset quality also contributed to performance.

There were no significant changes to the overall structure of the portfolio during the month. We did, however, make several adjustments at the stock level. A notable addition was CXMT, China's largest memory chip company. We believe the company offers an attractive combination of structural growth from AI-related memory demand and increasing domestic substitution within China's semiconductor industry. The position was funded by trimming other Technology positions where valuations had become less compelling following strong gains.

Elsewhere, we slightly added to Health Care exposure, initiating positions in a biotechnology company and a contract research and manufacturing services provider. We believe these businesses offer superior earnings growth potential, supported by product innovation and improving industry fundamentals.

The portfolio remains broadly balanced, with sector allocations kept within +/-5% of the benchmark. As a result, stock selection, rather than sector positioning, continues to be the primary driver of relative performance. At month-end, the largest sector overweight is Health Care (+1.4%), while the biggest underweight is Utilities (-2.0%). Approximately 48% of the Fund is invested in China A-shares.

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 Outlook

Looking ahead, we remain constructive on the outlook. We continue to see technology self-sufficiency, AI adoption, industrial upgrading and advanced manufacturing as key structural growth drivers. At the same time, valuations across many areas of the market remain undemanding relative to growth prospects. Combined with ongoing reforms aimed at promoting shareholder returns in the China A-share market through higher dividends and buybacks, this provides a more favourable backdrop for long-term investors.

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 finished modestly lower in September, with the MSCI All Country World Index (ACWI) declining amid elevated bond yields that weighed particularly heavily on rate-sensitive areas of the equity market. Oil prices rallied on renewed conflict in the Middle East and limited diplomatic progress, raising concerns that inflation could remain higher for longer. Against this backdrop, artificial intelligence (AI) oriented stocks outperformed as continued advances in AI models and accelerating adoption of agentic AI applications outweighed high-profile calls for greater scrutiny of frontier AI development. Within the MSCI ACWI, Information Technology and Communication Services were the only sectors to generate positive returns, supported by strength among AI-related companies. In contrast, Materials and Consumer Discretionary were among the weakest performing sectors during the month.

US economic data broadly underscored resilience in September. US job creation figures rebounded sharply in August, with non-farm payrolls data showing that the US economy added 162,000 jobs, while the June and July payrolls were revised up. In addition, the unemployment rate held steady at 4.1%. Annual headline inflation held steady at 3.4% in August, while core consumer price index (CPI) crept down to a 5-year low of 2.4% in August. As widely anticipated, the Federal Open Market Committee delivered a 25-basis points (25-bps) rate hike. The US Federal Reserve's (Fed's) updated dot plot and commentary underscored the likelihood of at least one more rate hike before the end of the year. Similarly, the European Central Bank (ECB) and the Bank of Japan (BoJ) also raised interest rates.

Oil prices rallied in September, supported by heightened supply risks and growing concerns that the conflict in the Middle East could become more prolonged. Brent crude briefly surpassed USD 100 a barrel amid escalating hostilities involving the US and Iran. Gold prices declined during the month as higher interest rates and inflation concerns weighed on investor sentiment. A stronger US dollar provided an additional headwind, with gold finishing the month above USD 4,150 per ounce.

During the period, the Fund slightly outperformed versus the blended benchmark (50% MSCI ACWI Index/50% MSCI World Information Technology Index). From a sector perspective, Materials and Consumer Discretionary were the largest contributors. Negative effects from Information Technology and Financials were slightly offsetting.

For the month, AI infrastructure was the largest contributor to performance, as our semiconductor, wafer fabrication equipment, and technology hardware holdings continued to recover from the volatility experienced in July. AI-enabled industries detracted, as our Financials holdings faced headwinds following cautious management commentary regarding near-term investment banking activity. AI applications had a modestly weighed on relative performance, as strong performance from our consumer agentic AI holdings was more than offset by weakness in our enterprise software exposure.

Contributors

Celestica Inc. is a leading electronics manufacturing services (EMS) company that designs, builds, and supplies critical hardware infrastructure, such as servers, storage systems, and networking switches, for AI data centres and hyperscale customers. Shares moved higher, helped by a broader rally in AI infrastructure stocks as secular demand trends for data centre networking and compute solutions remained firmly intact. Celestica remains a beneficiary of an AI infrastructure buildout from hyperscale cloud customers. Demand for Celestica's advanced networking hardware and storage solutions should benefit from this multi-year investment cycle.

Lam Research Corp. is a leading global supplier of wafer fabrication equipment (WFE) and services for the semiconductor industry. During the period, the stock advanced alongside the broader semiconductor equipment industry, as the AI infrastructure investment trends remain robust. On a longer-term basis, the fundamental backdrop for semiconductor capital equipment spending remains healthy given the growing demand for leading edge semiconductors that include advanced logic chips and high-bandwidth memory. Lam Research is well positioned through its broad product portfolio that can address customer technology roadmaps and production objectives.

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

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

Detractors

Morgan Stanley is a leading global financial services company with business segments that include institutional securities, wealth management and investment management. Shares underperformed as broader investment banking activity moderated from elevated prior-quarter levels. Looking forward, we believe the company is well positioned to deliver products and services leveraging AI to enhance its various product offerings. Moreover, the company's earnings trajectory is also positioned to benefit from a recovery in capital markets, improved net interest income trends and controlled costs.

Goldman Sachs Group, Inc. is a leading global investment banking, securities, and investment management firm that provides a broad range of financial services. Shares pulled back following management commentary indicating softer fixed income trading conditions and modestly higher expense expectations. Looking ahead, we believe Goldman Sachs remains well positioned given the strength of its franchise across capital markets, the still-early stages of the mergers and acquisitions (M&A) and initial public offering (IPO) recovery cycle, and increasing financing activity tied to the AI infrastructure buildout. Together, these trends should provide a meaningful tailwind to earnings growth over the coming years.

New Buys and Sells

Meta Platforms Inc. is one of the world's largest digital advertising companies, with a portfolio that includes Facebook, Instagram, WhatsApp, and Muse. We re-initiated the position as we have been impressed by the company's recent progress with its AI models. Meta is well positioned to benefit from AI, which is improving the economics of its advertising business. Further, the rapid adoption of Meta's consumer agent Muse should yield additional monetisation opportunities.

Cummins Inc. is a leading industrial company that provides engine and power generation solutions, including power systems for data centres. We became increasingly concerned that strong demand for its data centre power business was not translating into improved profitability at the overall company level. Given a less attractive risk-reward profile, we exited the position and redeployed the proceeds into Meta Platforms.

Market Outlook

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

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

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

The topic of an AI bubble has been a key area of focus for the media and many investors. In our view, it is too early to draw a conclusion. We think it is important to highlight that current valuations and capital intensity are materially lower than the dotcom bubble. Also, the AI capital expenditure (capex) cycle is being funded by some of the biggest and most profitable companies in the world. Ultimately, we believe these investments should be a tailwind for AI productivity gains and support broader economic growth. As earnings growth broadens across companies and sectors, we believe our diversified AI investment approach is well positioned to identify attractive opportunities among Financials, Health Care, Consumer, and Industrials businesses that are beginning to benefit from AI-driven productivity gains and operational efficiencies.

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, as well as advanced networking.

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

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 the 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

Equities in Asia Pacific registered a modest decline in September. Shifting investor sentiment towards artificial intelligence (AI) stocks once again fuelled choppy trading and heightened market volatility, especially in markets with significant exposure to chipmakers. Taiwan and South Korea ultimately recovered from previous weakness and led the advance. China equities were slightly weaker. Geopolitically, while the latest Trump-Xi meeting delivered few concrete developments, sentiment was unsettled by proposed US Senate legislation aimed at restricting federal procurement of Chinese-made optical transceivers. This sparked a sharp sell-off across Technology stocks towards month-end. The India market also pulled back, with the renewed spike in oil prices weighing on sentiment.

Japanese equities delivered solid gains in September, with the global Tech rebound providing a market tailwind. Macro fundamentals were broadly solid. The Japanese economy grew by an annualised 1.4% year-on-year in Q2, an upward revision from the preliminary estimate of 1.1% growth. Meanwhile, the Reuters Tankan index for Japanese manufacturers rose from +18 in August to +21 in September – the highest reading since December 2021 – amid continued strength in AI-related semiconductor and data centre demand. The Bank of Japan (BoJ) delivered a widely anticipated 25-basis-point (25-bps) rate hike at its September meeting, bringing the policy rate to a 31-year high of 1.25%.

The Fund outperformed the benchmark in September, mainly due to positive stock selection in South Korea and Taiwan.

At a stock level, a key contributor was a Taiwanese supplier of baseboard management controllers (BMCs), which are critical components used to monitor and manage servers in data centres. The company continues to benefit from its strong positioning within the global AI supply chain, particularly through its relationships with hyperscalers and enterprise customers. Beyond its core server management business, it is also expanding into smart factory and industrial automation solutions, providing an additional avenue for future growth.

Conversely, a detractor was a Taiwan semiconductor company focused on high-complexity and high-volume chip design for a global clientele. Its share price pulled back somewhat after a strong rally on the back of solid Q2 results, along with market chatter around the competitive landscape. We believe the fundamentals are solid and that this business offers superior technology, which is demonstrated by its growing project pipeline across advanced node applications for automotive, data centre and networking, and smart device use cases.

Portfolio activity was limited during the month. We selectively added a Japanese semiconductor manufacturer that designs microcontrollers (MCUs), system-on-chips (SoCs), analog and power semiconductors, and other embedded processing solutions. This business is particularly dominant in the automotive semiconductor space, where its MCUs underpin many of the core electronic functions in modern vehicles, from engine management and braking systems to infotainment and advanced driver-assistance systems.

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

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

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

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

Market Outlook

We remain constructive on the outlook for Asian equity markets notwithstanding the potential for some near-term volatility in the higher rate environment.

While uncertainty surrounding developments in the Middle East persists, investor attention has increasingly shifted back towards corporate fundamentals. The latest results season across the region was generally encouraging, led by continued strength in the Technology sector. We see the pullback in Tech and AI-related stocks in previous months primarily reflecting a rotation in market positioning rather than a material change in the underlying structural growth drivers.

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

We also remain positive on the long-term outlook for Japanese equities. Structural tailwinds remain firmly in place, with a sustained inflationary environment and ongoing corporate governance reforms supporting earnings growth while reinforcing a greater focus on shareholder returns. In addition, Japanese companies with differentiated technological capabilities are increasingly gaining global recognition, underpinning our confidence in their medium- to long-term growth prospects.

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

For Allianz Life Total Return Asian Equity Fund:

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

Market Review

Equities in Asia ex Japan registered a modest decline in September. Shifting investor sentiment towards artificial intelligence (AI) stocks once again fuelled choppy trading and heightened market volatility, especially in markets with significant exposure to chipmakers. Taiwan and South Korea ultimately recovered from previous weakness and led the advance. China equities were slightly weaker. Geopolitically, while the latest Trump-Xi meeting delivered few concrete developments, sentiment was unsettled by proposed US Senate legislation aimed at restricting federal procurement of Chinese-made optical transceivers. This sparked a sharp sell-off across Chinese Technology stocks towards month-end.

The India market also pulled back, with the renewed spike in oil prices weighing on sentiment. While tensions in the Middle East continue, India's overall energy import bill and inflation outlook appear manageable at this stage. Monetary conditions remained accommodative due to a liquidity surge from non-resident Indian repatriation deposits, and industrial activity was also strong, boosted by auto manufacturing and export growth across mobile phones and electronical equipment.

The Fund outperformed the benchmark in September. Stock selection in South Korea and Taiwan was a key source of relative value add.

At a stock level, a key contributor was MediaTek, a Taiwanese semiconductor design company. The business performed strongly as it continued to benefit from demand for chips used in AI infrastructure. In particular, its custom AI chips (ASICs) for hyperscale customers are emerging as an important growth driver. The company's positioning was further validated by Nvidia's strategic investment, highlighting MediaTek's increasing relevance in next-generation AI computing platforms.

Conversely, a top detractor was Zijin Mining, one of China's largest mining companies and a major producer of gold and copper. The share price gave back some gains mainly as a result of profit taking amid questions over the sustainability of elevated gold and copper prices. We remain positive on the long-term outlook, which is particularly supported by rising demand for copper linked to electrification, power infrastructure, and AI-related data centre investment.

During the month, portfolio changes were modest. Overall, geographic and sector positioning remain relatively close to the benchmark so that stock selection is expected to be the key driver of performance.

We are slightly overweight in China/Hong Kong, while maintaining an underweight position in India. At a sector level, Information Technology and Financials are the largest overweight allocations, balanced by an underweight exposure to Industrials.

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

Market Outlook

We remain constructive on the long-term outlook for Asian equity markets notwithstanding the potential for some near-term volatility in the higher rate environment.

While uncertainty surrounding developments in the Middle East persists, investor attention has increasingly shifted back towards corporate fundamentals. The latest results season across the region was generally encouraging, led by continued strength in the Technology sector. We see the pullback in Tech and AI-related stocks in previous months primarily reflecting a rotation in market positioning rather than a material change in the underlying structural growth drivers.

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

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

For Allianz Life Global Income Fund:

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

Market Review

Global equities and fixed income all finished lower for the month. Earnings season concluded with S&P 500 companies beating bottom-line expectations for Q2 at a rate of 86% – the highest in five years. On the economic front, healthy business activity surveys, continued low initial jobless claims, and elevated Q3 gross domestic product (GDP) growth estimates were contrasted by softer-than-expected consumer confidence and rising inflation expectations. At the September Federal Open Market Committee (FOMC) meeting, the US Federal Reserve (Fed) raised its benchmark rate for the first time since 2023 with Chair Warsh stating "inflation has been too high for too long". Against this backdrop and amid strong economic growth, probabilities of additional rate hikes increased further and the 10-year US Treasury yield rose 52 basis points (bps) to 5.27%.**

In this environment, key markets closed higher:

- Global equity markets, as measured by the MSCI World Index, returned -1.15%.*
- Global convertible securities, as measured by the ICE BofA Global 300 Convertible Index, returned -2.04%.**
- Global high yield bonds, as measured by the ICE BofA Global High Yield Index, returned -2.78%.**
- Global fixed income, as measured by the Bloomberg Global Aggregate Index, returned -2.38%.^

The portfolio was negatively impacted by weakness across global risk assets.

Top contributors were led by companies positioned across the artificial intelligence (AI) value chain that rallied on expectations for continued hyperscaler spending as well as further evidence that demand remains supply constrained. Beneficiaries included holdings within semiconductors, such as Nvidia, as well as data storage. Both Apple and Meta advanced on successful new product launches in the period, and several cyber security companies moved higher following strong earnings results. The other top contributor was Thermo Fisher Scientific, which rallied on favourable sales commentary at a conference.

Top detractors in the period included Amazon due to competitive concerns, a postal service provider on mergers and acquisitions (M&A) headlines, and a steel producer that was impacted by geopolitical conflict. Following the sharp rise in interest rates, holdings in the banking and payments spaces lagged on consumer uncertainty, while an alternative manager was hampered by private credit concerns. Competitive pressures also impacted a food delivery service, while a medical device company faced legal headwinds and segment-specific deceleration. The other top detractors in the period were an energy services provider and an industrial technology company.

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

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

Market Outlook

The global economic outlook remains favourable with strong nominal US GDP driven by massive AI investment, pro-growth domestic policies, and durable consumption fuelled by healthy household balance sheets and low unemployment. Some key risks include continued geopolitical uncertainties and US midterm election results, in addition to the trajectories of inflation, monetary policy, and interest rates going forward.

The earnings outlook also remains favourable. Bottom-up estimates continue to trend higher due to better-than-expected results and guidance. Earnings catalysts include robust capital expenditure (capex), operating leverage improvement, and productivity gains, among others. Weaker-than-expected demand, higher-than-expected expenses/costs, and elevated interest rates could impact profitability projections.

A positive macro backdrop and strong earnings expectations support a constructive outlook for risk assets. Furthermore, risk assets have historically outperformed safe havens, such as core fixed income, in rising interest rate environments. Lastly, given their defensive characteristics, non-traditional fixed income asset classes, including convertible securities and high yield bonds, can mitigate equity market volatility better than stocks, without sacrificing attractive total return potential.

Despite double-digit equity market gains through Q3, forward multiples have compressed – rather than expanded – on the back of strong upward revisions to earnings estimates. As a result, large cap stocks are in a better position to navigate higher rates and tougher year-over-year comparables.

For Allianz Life Global Income Fund:

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

Convertible securities' outperformance of equities could resume into year-end. Convertible securities have an attractive asymmetric return profile, providing upside participation potential when stock prices rise and downside mitigation when stock prices fall. Asset class tailwinds include solid earnings growth, expanding market breadth, stable credit spreads, and robust new issuance. After record new issuance in 2025, primary market activity is trending for another unprecedented year with 2026 estimates residing around USD 200-210 billion.# Aside from diversification benefits, new issuance expands the opportunity set of investments with attractive terms and the desired risk/reward characteristics.

The high yield market offers very attractive total return potential given its notable discount to face value and high coupon. With a lower duration, the asset class has held up much better than core bonds and remains on pace to finish the year with a positive return. Despite tighter spreads, investors are being compensated with a market yield of 8.11%^^. At this level, the asset class can provide equity-like returns but with less volatility. Credit fundamentals, near-term refinancing obligations, and market composition point to a continued, below-average default rate environment, and if spreads widen further, the market's starting yield is much more supportive than spread history alone may suggest.

The government bond selloff has improved the risk/reward setup for investment grade corporate bonds. Today, the market offers an attractive yield, exceeding 5%, supported by solid fundamentals and benign default rate expectations. Going forward, key risks include the trajectories of both interest rates and new issuance.

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

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

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

All data are sourced from Allianz Global Investors dated 30 September 2026 unless otherwise stated.
* Source: MSCI, as at 30 September 2026
^ Source: Bloomberg, as at 30 September 2026
** Source: BofA Merrill Lynch, as at 30 September 2026
^^ Source: ICE Data Services, as at 30 September 2026
# Source: BofA Research, as at 30 September 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 remained under pressure in September, with the MSCI ACWI falling as the Iran war widened to Yemen and Saudi Arabia, reigniting supply-disruption fears. Sharply higher crude clouded the inflation outlook, prompting most major central banks to hike rates and signal further tightening. In Europe, German political uncertainty under Chancellor Merz and France's soaring debt weighed on sentiment, while the European Union (EU) outlined plans for Canada to become its first associate member amid a US-Canada trade spat. Attention later shifted to sideline meetings at the United Nations (UN) General Assembly, but stocks eased absent any breakthrough.

Regionally, Europe and the UK were weakest, the US finished little changed, and Japan led with a positive return. Emerging markets edged ahead of developed peers but stayed negative, as Asian tech hubs offset weakness in China. Only Information Technology and Communication Services gained. Materials and Consumer Discretionary fell most.

In currencies, the US dollar rose on safe-haven flows and rate-hike expectations. The euro touched a 16-month low on German and French concerns, sterling eased, and the yen hit a 7-month high before retreating post-hike.

Oil soared, with Brent breaching USD 100 amid escalating US-Iran hostilities, Houthi attacks on Saudi assets and pipeline disruptions, before easing to just above USD 98 as flows resumed. Gold fell as investors rotated into the dollar and hawkish Fed commentary and a stronger greenback weighed, closing above USD 4,150 an ounce.

The Fund underperformed the benchmark in September and year to date. The shortfall stemmed almost entirely from security selection, which detracted meaningfully, while asset allocation added modest value and foreign exchange (FX) allocation and hedging were a small positive.

At the thematic level, artificial intelligence (AI) Adoption was the principal drag, as holdings tied to the AI buildout gave background amid sharp swings in sentiment. Digital Finance also weighed, hurt by rate and credit quality concerns across fintech and payments names, as did Strategic Autonomy on softer industrial and defence-related demand. These were partly offset by positive contributions from being not invested in any consumer-related theme which is currently burdened by weaker global spending trends.

At the stock level, the strongest contributors were Taiwan Semiconductor (TSMC), Datadog, and B3 (Brasil Bolsa). TSMC benefitted from the AI capital expenditure (capex) super cycle and robust demand for advanced-node chips, Datadog from resilient enterprise cloud and observability spending as AI workloads scaled, and B3 from stronger emerging market sentiment and healthy Brazilian trading volumes. Broadcom, Applied Materials and Arm Holdings offered further support, reinforcing the portfolio's AI infrastructure exposure.

The largest detractors were Contemporary Amperex (CATL), Enova International, and Weichai Power. CATL weighed heavily amid electric vehicle (EV) battery pricing pressure, competition and China-related sentiment. Enova, a consumer credit fintech, suffered from credit quality concerns and higher-for-longer rates. Weichai Power reflected softer Chinese industrial and heavy-duty demand. CrowdStrike, Intuit and MongoDB were additional notable detractors. Overall, weak stock selection overwhelmed effective allocation positioning.

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 faced pressure in September as strong economic data and elevated energy prices reinforced expectations of further monetary tightening. Heightened Middle East tensions added to energy pressures during the month. In the U.S., headline CPI was unchanged at 3.4% year over year in August, while the unemployment rate held steady at 4.1% in August. The U.S. dollar also strengthened against major currencies. Oil prices remained elevated, with Brent crude above $100 per barrel for most of September.

Developed market yields broadly rose in September amid strong economic data and elevated energy prices. In the U.S., the Federal Reserve raised rates by 25 bps, while the 10-year Treasury yield rose 53 bps to 5.28%, its highest level since 2007; the 2-year yield rose 55 bps to 4.89% and the 30-year yield rose 39 bps to 5.63%. Elsewhere, the U.K. 10-year Gilt yield rose 36 bps to 5.42% as the Bank of England turned more hawkish, while Germany's 10-year Bund yield rose 26 bps to 3.59% as the European Central Bank hiked rates. In Japan, the 10-year government bond yield rose 11 bps to 3.07% as the Bank of Japan raised its policy rate to 1.25%.

Broad U.S. equities edged lower in September, although the technology-heavy Nasdaq gained 1.93%. The S&P 500 declined 0.35%, while the MSCI World Index returned -1.19% and the MSCI Emerging Markets Index returned -0.56%. Within credit, U.S. investment grade spreads modestly widened 4 bps to 84 bps, while European investment grade spreads widened 12 bps to 89 bps. U.S. high yield spreads widened 49 bps to 312 bps, while European high-yield spreads widened 39 bps to 311 bps.

During the month, the PIMCO GIS Income Fund returned -3.38% after fees (in USD, for the Institutional class, Accumulation share), bringing YTD '26 performance to -2.80%.

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

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

Market Review and Outlook

Market:

• Global equities declined in September as higher bond yields, elevated energy prices and concerns around persistent inflation weighed on investor sentiment. The MSCI ACWI finished the month down approximately 1.1%, while U.S. Treasury yields rose sharply during the period.

• The Federal Reserve raised interest rates by 25 basis points in September, marking its first-rate increase since 2023. Policymakers continued to emphasize the need to bring inflation back toward target despite signs of economic resilience.

• Energy prices remained an important market focus. Elevated oil and diesel prices contributed to inflation concerns and created uncertainty around the future path of monetary policy.

• Despite a weaker market backdrop, economic activity remained resilient. Purchasing Managers' Index (PMI) data, labour market indicators and earnings expectations continued to point toward solid underlying growth across developed markets.

• Investor attention remained heavily focused on artificial intelligence, although market leadership broadened during the month. Strong earnings and continued demand for AI infrastructure supported select growth sectors even as rising interest rates weighed on broader equity markets.

Stocks:

• Security selection within the Medical Devices & Supplies subsector was the largest contributor to relative performance during the month.

• An overweight position in Illumina was the largest contributor to relative returns. Shares rallied following the company's addition to the S&P 500 and stronger operating performance, with investors becoming increasingly confident in a recovery in sequencing demand supported by NovaSeq X adoption and growth in clinical sequencing activity.

• An overweight position in METiS TechBio also contributed positively to active returns. Shares gained during the month as investors responded favourably to continued commercial progress across the company's AI-enabled drug discovery and development platforms, as well as growing interest in the application of artificial intelligence within life sciences and biotechnology.

• An overweight position in Thermo Fisher Scientific also contributed positively to active returns. Shares benefited from improving sentiment toward life science tools companies as pharmaceutical and biotechnology demand strengthened and investors became more constructive on the outlook for research spending.

• An underweight position in Natera was among the largest detractors from relative performance as shares moved sharply higher following continued strength in the company's diagnostics business and favourable investor sentiment toward precision medicine opportunities.

• An underweight position in Intuitive Surgical also detracted from active returns as the company continued to benefit from strong demand for robotic-assisted surgical procedures and improving sentiment toward medical technology leaders.

• An overweight position in BridgeBio Oncology Therapeutics detracted from relative returns after the shares declined following strategic pipeline changes and updated clinical-development plans, which led investors to take a more cautious view of near-term growth prospects.

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 September, the Fund increased exposure to pharmaceuticals and medical devices & supplies. The Fund's active overweight in biotechnology narrowed, while its underweight in health care providers & services modestly increased.

• At the individual security level, the Fund added to positions in Danaher, Merck, Roche and Genmab, while reducing exposure to Stryker, UnitedHealth Group, Novo Nordisk and Revolution Medicines.

Key Positioning & Outlook:

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

• The investment team continues to see innovation across multiple therapeutic areas rather than a single dominant healthcare theme. Recent clinical progress across biotechnology and large-cap pharmaceuticals, alongside improving fundamentals within life sciences tools, continues to create differentiated company-specific opportunities.

• Within life sciences tools, improving biopharma R&D spending, stabilising demand in China and stronger order trends are supportive of the fundamental backdrop. In contrast, the team remains mindful of policy and reimbursement uncertainty within managed care and diagnostics, alongside increasing competition in selected medical-device categories.

• Over the long term, secular drivers for the sector remain in place; firstly, ageing demographics in both developed and developing countries and secondly, innovation in medical science and technology.

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

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

Market Review and Outlook

Market Review:

The third quarter was characterised by positive risk appetite despite a more challenging macroeconomic backdrop. Geopolitical tensions in the Middle East remained a key source of uncertainty, pushing energy prices higher and renewing concerns around inflation. At the same time, economic activity remained broadly robust, with business surveys improving across several major economies and continued investment in AI supporting corporate spending and earnings. Against this backdrop, central banks remained focused on persistent price pressures, while increased government borrowing and fiscal concerns contributed to higher bond yields.

Equity markets delivered positive returns over the quarter, supported by healthy corporate earnings. US equities reached new highs, with strength across software and digital infrastructure, while Japanese equities also performed strongly as improving earnings and ongoing corporate governance reforms supported sentiment. Performance was more subdued in Europe, where higher rate expectations and softer earnings momentum offset some of the optimism around fiscal spending plans, although the UK proved more resilient given its greater exposure to financials, energy and commodity-linked sectors. Emerging markets were more mixed, with weakness in parts of the Asian semiconductor supply chain weighing on returns following a strong first half of the year.

Fixed income markets came under pressure as yields rose across major developed markets. Expectations that interest rates would remain higher for longer weighed on government bonds, with longer-dated maturities particularly affected. European bonds were among the weaker performers, reflecting changing rate expectations alongside concerns around increased fiscal spending and political uncertainty, particularly in France. Credit markets held up better overall: investment grade bonds were more exposed to the rise in yields, while high yield benefited from shorter duration, higher starting yields and broadly stable corporate fundamentals.

Commodity markets were strong, led by energy as renewed tensions in the Middle East increased concerns around global supply. Oil and European gas prices both moved higher, while gold was more volatile as support from geopolitical and fiscal uncertainty was offset by the headwind from higher real yields. In currency markets, the US dollar was supported at times by higher yields and demand for defensive assets, although performance varied over the quarter.

Performance:

Over the third quarter, the ESG Multi-Asset Fund delivered a marginally negative return. Fixed income was the main detractor, while volatility strategies made a small negative contribution. These losses were partially offset by positive contributions from alternatives, equities and commodities.

Within equities, the core Systematic Active Equity Portfolio was the leading contributor, outperforming its opportunity set over the period, although this was partially offset by underperformance from the Global Unconstrained Equity Portfolio. Thematic performance was mixed: the Gold Miners, AI Ecosystem and Cyber Security baskets added value, while the Robotics, Sustainable Energy and Industrial Capacity baskets detracted. Tactical equity positions also contributed positively, including Nasdaq 100 call options and options on European banks.

Fixed income detracted as rising bond yields weighed on the Sustainable Global Credit Strategy and US government bond exposure. However, the Fund's underweight duration position helped mitigate the impact of the broader rise in yields.

Alternatives provided valuable diversification, with positive contributions from both growth- and income-oriented investments, as well as green energy transition assets. The Schiehallion Fund benefited from valuation uplifts across its private growth holdings, while Syncona was supported by a key regulatory milestone achieved by one of its portfolio companies. Renewable energy exposures also contributed positively, benefiting from higher energy prices. Within commodities, gold and the recently introduced gold overlay strategy made a modest positive contribution.

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

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

Positioning:

Over the third quarter, we moved from a neutral to a modestly positive stance on equities while becoming more constructive on duration. We increased broad equity exposure as concerns around technology earnings and crowded positioning eased, while keeping the overall equity overweight moderate.

Within equities, we continued to focus on high-conviction structural themes, including AI, national security and energy security, while actively adjusting exposures as opportunities evolved. Amid concerns around semiconductor valuations, we trimmed the Robotics basket and exited our China AI exposure, before reintroducing the latter as market volatility subsided. We also closed the Metals Security basket and introduced a Cyber Security basket, targeting companies with differentiated capabilities that we believe are well positioned to benefit from resilient spending as cyber threats become increasingly sophisticated.

We also actively used options to navigate changing market conditions, providing downside protection during periods of heightened uncertainty while retaining the flexibility to participate as the outlook improved. Earlier in the quarter, we added protection against equity market volatility and potential weakness in technology shares. As some of these risks subsequently eased, we shifted towards targeted upside exposure, including through Nasdaq 100 call options, while taking profits on DAX call options following strong performance in German equities. This flexible approach allowed us to manage downside risk without giving up participation in areas where we remained constructive. We also added to Japanese equities, where we continue to see support from improving corporate fundamentals and governance reforms.

Within fixed income, we increased US duration, bringing the portfolio closer to neutral while retaining a moderate overall underweight. We remained measured given the potential for resilient growth and sustained investment spending to place renewed upward pressure on yields. Within credit, we continued to favour investment grade for its attractive income and diversification benefits.

Within alternatives, we took profits from some of our growth-oriented investments following strong performance, while retaining exposure to a diversified range of alternative return sources. This reflected our broader approach of recycling gains from areas that had performed well while maintaining exposures that can provide differentiated sources of return and diversification.

We also introduced low-cost, long-dated currency options across the euro–US dollar and US dollar–Canadian dollar exchange rates. Attractive option pricing provided an opportunity to add portfolio protection against a wider range of growth, inflation and monetary policy outcomes across major economies.

Market Outlook:

We remain modestly constructive on portfolios, while maintaining a selective approach. Strong corporate earnings, sustained capital investment and resilient consumption could extend the growth cycle beyond earlier expectations. However, geopolitical uncertainty, deteriorating public finances and the risk of renewed inflationary pressure and tighter monetary policy continue to argue for a measured approach.

We maintain a moderately positive view on equities. Large, cash-generative technology companies have remained resilient despite higher yields, while smaller and more rate-sensitive businesses have faced greater pressure. We continue to see opportunities associated with AI investment and adoption, although elevated expectations and significant planned capital expenditure reinforce the importance of being selective. Any meaningful slowdown in AI investment could create volatility, particularly in areas most directly exposed to infrastructure spending.

We continue to favour developed markets over emerging markets and retain a preference for the US over Europe. The US remains well positioned to benefit from technology-led earnings growth. Increased European investment in areas such as defence and infrastructure could create selective opportunities, although uneven earnings trends and valuations continue to warrant caution on the broader market. We also retain selective exposure to Japan.

In fixed income, higher yields continue to offer tactical opportunities in US duration, but we remain measured about further additions. Moderating inflation would strengthen the case for increasing exposure, while resilient growth and fiscal pressures could keep longer-dated yields elevated. Within credit, we are placing greater emphasis on opportunities that offer attractive income without adding significant interest-rate sensitivity, particularly in Europe.

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)

In currency markets, we retain a cautious medium-term view on the US dollar, although conviction has moderated as higher US yields and safe-haven demand may provide near-term support. Gold remains an important portfolio diversifier, with exposure managed tactically as conviction and market conditions evolve.

Overall, we continue to balance exposure to structural growth opportunities with diversification and selective downside protection. We remain prepared to adjust risk as the macroeconomic and market environment evolves, particularly should inflation prove more persistent, financial conditions tighten materially or the outlook for corporate earnings weaken.

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

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

Market Review

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

Top contributors were led by companies positioned across the artificial intelligence (AI) value chain that rallied on expectations for continued hyperscaler spending as well as further evidence that demand remains supply constrained. Beneficiaries included holdings within semiconductors, such as Nvidia and Advanced Micro Devices, data storage, technology hardware, and power generation/storage. Both Apple and Meta advanced following successful new product launches in the period. A pharmaceutical developer continued to rally after announcing favourable clinical trial data last month and reporting strength in a secondary business line.

Top detractors in the period included Amazon due to competitive concerns, Live Nation on regulatory overhang, and an airframe manufacturer on production delays. Bank and alternative manager holdings lagged on consumer and private credit concerns, respectively, following the sharp rise in interest rates. Competitive pressures also impacted a food delivery service, while an aftermarket distribution provider moved lower on uncertainty around recent mergers and acquisitions (M&A) transactions and organic growth prospects. The other top detractor in the period was a consumer electronics insurer.

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

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

Market Outlook

The economic outlook remains favourable with strong nominal GDP driven by massive AI investment, pro-growth domestic policies, and durable consumption fuelled by healthy household balance sheets and low unemployment. Some key risks include continued geopolitical uncertainties and US midterm election results, in addition to the trajectories of inflation, monetary policy, and interest rates going forward.

The earnings outlook also remains favourable. Bottom-up estimates continue to trend higher due to better-than-expected results and guidance. Earnings catalysts include robust capital expenditure (capex), operating leverage improvement, and productivity gains, among others. Weaker-than-expected demand, higher-than-expected expenses/costs, and elevated interest rates could impact profitability projections.

A positive macro backdrop and strong earnings expectations support a constructive outlook for risk assets. Furthermore, risk assets have historically outperformed safe havens, such as investment grade bonds, in rising interest rate environments. Lastly, given their defensive characteristics, non-traditional fixed income asset classes, including convertible securities and high yield bonds, can mitigate equity market volatility better than stocks, without sacrificing attractive total return potential.

Despite double-digit equity market gains through Q3, forward multiples have compressed – rather than expanded – on the back of strong upward revisions to earnings estimates. As a result, large cap stocks are in a better position to navigate higher rates and tougher year-over-year comparables.

Convertible securities' outperformance of equities could resume into year-end. Convertible securities have an attractive asymmetric return profile, providing upside participation potential when stock prices rise and downside mitigation when stock prices fall. Asset class tailwinds include solid earnings growth, expanding market breadth, stable credit spreads, and robust new issuance. After record new issuance in 2025, primary market activity is trending for another unprecedented year with 2026 estimates residing around USD 130-135 billion.# Aside from diversification benefits, new issuance expands the opportunity set of investments with attractive terms and the desired risk/reward characteristics.

The high yield market offers very attractive total return potential given its notable discount to face value and high coupon. With a lower duration, the asset class has held up much better than core bonds and remains on pace to finish the year with a positive return. Despite tighter spreads, investors are being compensated with a market yield of 8.45%.^^ At this level, the asset class can provide equity-like returns but with less volatility. Credit fundamentals, near-term refinancing obligations, and market composition point to a continued, below-average default rate environment, and if spreads widen further, the market's starting yield is much more supportive than spread history alone may suggest.

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)

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 have helped the Fund deliver regular income, capital appreciation, dampened volatility compared to equities, and a lower sensitivity to interest rates compared to core fixed income.

Going forward, the Fund is well positioned to take advantage of robust convertible new issuance, capitalise on increasing capital structure investment opportunities, and participate in the upside of the equity market without sacrificing downside protection.

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 (Jul - Sep 2026)

(Target Fund Manager only produces commentaries on quarterly basis)

Market Review:

Q3 began with a sharp reversal in AI-related stocks. By 29 July, one-month rolling US TMT momentum had fallen by its largest extent on record, while the PHLX Semiconductor Index posted its largest monthly decline since 2008. The rotation reflected a combination of strong prior performance and elevated earnings expectations, renewed scrutiny of returns on AI investment, intensifying competition across the ecosystem and a broader risk-off backdrop driven by geopolitical uncertainty and rising bond yields. De-grossing among certain market participants and leveraged instruments also appears to have amplified the sell-off.

The quarter also brought greater focus on the security risks associated with increasingly capable AI models, following several hacking incidents and warnings from technology leaders. We believe this additional focus could delay the external release of leading-edge models, but our base case is that internal development is unlikely to slow given competitive pressures and the geopolitical desire in the US to retain an "AI lead". Our key investment-related takeaway is that security spending is likely to be considerably higher going forward and that this work will be dominated by compute-intensive and expensive frontier models. This could provide a material additional driver of demand into 2027, further underpinning our expectation of continued strength in AI-capacity investment.

The combination of intensifying competition for capital, resilient economic growth and oil-driven inflation placed upward pressure on bond yields.

The US Federal Reserve raised its policy rate in September, but more striking was the speed of the move in the 10-year US Treasury yield, which rose by 85bps over the quarter to end the period at 5.29%. We believe higher borrowing costs will further crowd out activity in parts of the US economy, exacerbating existing weakness in areas such as housing. They also present a challenge for other regions where growth is less robust but borrowing costs have nevertheless risen markedly. We will continue to monitor the implications for fiscal policy, particularly in Europe. From a nearer-term portfolio perspective, however, this backdrop is likely to keep the opportunity set relatively narrow and increase the importance of stock-specific fundamentals.

Outlook:

We remain constructive on the outlook for equities and the global economy. Growth has proved resilient, particularly in the US, while corporate earnings continue to progress despite higher interest rates and geopolitical uncertainty. Continued economic expansion should provide a broadly supportive backdrop for equity markets, although growing competition for capital between governments and the private sector is likely to create greater pressure in more leveraged and interest-rate-sensitive parts of the economy, in addition to greater uncertainty and volatility.

Rapid technological change is also reshaping the opportunity set. AI investment remains a powerful source of demand, while the emergence of new applications is broadening the potential economic value of the technology. However, the benefits are unlikely to be distributed evenly. Changing competitive dynamics and differing exposure to structural trends are creating increasingly varied outlooks across and within sectors. This should provide a favourable environment for fundamental stock selection, with company-specific execution and long-term earnings potential remaining key drivers of returns.

Against this backdrop, we believe an unconstrained approach is particularly valuable. Our focus remains on directing capital towards businesses with differentiated competitive positions, strong financial characteristics and the potential to deliver attractive long-term earnings growth, wherever those opportunities arise.

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 5.5% over the month of September (A2, net of fees) outperforming its benchmark, the MSCI ACWI IT 10/40 Index which return 4.7%.

Market:

• U.S. equities were mixed in September, with gains in technology masking broad weakness across the rest of the market. The MSCI ACWI finished the month down 1.1%, and the S&P 500 slipped 0.4%, while the NASDAQ 100 gained 3.30%.

• The Federal Reserve raised interest rates by 25 basis points to a target range of 3.75%–4.0%, marking its first rate hike in three years. Consequently, the 10-year Treasury yield jumped 54 basis points to 5.29%, its highest level since 2007, hitting small caps and rate-sensitive sectors like financials the hardest. AI-linked Information Technology and Communication Services were the only two sectors to finish the month higher, allowing the cap-weighted S&P 500 to remain within 1% of its all-time high even though 9 of its 11 sectors finished lower.

• Leadership narrowed sharply in September. Information Technology (+4.5%) and Communication Services (+4.3%) were the only large-cap sectors to finish higher, while rising yields pushed the other nine lower. Semiconductors took the lead from Software: the SOX gained roughly +9.5%, recovering from a mid-month low near 11,130 to finish around 12,630, while Software rose only about +2%. Investors were again rewarding AI infrastructure and capex exposure.

• Energy's two-month run ended. The sector fell roughly 3.3% even though Brent rallied about 12% to $103.50, as Iran and Strait of Hormuz risks kept a geopolitical premium in crude. Defensives again offered no protection. Rising yields hit rate sensitive groups: Real Estate fell 6.5%, Utilities 5.9% and Consumer Staples 4.5%. Cyclicals did no better, with Materials, Financials and Consumer Discretionary all down 6–7%. Health Care held up best outside Tech, slipping just 0.9%.

• The Fed raised rates in September for the first time since 2023, lifting the target range 25 bps to 3.75%–4.0% after five straight holds. The vote was unanimous, after three dissents in July. Chair Warsh described the move as removing "a dose of accommodation," gave no forward guidance and said the summer's inflation readings showed no meaningful improvement in underlying trends. The dots implied one more hike in 2026, while markets priced roughly three over the next year. The 10-year yield rose 54 bps to 5.29%, its biggest monthly jump in four years, and the 30-year hit 5.62%. A cooler late-month PCE print cut October hike odds from over 70% to 37%.

• Earnings in September stayed centered on AI infrastructure, but investors began weighing financing and capital intensity alongside the beats. Broadcom raised its AI revenue outlook to about $115 billion for fiscal 2027, and Oracle's backlog reached $664 billion, though negative free cash flow and data-center financing concerns cooled Oracle's early rally. Micron nearly quintupled revenue and guided well above consensus, yet the stock barely moved. AI demand is still accelerating, but with expectations this high, beats alone no longer move the stocks.

• European equities fell in September. The EURO STOXX 50 lost about 2.3% and the STOXX 600 fell 2.5%, ending the pan-European benchmark's run of five straight monthly gains. A global surge in bond yields, the German 10-year Bund near its highest since 2009 and Brent's roughly 14% jump on stalled U.S.-Iran talks weighed on risk appetite. Energy was the best performing sector, up 2.7%. Europe's smaller exposure to the AI build-out also left it with little of the tech support that held up U.S. indices.

• Asia-Pacific equities ended September roughly flat, as chips and bond yields drove sharp swings within the month. South Korea's KOSPI finished at 6,838, up about 0.3%, and Japan's Nikkei 225 closed at 66,754, up about 0.7%. Rising yields and U.S.-Iran tensions weighed early in the month, while Japan's 10-year yield hit 3% for the first time since 1996. Samsung and SK Hynix fell more than 5%, but AI and semiconductor buying lifted both markets into month-end.

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

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

Sectors:

• Meta takes the AI Agent Beyond the Smartphone: Meta announced it is bringing its Muse personal AI agent to its AI glasses, allowing the agent to act on what a user is looking at. Meta also expanded Muse's ecosystem with Walmart, Best Buy, PayPal and Expedia. The next phase of AI may be about owning the interface through which consumers use it.

• Google Sends Its Chips to Space: Google confirmed that Project Suncatcher is moving from research to launch: a prototype satellite carrying its Tensor Processing Units (TPUs) lifted off October 1 on a SpaceX Falcon 9, in partnership with Planet Labs. With data centers straining power grids on the ground, the next frontier for AI compute may be where the sun never sets.

• Apple takes Siri AI systemwide: Apple began rolling out iOS 27, iPadOS 27 and macOS 27 with a next-generation Siri that can draw on personal context, understand what is displayed on screen and take actions across applications. The launch moves Apple Intelligence deeper into the operating system, as competition in consumer AI shifts from standalone chatbots toward assistants that can understand context and complete tasks for users.

• NVIDIA expands its quantum-computing software stack: NVIDIA added CUDA-Q Logical, an open orchestration layer that allows researchers to design, test and compare applications for future fault-tolerant quantum systems. The platform is intended to make quantum development more programmable and verifiable across different hardware approaches, potentially accelerating research in areas such as drug discovery, materials science and complex optimization.

• Oracle's AI-cloud growth accelerates, but requires heavy investment: Fiscal Q1 revenue rose 30% YoY to $19.3 billion, with cloud revenue up 62% to $11.6 billion and infrastructure revenue up 121% to $7.4 billion. Remaining performance obligations reached $664 billion after Oracle booked more than $30 billion of additional AI-cloud contracts. However, free cash flow was negative $5 billion and Oracle raised $20 billion through an equity program, illustrating the capital intensity behind its rapid data center expansion.

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

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

Market Review

Equity Market:

• The MSCI ACWI Index declined 1.1% in September, as rising oil prices, sharply higher bond yields and renewed central bank tightening weighed on equity valuations. In the U.S., the S&P 500 Index edged down 0.3%, as the Federal Reserve raised its policy rate by 25 basis points and stronger-than-expected economic data pushed the 10-year Treasury yield to its highest level since 2007. European equities1 retreated 2.4%, underperforming other developed markets as energy-driven inflation prompted a European Central Bank rate increase, while the region's limited exposure to AI-related companies offered little offset.

• Emerging market equities2 declined 0.6% in September, amid significant divergence across countries. South Korea's KOSPI Index3 gained 0.3%, as large share buybacks by Samsung Electronics and SK hynix offset heavy foreign selling driven by rising U.S. bond yields and profit-taking in the two chipmakers.

Bond Market:

• Developed market sovereign bond yields broadly rose and curves flattened in September amid persistent above-target inflation. In the U.S., the curve bear flattened as the Fed delivered its first rate hike since 2023, raising rates 25 bps to 3.75%–4.00%, and markets repriced expectations for further hikes. The 2- and 10-year Treasury yields rose 55 bps and 53 bps to 4.89% and 5.28%, respectively. In Europe, the German 10-year Bund yield increased 26 bps to 3.59% as the ECB hiked rates 25 bps, while the U.K. 10-year gilt yield rose 36 bps to 5.42% as the BOE held rates steady. In Japan, the 10-year JGB yield climbed 11 bps to 3.05% as the BOJ raised its policy rate 25 bps to 1.25%.

• Global IG credit posted negative returns of -2.07% for the month, underperforming like duration government bonds by 0.15%, as spreads widened 5bps in September. Global HY credit delivered negative returns of -2.23%, with the B-rated segment of the high yield market outperforming BB-rated and CCC-rated bonds.

• Agency MBS4 returned -3.38% in September, underperforming like-duration Treasuries by 96 bps as rising mortgage rates, higher volatility, and forced selling weighed on mortgage valuations. Lower coupons outperformed higher coupons, while conventional MBS outperformed GNMAs and 15-year MBS outperformed 30-year MBS.

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

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

Market Outlook

Our base case for resilient global growth is banded by expectations for a wider range of potential outcomes. We expect inflation to moderate but remain above target, while softer labor conditions likely reduce the urgency of an October Fed hike. We view the September hike as a modest policy recalibration rather than the start of prolonged tightening, with further hikes before year-end anchored on forthcoming economic data. AI investment and household resilience support our resilient growth view. However, weaker AI momentum, energy disruption, or tighter financing conditions could expose the tails. We continue to favor high-quality, globally-diversified exposures, with fixed income offering compelling income, carry, and potential downside cushioning. In fixed income, the sharp move upward in rates creates historically elevated starting yields. These drive attractive income and provide a potential cushion against weaker growth. We remain constructive on U.S. duration, continuing to favor intermediate rates for compelling yield and rolldown. In emerging markets, we continue to favor select local rates, underpinned by economies with lower inflation, credible central banks, and high real yields which support carry. We are constructive on U.S. TIPS for carry and inflation protection against the possibility of continued price pressure. Within global spread markets, we continue to favor securitized assets. Even despite recent spread widening, corporate spreads are not compelling enough to compensate for the myriad of risks in the current environment, including AI-related re-leveraging. Agency MBS continue to offer attractive relative value, underpinned by active coupon and pool selection. We favor senior non-agency mortgages with seasoned collateral, built-up home equity, and ample subordination. We also see value in up-in-quality consumer ABS, which offer solid carry and supportive credit enhancement. In equities, resilient and broadening EPS expectations contrast with concentrated AI-related leadership. Virtually all global equity sectors' EPS expectations have turned positive for 2027, so there is scope for improving breadth. Expectations for AI-led productivity growth may continue to support equities. We continue to emphasize a disciplined, multifactor approach to global stock selection, leveraging PIMCO's systematic equity process.

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