

Market Review and Outlook

July 2025

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

The MSCI World Index maintained its upward trajectory in July 2025, increasing by +1.2% mom. In the US, the Dow Jones index remained flattish mom, while the broader S&P 500 index saw a rise of +2.2% mom. The S&P 500 and Nasdaq Composite index reached new highs, driven by strong company earnings, high demand for tech, and optimism about US trade policies. Tech stocks, particularly chipmakers, continued to lead due to the ongoing boom in artificial intelligence (AI) and cloud computing. The US and China paused tariff escalation and posturing, whilst new agreements with the European Union resulted in 15% tariff rates for most European exports to the US. US CPI for the month of June came in at +2.7% yoy (Survey: +2.6% yoy, May: +2.4% yoy), primarily contributed by greater food and energy prices. June's retail sales surged by +0.6% mom, surpassing forecasts of +0.1% mom as well as prior month's contraction of 0.9% mom, mainly contributed by stronger motor vehicle sales. Meanwhile, the S&P Global US Composite Purchasing Managers Index (PMI) rose slightly to 55.1 in July 2025 from 54.6 in June 2025.

Over in Europe, the Stoxx 50 Index inched up +0.31% mom as the US-EU tariff agreement, which lowered the previously scheduled steep 30% tariff rate on European exports set for August 1, has reduced uncertainty and averted the threat of a full-blown trade war. The HCOB Eurozone Manufacturing PMI remained unchanged at 49.8 in July compared to the prior month. While still contractionary, it is edging closer to stabilization in July, with factory activity contracting at its slowest pace in three years.

On the other hand, China's Shanghai Composite Index rose by +3.74% mom. Renewed optimism in China markets has been evident, with technology stocks performing strongly. This positive sentiment was driven by the US easing export controls on AI chips to China. China's CPI for June 2025 rose by +0.10% yoy, up from May's -0.10% yoy. Retail sales grew by +4.80% yoy in June, softer compared to May's +6.40% yoy. On the other hand, industrial production increased by +6.80% yoy, outpacing April's +5.80% growth.

During the month under review, Brent crude oil price was up +7.28% mom to USD72.53/bbl. The surge was largely due to lingering concerns about supply chain disruptions stemming from the Middle East conflict, seasonal upticks in global refining demand, cautious OPEC+ supply increase as well as improved trade sentiment. Meanwhile, crude palm oil (CPO) price was up +5.48% mom to RM4175/MT in July 2025, on the back of improved export momentum to India due to the palm oil-soybean oil price differential and low inventory, along with concerns over reduced FFB output from forest and land fires in Indonesia's Sumatra region amid prolonged dry weather.

Turning to the ASEAN region, the Stock Exchange of Thailand rallied +14.0% mom. Thailand's Fiscal Policy Office revised its 2025 GDP growth forecast upward from +2.1% to +2.2%. This optimism was based on strong private consumption, public investment, and a robust tourism sector, with visitor arrivals projected at 34.5m. Export growth forecasts were also significantly upgraded to 5.5% from 2.3% previously, driven by accelerated shipments in the 1H25. Thailand saw foreign net buying on 14 out of 21 trading days, with total net buying reaching THB16.12bn. Meanwhile, Indonesia's Jakarta Composite Index rallied 8.0% mom in July 2025. Bank Indonesia's 25bps rate cut boosted domestic growth and market optimism. Additionally, the new I-EU CEPA agreement will allow 80% of Indonesian goods tariff-free access to the EU. Separately, Singapore's Straits Times Index increased by +5.3% mom as the Monetary Authority of Singapore's (MAS) Equity Market Development Programme (EQDP) boosted market confidence by allocating SGD1.1bn to fund managers for investments in small-cap stocks. Singapore's Non – Oil Domestic Exports (NODX) surged by +13.0% yoy in June, significantly outperforming Bloomberg's consensus estimate of +5.0% growth and rebounding from a 3.5% contraction in May. On the home front, the FBMKLCI was down 1.29% mom. Investors were concerned regarding the upcoming subsidy rationalization, ongoing Malaysia-US trade negotiations, and the planned expansion of the Sales and Service Tax (SST). These measures raised concerns about potential impacts on consumer confidence and corporate profits.

US Treasury (UST) yields rose by 13 – 21 bps mom across the curve amidst stronger – than – expected jobs report and Consumer Price Index (CPI) as well as retail sales. June's nonfarm payrolls (NFP) expanded by +147k mom, exceeding expectations of +106k mom (May revised: +19k mom), mainly driven by government employment, while the unemployment rate lowered to 4.1% (May: 4.2%). However, the revised June NFP released in early August disappointed markets when it was later reported to be much lower at +14k mom. In the Federal Open Market Committee (FOMC) meeting in July, majority of the policymakers voted to hold the benchmark federal funds rate at 4.5%, with 2 policymakers voted against the decision in favour of a 25 bps cut. Fed fund futures as of end – July signaled an implied rate cut of 33 bps by year – end (end – June: 67 bps).

In contrast, Malaysian Government Securities (MGS) yields declined across the curve by 2 – 15 bps as Bank Negara Malaysia (BNM) delivered the first overnight policy rate (OPR) cut since July 2020 at the July Monetary Policy Committee (MPC) meeting by 25 bps to 2.75% from 3.00%. BNM stated that while Malaysia's domestic economy remains on a strong footing, uncertainties from external developments pose risks to its growth prospects. Therefore, the reduction in the OPR is a pre – emptive measure designed to safeguard Malaysia's steady growth trajectory amid moderate inflation expectations. The weaker May's industrial production data and June's CPI data contributed to the lower yields mom as well. Industrial production grew only +0.3% yoy in May (Survey: +2.1% yoy, April: +2.7% yoy) largely due to a deeper contraction in the mining sector coupled with a deceleration in manufacturing activities while Malaysia's CPI in June slowed to +1.1% yoy (Survey and April: +1.2% yoy), mainly attributed to a slowdown in the growth of transport prices.

Foreign funds net outflows increased to RM5.5bn (June: RM5.4bn outflows) in July. The foreign share of both MGS and MGS+MGII reduced to 33.5% (June: 34.4%) and 21.1% (June: 21.8%) respectively. Malaysia's foreign reserves climbed by USD0.7bn to USD121.3bn as of end — July (June: USD120.6bn).

Market Outlook

On the global front, we opine that policy uncertainty remains somewhat raised and investors would keep a watchful vigil over any new developments that could have impacts on global economic activity. On the local front, we believe that investors would continue to monitor the implementation of vital policies such as RON95 fuel subsidy rationalization, the recently tabled 13th Malaysia Plan and the impact of US' tariff imposed on Malaysia.

Amidst the volatility currently permeating markets, we remain cautious and adhere to our dogma of investing in fundamentally good investments over long – term investment horizons. As always, we will seek opportunities to engage in trading activities to capitalize on any prevailing market volatility. Nevertheless, we will keep constant watch over any potential geopolitical and other risks that may necessitate the gravitation towards new strategies to adjust to the ever-volatile market conditions.

In US, there was no indication by Fed Chair Powell during July FOMC that there would be a definite cut in September. Fed Chair Powell said that the monetary policy was modestly restrictive and argued that it "seems appropriate." He said the economy was not performing as if a restrictive policy is holding it back. All that said, there was also downside risk to the labor market. In coming months, he would receive a good amount of data that will help inform their assessment of the balance of risks and the appropriate setting of the federal funds rate. He would take all information into consideration, as a decision is to be made at the September FOMC meeting.

Locally, the MPC highlighted that resilient domestic demand and expansion of investment activities will continue to support Malaysia's growth. Inflation in 2025 is expected to remain moderate. However, the statement also cautions that the balance of risk to the growth outlook remains tilted to the downside stemming mainly from slower global trade and lower than expected commodity production. All said, bond volatility will remain as markets remain wary of the economic conditions amid the trade uncertainties over future tariff rates or deadlines for additional tariffs, combined with rising geopolitical tensions and increased risk aversion. We would selectively accumulate bonds at reasonable valuations while prioritizing good quality names.

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

What helped?

- July was again a positive month for global equities, continuing the rebound from the correction in April. Our Fund did well, attributed to trend-following investment styles and dividend growth allocation.

What hurt?

- Stocks with high dividend yield and value characteristics lagged global equity markets. That limited the outperformance potential since the high dividend factor contributed negatively overall.

Market Review

Global equities rose modestly in July, bolstered by progress in US trade talks for most of the period. A positive start to the Q2 earnings seasons also boosted stocks, although gains were capped after President Trump stepped up his campaign against US Federal Reserve (Fed) Chair Jerome Powell, raising concerns about the central bank's independence, as well as by ongoing geopolitical tensions. Turning to sectors, Information Technology and Energy were the strongest sectors in the MSCI All Country World Index, followed by Utilities. Conversely, the Health Care and Consumer Staples sectors generated negative returns in July.

US equities extended recent gains to close July higher. Trade deal optimism led the benchmark S&P 500 and tech-heavy Nasdaq Composite indices to hit a series of fresh record highs, with sentiment also boosted by a slew of upbeat Q2 earnings releases by big banks and mega-cap tech giants. This helped investors overcome concerns about the US's spiralling budget deficit and fears about the Fed's independence as President Trump ramped up his campaign against Fed Chair Jerome Powell.

European equities closed July little changed. Some European Union (EU) members reacted negatively to the announcement of a US-EU trade deal with 15% tariffs on EU imports into the US, with Germany and France among the EU countries concluding that the terms disproportionately favour the US. The negative impact of euro strength is also starting to surface in Q2 corporate earnings releases, with analysts slashing full-year forecasts. At a sector level, Information Technology stocks fared worst, dragged lower by a Dutch semiconductor manufacturer as its shares plunged after US tariff uncertainty clouded the outlook for 2026. Communication Services and Real Estate stocks also posted negative returns, while Energy and Financials stocks were among the positive performers.

Market Outlook

We remain cautiously optimistic for the equity markets overall, with Europe and Asia currently appearing more attractive than the US in a regional comparison. While corporate earnings in general look set to suffer from the subdued global growth outlook and the US import tariffs, we continue to expect moderate earnings growth in Europe in 2025 and a considerable acceleration in 2026. We foresee a positive impact from the likely improvement in the macroeconomic conditions, companies' efforts to adapt to the new tariff regime and abating foreign exchange (FX) effects. US earnings growth looks set to pick up in 2026, too, but less than that in Europe. As a result, the "earnings growth gap" between the US and Europe is likely to narrow, which means that an important reason for the current valuation discount of European versus US equities should lose significance. Numerous emerging markets appear promising as well, given that they benefit from a strong domestic momentum and solid fundamentals as well as from the US dollar depreciation, better earnings opportunities and favourable political framework conditions. However, we may be in for significant equity market volatility due to persistent geopolitical risks and the fact that markets are, at times, driven more by sentiment than by fundamentals. In the longer term, a thorough analysis at the single-stock level remains key in order to reduce company-specific risks and benefit from return opportunities.

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

Market Review

Asia Pacific ex Japan equities rose in July, with China being a top performer. The market was spurred by the US decision to revoke some of its previous export controls on chip design software. This provided a boost to Technology stocks, which are benefitting from a significant increase in artificial intelligence (AI) capital expenditure (capex) both in China and the US. Elsewhere, South Korean equities also outperformed and remain the best performing regional market year-to-date, helped by expectations of corporate reform following the election of a new President. Taiwanese stocks also rallied, supported by ongoing AI-driven chip demand. Australian equities posted a modest gain in July. Elsewhere, ASEAN equities were generally stronger. India equities gave back gains in July as a weak earnings season and tariff uncertainty weighed on market and portfolio returns. These dynamics offset positive trends in the form of a favourable monsoon season, moderating inflation, and improved domestic liquidity.

For fixed income, sentiment was positive for the month of July amid resilient economic data from both sides of the Pacific, no further escalation in the Iranian conflict and trade deals being reached across Asia towards the end of the month. In the US, non-farm payrolls continue to be stronger than expected at 147,000 against expectations of 106,000, while the University of Michigan Consumer Sentiment Index rose to 61.8 despite a slight uptick in the consumer price index (CPI) to 2.7% year-on-year. In Asia, China's Q2 gross domestic product (GDP) rose by a better-than-expected 5.2% against consensus expectations of 5.1%. Both the National Bureau of Statistics (NBS) and Caixin manufacturing purchasing managers' indices (PMIs) for June were also stronger than forecast due to the short-term de-escalation in the US-China tariff war. With the positive macroeconomic backdrop, Asian credit markets were on a risk seeking mode. In terms of performance, Asian credit (JACI Composite) was up 0.6% in June. Investment grade (IG) credits returned 0.5%, with spread and interest rate contributing 0.6% and -0.1% respectively. High yield (HY) credits were up 1.4% with most of the return coming from spread return.

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

In the equity portfolio, the top contributor was Samsung Electronics, global electronics conglomerate from South Korea, specialising in semiconductors, display panels, mobile phones and consumer electronics. The stock has experienced strong share price momentum, driven by global enthusiasm for AI as major US tech firms signal robust AI capex. A notable USD 16.5 billion chip order win from a leading US electric vehicle (EV) manufacturer further supported the share price.

On the negative side, the top detractor came from an Australia-listed clinical dermatology company based in the US. The stock saw a major pullback following the announcement of disappointing sales for its flagship product prescription, which is used to treat excessive sweating. While the company is expected to continue deepening its presence in the dermatology sector over the long term, we have fully exited the position given the near-term headwinds.

The asset allocation at the end of the month was 69.8% invested in Asian equities and 30.5% in Asian fixed income.

During the month, the key portfolio activity for the equity sleeve was focused on adding high dividend paying companies across the region, while reducing more cyclical exposure, particularly in India. For example, we initiated a leading telecom service provider in Hong Kong that offers attractive dividend yield of more than 6%. We also initiated one of the largest property developers in China with sizable quality high-end shopping malls in China. On the other hand, we exited position in an India retail mall developer and operator, and the afore-mentioned Australia-listed clinical dermatology company based in the US.

Within the fixed income portfolio, we reduced issuer concentration by taking profits on some of the outperformers. Also, we remained active in the primary market to capture the new issue premium.

At the end of the month, we held 63 equities and 60 fixed income securities. The equity portfolio yield was 3.3% (based on forward 12-month estimates), and the average fixed income coupon was 5.9% with an average credit rating of BB+ and average duration of 2.4 years.

For Allianz Life Asia Multi-IncomePLUS Fund:

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

Market Outlook

Overall, we are quite cautious about the near-term outlook for regional equities. Global trade developments, especially the ongoing decoupling of the US and China, are likely to result in weaker growth. As well as putting pressure on corporate earnings, the visibility of growth is also reduced with some companies declining to provide their usual guidance. Offsetting this to some degree is lower inflation across most Asian markets. With policy rates sitting at or below the neutral range across many key markets, there is flexibility for Asian central banks to lower interest rates. In China, we anticipate there will be more decisive support in order to achieve the annual economic growth target.

On the fixed income side, sentiment was helped by the slew of trade deals being struck with the US towards the end of July. That has reduced tariffs for most countries to within 15-20% which is a level that markets feel consumers, companies and the economy can absorb. With less meaningful differences in tariffs between the export dependent Asian economies, there would not be a material change in the comparative advantage of production for each country. Although tariffs are disruptive to global trade, this outcome is less disruptive than initially feared. The resolution of tariffs has removed a key risk weighing on financial markets since the start of the year and credit markets are likely to continue grinding higher as focus shifts towards the impending policy rate cuts in the US. Together with robust fundamentals, high absolute yields and low new bond supply, we remain constructive on Asian credit markets.

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

Market Review

Sukuk Market Review

In July, local fixed income market saw a steady performance, supported by stable domestic monetary policy, moderating inflation, and firm demand from investors. However, the market remained sensitive to global developments, particularly ongoing geopolitical risks and trade-related uncertainties. BNM cut the OPR by 25 bps in Jul, lowering it to 2.75%—the first reduction since May 2023. The move was expected as the hurdle for monetary policy easing is lower - and to pre-empt the downside risk to domestic growth - amid the external headwinds from US tariffs and global trade uncertainties. The 13th Malaysia Plan, tabled on 31 Jul, underscores fiscal consolidation alongside growth in key sectors including semiconductors, AI, clean energy, the Halal industry, and REEs. 13MP targets 4.5–5.5% growth, RM1.82tr in revenue, RM611bn in development spending, 2-3% inflation, and a deficit below 3% by 2030 through fiscal reforms. However, BNM Malaysia revised down its 2025 GDP forecast to 4.0%–4.8% (previous: 4.5%–5.5%) and inflation to 1.5%–2.3% (previous: 2.0%–3.5%). Malaysia-US tariff rate cut to 19% (from 25%) effective 1 Aug, alongside mutual trade facilitation, including purchases of LNG, coal, and Boeing aircrafts.

Equity Market Review

Equity markets were lifted in July after the US and various trading partners agreed to outline trade deals ahead of the US-imposed 1st August, with Malaysia and several other countries announcing it at the 11th hour. Tariff developments were better-than-expected with lower rates broadly across the board, with negotiation still ongoing such as India and China as at writing. There were cheers however, for certain sectors such as the technology sector on the back of the unblocking of the AI-chip exports to China (notably the Nvidia H20 chips). The US and China both also agreed to roll the 90-day trade truce. These led the US equities higher with Nasdaq leading the pack with a 3.7% gain followed by S&P's 2.2% growth which percolate to local semiconductor/technology stocks (Bursa Tech: +2.9%). Specific to Malaysia, there will be administrative control on exports, transshipments and transits of high-performance AI chips originating from the US. These are now subject to a "strategic trade permit" which would require individuals or companies to notify authorities 30 days prior should there be suspicions movement of items that would lead to "illicit trades".

News flow was a plenty during the month, besides trade matters, on the Trump's administration signing the One Big Beautiful Bill which includes all substantive legislation until at least January 2027, extending the tax bill and spending cuts. US employment and more importantly, the Fed's resistance to rate cut requests led US treasury yields higher and USD stronger. The DXY Index was higher by 3.2% in July. Asean currencies were lower, with the PHP, IDR, MYR and THB depreciated by 3.6%, 1.3%, 1.3% and 0.6% respectively against the greenback.

In commodities, oil prices rose 7.3% to US\$72.7/bbl while copper was down 13.4%. Precious metal gold however declined slightly by 0.4% to close US\$3,289/oz but Palladium jumped 7.9% to US\$1,191/oz.

In Asean on month-on-month basis, Thailand surged 14.0% following the ceasefire with its neighbour. This was followed by Indonesia which was up 8.0% followed by Singapore which increased by 5.3%. Underperformers were Philippines and Malaysia which declined 1.8% and 1.3% respectively. On year-to-date basis, Singapore maintains the best performer (+10.2%) while Thailand decline of 11.1% is the worst performer in the Region.

Closer to home, the KLCI declined 1.3% mom to close at 1,513 pts likely on the leading up to the tariff deadline as well as the impact of the SST (effective 1 July). On single corporate basis, big cap Tenaga had renewed concerns over tax liability following the Federal Court's ruling that it is not eligible for the reinvestment allowance. Sector wise, construction, REITs, and industrial were the top performers while the biggest weight financials mainly dragged the KLCI lower together with the healthcare sector. Pressures were somewhat eased with the announcement of the one-off RM100 cash handout, scheduled for distribution on 31 Aug in addition to the announcement of the 13th Malaysia Plan. Over in Malaysia, the US will impose 19%, a relief to markets, lower from the earlier proposed 24-25% which semiconductors and pharmaceuticals remains except. Elsewhere, Malaysia has agreed to reduce 98.4% of tariffs on US products which includes the removal of agricultural and industrial products, halal meat to be imported from US. However, Malaysia has rejected matters in excise duties, blanket import licensing exemptions, and full equity liberation in strategic sectors. Malaysia has also committed to tightening anti-transshipment controls, no export restrictions on critical minerals and the order of 30 Boeing aircraft worth US\$9.5bn.

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

In macroeconomics, Malaysia's advance GDP expanded 4.5% in 2Q25 (1Q25: +4.4%) above the consensus of +4.2% underpinned by the services sector that grew by 5.3% yoy as domestic demand remains resilient. In fund flows, foreigners sold RM940m during the month, bringing year-to-date net foreign selling to RM13.1bn. In the same vein, foreign participation fell by 6%-pts to 38%.

Market Outlook

Sukuk Outlook & Strategy

We continue to maintain a positive view on the domestic sukuk market in 2025, underpinned by resilient credit fundamentals and a supportive macroeconomic backdrop. We expect credit spreads to remain stable, supported by manageable inflation, steady economic growth, and healthy credit issuance despite external uncertainties.

With policy rates appearing to have peaked and global central banks expected to pivot towards a more accommodative stance, we believe there is potential for slight compression in sovereign bond yields, presenting tactical trading opportunities. This is supported by the continued demand for domestic bond markets.

From a portfolio positioning standpoint, we continue to favor mid-tenor corporate sukuk that provide attractive yield premiums over government securities. We intend to maintain a duration stance that is neutral to moderately overweight, reflecting our positive outlook on interest rates. While we will tactically seek entry opportunities in government sukuk for trading purposes, our core allocation remains overweight in corporate sukuk to anchor the Fund's income generation. Corporate credits generally offer higher yields and exhibit lower price volatility, helping to cushion against potential mark-to-market fluctuations in the event of a correction in sovereign sukuk yields.

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

Equity Outlook & Strategy

With the trade saga now behind us, with tariffs rates broadly not worse-off, has at the very least brought some semblance of certainty to the region. There is still of point divergence in the rates across the countries which may have implications for the competitiveness for exporting similar goods to the US. As at writing, China tariff rates are currently at 30% highest relative to neighbouring countries. This implies that China exporters are at a disadvantage which leads to the idea that trade circumvention within Asean are likely to continue. We do, however, think that investors are now desensitised to trade noises and are now looking ahead for catalysts, with the most imminent, the quarterly earnings season. A poor 1H local equity performance, market participants will be hard pressed to deliver return, and we think selected sectors or stocks with earnings visibility are likely to be rewarded with better share price performance. With this, we anticipate a "narrow" trading market which we think could be in sectors such as construction (continued orderbook expansion), utilities (renewables and rising capex) as well as REIT (lower interest rate environment).

We remain cautiously optimistic as we move towards the 2H2025. The macro setup for local equities driven by fiscal reforms, mega developments, low inflation and supportive monetary policy may cushion the impact from external headwinds. The 13th Malaysia plan has outlined several key initiatives that should support the economy although admittedly several conflicting messaging such as the subsidy rationalising/lower fuel prices for RON95. Valuations are not stretched by any means, stable politics on a regional context, low positioning by investors (including low foreign participation), should at least see lesser downside risks. Thus far, our local corporate earnings have been decent. But the lack of clarity and visibility, even to corporates themselves, to what extent the resiliency of the market has been on front-loading of purchases ahead of the tariffs may will lead to a sharper decline in the second half of the year. Strategy-wise, we maintain our tilt towards large-cap, and domestic-centric stocks. As we weather through these crosscurrents, we are likely to prioritize earnings quality and defensive stocks. Having said that, we are looking opportunistically at stocks that we like but have been sold off, with perhaps a high margin of safety.

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

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

Market Review

The Fund outperformed the benchmark in July. Stock selection in the Health Care and Information Technology sectors were the key contributors.

At a stock level, a key contributor last month was Akeso, a clinical-stage biotech company with a focus on oncology. The company is building out an increasingly diverse product pipeline with a number of promising new drugs at final stages of clinical trials. Domestic sales are ramping up quickly and we believe it is likely that Akeso will form a partnership with a global pharmaceutical company to support sales and marketing activity outside China.

Conversely, a detractor was a company which specialises in LiDAR (light detection and ranging) sensors. These use laser technology to create detailed 3D maps and play a key role in areas such as autonomous vehicles and robotics. During the month, the stock was impacted by a US court designating the company as a contributor to China military strategy. This triggered some profit taking after a strong rally. Given the lack of exposure to the US, we do not see this ruling as having a significant business impact. In longer term, we believe the company is well positioned to benefit from accelerating adoption of advanced driver assistance systems (ADAS) in China.

Market Outlook

July was another good month for both onshore and offshore China equities. The recent gains build on the previous market recovery. Since the middle of last year, a time when China's equity markets were being described as "uninvestable", China A-shares have rallied by nearly 25% in USD terms. China H-share returns have been even stronger.

There have been a number of reasons for this turnaround. On the one hand, some factors that previously weighed heavily on markets have eased. Local government financing has been significantly restructured, for example, and the property market is more stable, albeit still weak. This is reflected in bond markets, with the China real estate high yield index up by almost 80% since its low point in Q4 2023.

On the other hand, there have also been several new factors in place supporting China equities over the last year. One key change has been a shift in government policy. Overall, the long-term policy objective of developing a future growth model based on technology-intensive manufacturing has not changed.

However, economic momentum last year weakened significantly, putting the longer-term goals at risk. And this prompted an important course correction towards a more pro-growth policy setting. We expect policy support will need to be further strengthened during H2 to achieve the 5% gross domestic product (GDP) target.

The Technology sector has also been at the forefront of the market recovery. An initial catalyst was the moment when an open-sourced artificial intelligence (AI) model was launched by an emerging Chinese startup, which illustrated how China's technological progress is far more advanced than previously understood. More recently, the news that the US revoked export curbs that required American companies to obtain licenses to provide chip design software to customers in China – as part of an agreement intended to ease trade tensions – also provided a further boost to China's AI ambitions.

Linked to this has been a renewed overall focus on the private sector. A high-profile symposium chaired by President Xi Jinping earlier this year and attended by China's highest-profile business leaders, including Alibaba founder Jack Ma, sent a clear policy signal in our view. We anticipate the technology and innovation theme will continue to be a feature of China equities.

Overall, our view is that the factors which have contributed to a more positive market environment are still in place. Combined with reasonable valuations, we believe there should be ongoing support for China equities. In addition, the government's commitment to providing direct support for domestic equities during periods of higher volatility also provides downside support.

In this environment, portfolio activity has been focused on adding to several names that had pulled back during the period of tariff-induced weakness earlier in the year, but where we see growth opportunities related to AI demand as well as China's ongoing push for self-sufficiency. This has included areas such as rising demand for high voltage power usage. We have also added to Health Care exposure where we believe growth opportunities from new drug development has been underappreciated.

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)

At month-end, the Fund has around 36% in China A-shares. The portfolio continues to have relatively close-to-benchmark sector allocations, so that stock selection remains the key relative performance driver. At month-end, the largest sector overweight is Information Technology (+4.2%), while the largest underweight is Communication Services (-3.6%).

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

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

Market Review

Global equities rallied for the month of July, with the S&P 500 and the Nasdaq Composite pushing to new record highs. The backdrop was supported by a continued easing of tariffs and trade tensions. The US came to several trade agreements this month before the 1 August, end of the pause on reciprocal tariffs, including with the European Union (EU) and Japan. A resilient macro backdrop, positive artificial intelligence (AI) data centre investment trends, a pickup in capital markets activity and passage of the One Big Beautiful Bill Act were also constructive for investor sentiment.

The US economy grew by an annualised 3.0% during Q2, rebounding from a negative Q1 gross domestic product (GDP) print. Non-farm payrolls in June rose by a consensus-beating 147,000, modestly higher than May's upwardly revised figure of 144,000. On the monetary policy front, the US Federal Reserve (Fed) maintained its wait-and-see approach, holding the federal funds rate steady at 4.25–4.50% for the fifth consecutive meeting. Separately, the European Central Bank (ECB), Bank of Japan (BoJ), and People's Bank of China (PBoC) also kept key lending rates unchanged. Policymakers took a more measured approach because of ongoing uncertainty surrounding the effects of tariffs on their respective economies.

Oil prices rose modestly in July with Brent crude closing the month just below USD 72 per barrel as trade optimism spurred hopes of increased global demand. Meanwhile, gold prices remained elevated, although prices moved modestly lower to end the month around USD 3,300 per ounce as increased risk appetite undermined the precious metal's safe-haven appeal.

From a sector perspective, for the MSCI All Country World Index, the Information Technology and Energy sectors were the strongest performers as companies reported healthy earnings results. Consumer Staples was the largest underperformer, as many companies issued cautious commentary regarding the impact of tariffs. Health Care was another underperforming sector, as health insurers and providers were hit by high Affordable Care Act (ACA) and Medicaid costs.

During the period, the Fund outperformed on both a gross- and net-of-fees basis versus the blended benchmark (50% MSCI ACWI Index/50% MSCI World Information Technology Index). From a sector perspective, Information Technology and Industrials were the largest contributors, while Communication Services and Consumer Discretionary were slightly offsetting. Artificial intelligence-related (AI-related) stocks extended their recovery that started in April, as trade conditions continue to improve. The AI infrastructure theme was the strongest performer on continued optimism surrounding the AI data centre buildout. AI applications outperformed the benchmark, helped by healthy earnings results from our mega-cap names. AI-enabled industries underperformed primarily because of stock selection headwinds in the Health Care and Communication Services sectors.

Contributors

The top contributor over the period was Celestica Inc., a leading electronics manufacturing services company. Shares were higher as the company delivered strong earnings and raised its 2025 outlook due to strength from its connectivity and cloud solutions segment. The company's hyperscaler customers are ramping up their AI infrastructure buildout, driving greater demand for Celestica's services. Demand for Celestica's advanced networking hardware, server rack and storage solutions should benefit from this multi-year investment cycle.

Another top contributor was Oracle Corp., which provides enterprise software and services that includes Oracle Cloud Infrastructure (OCI), a rapidly growing hyperscale platform designed to deliver cost-effective, high-performance AI solutions. Shares were higher after Oracle disclosed that the company signed a cloud contract that would add USD 30 billion annually starting in fiscal year 2028. This represents the largest cloud contract ever signed in the industry. We continue to believe Oracle is well positioned to capitalise on the healthy demand backdrop for AI workloads, as the OCI business has a rapidly growing pipeline of large deals. This includes the US Stargate initiative, a potential source for further upside.

Detractors

A cloud-based streaming music and entertainment platform was a detractor for the month. Although the company reported solid earnings results supported by strong user growth, shares underwent some profit taking after the company provided a Q3 outlook that was shy of elevated investor expectations. As a leading audio streaming platform with an extensive library, the company is well positioned to deliver attractive earnings growth through user growth, new product features, bundling of services and pricing improvements.

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)

Another detractor on a relative basis was NVIDIA Corp. Although the stock was a meaningful position in the Fund, it was a relative underweight in the blended benchmark, which had an average weight of 12.6% during the quarter versus the Fund's average allocation of 8.0%. Shares were higher over the period as the AI data centre spending backdrop continues to strengthen, and NVIDIA continues to execute on the production ramp of the new Blackwell graphics processing unit (GPU) product. We still favour the company as one piece of a diversified exposure to the AI infrastructure opportunity.

New Buys and Sells

We re-initiated a position in a cloud communications platform that allows users to easily integrate messaging, voice, video, and authentication functionalities into applications. We believe the combination of new customers leaning on the company's AI capabilities, enhanced product capabilities, and a new management team with greater financial discipline should be constructive for shares.

We initiated a small position in the initial public offering (IPO) of a cloud-based collaborative design platform primarily used for user interface and user experience design, prototyping, and graphic design. The company integrates AI through its AI suite, a series of internally developed and third-party AI tools. We believe the company is well positioned to be a longer-term leader in its core markets.

We exited the remaining position in a software company that provides a comprehensive customer relationship management (CRM) platform, as we had some concern regarding the company's exposure to the small-medium business segment, which tends to be more economically sensitive. In particular, we had some concern that some of its customers may have been impacted by the changing tariff environment that could delay decisions on purchase commitments.

Market Outlook

We continue to maintain a positive long-term outlook for equities, but markets may undergo short periods of volatility. A more complicated policy backdrop can contribute to potential risks of inflation and slower economic growth. For now, equity markets have been on a recovery path since early April and we believe the outperformance of AI-related stocks could continue with a more benign policy environment and re-acceleration in earnings.

The outlook across the AI ecosystem remains healthy. From Q2 earnings results so far, management teams across AI-focused companies shared constructive updates on the progress of their AI initiatives and business trends, despite ongoing uncertainties around tariffs. The landscape continues to experience a boost from additional AI data centre announcements, strong demand for AI workloads from new reasoning AI models, and more supportive advanced semiconductor export policies.

A more constructive backdrop is developing as we see more framework trade deals and additional details on Trump's tax cuts and pro-business agenda. We continue to believe the Trump administration wants the US to maintain its leadership in innovation and is focused on bringing more manufacturing back onshore. Moreover, the passage of the One Big Beautiful Bill Act should support US domestic investments by enhancing tax incentives for research and development activities as well as capital expenditures. In longer term, this should be supportive for the ongoing innovation cycle for AI.

We continue to maintain a balanced portfolio of companies benefitting from AI innovation and favour companies that are better positioned to navigate through a more complicated environment. There may be opportunities to upgrade select names and add to high conviction ideas amid the market volatility to better position the portfolio for improved performance.

From an innovation perspective, progress with AI development is accelerating as more powerful capabilities becomes readily available from the robust "phase one" infrastructure buildout. We are beginning to enter "phase two" where new generative AI use cases and application adoption drive significant benefits over the coming years. Our analysis suggests that investments in AI could lower the marginal costs of operations, much like the information technology (IT) revolution did. Furthermore, the advanced features of AI-enhanced products or services can drive new levels of productivity, cost savings and revenue opportunities across industries in "phase three". 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.

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)

AI infrastructure: Spending on AI infrastructure should continue to be robust over the next several years as more powerful AI data centres are built around the globe. Nvidia's upcoming Blackwell AI chips provide up to a 30 times performance increase compared to the previous generation and more hyperscalers are designing custom AI chips to meet their unique specific needs. This is driving demand for new data centre architectures that can handle the higher power, cooling, space and networking requirements. Overall demand for generative AI training remains durable as more companies across the ecosystem are rushing to build better foundational models or fine-tune other models. Growth in AI inference systems is also expanding to process and respond to new data in real-time and support applications that require low latency and high reliability at the edge of the network. Newer reasoning engines require more "think time" to yield better results, driving additional workload demand.

AI applications: Generative AI applications are evolving into their next phase with the emergence of AI agents. Unlike AI copilots designed to answer a single question, AI agents have decision engines that allow them to operate autonomously and complete complex tasks. AI agents can be easily customised to handle repetitive tasks and have human-like decision making capabilities to adapt to different situations. This can create a new level of automation and dramatically cut costs and improve productivity. We believe there will be an upcoming surge of new generative AI infused applications across many areas of consumer and enterprise workflows over the next several years, driving more investment opportunities.

AI-enabled industries: AI continues to open up new possibilities to drive true industry transformation across every industry. Many companies in AI-enabled industries are increasing investments in generative AI to train one's own industry-specific model on its proprietary content or knowledge to compete better. In Health Care, the application of AI could dramatically speed up the time for drug discovery, accelerate clinical trials and dramatically improve efficacy of medical devices. Within Financial Services, there are companies with significant volumes of data related to transactions, customer interactions and research. This allows for the creation of AI solutions to enhance operational efficiency, improve fraud detection and personalise client service. There are similar opportunities within Automotive, Consumer, Industrials, Energy and even Mining. We think this is only the beginning as innovative companies embrace AI to enhance efficiency, lower costs, launch new products, take market share and drive higher levels of profitability.

We are still in the early innings of the AI era. Despite significant advancements, there's a lot more potential to be unlocked in the future. The industry is rapidly evolving, with major investments and innovations continuing to drive progress towards artificial general intelligence, possibly within the next decade. AI is becoming more integrated into various fields, from finance to health care to humanoid robotics. It's an exciting time, and we are likely to see even more transformative changes in the coming years.

Our view remains that the compounding effect from AI disruption will create opportunities for innovative companies across every sector. We believe that stockpicking will be essential to capturing the benefits of this opportunity, as today's AI winners may change in the future in an environment characterised by rapid change and disruption. We remain focused on identifying the companies that can best leverage AI to deliver the most shareholder value creation over the long term.

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

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

Market Review

Asia Pacific equities rose in July, with China being a top performer. The market was spurred by the US decision to revoke some of its previous export controls on chip design software. This provided a boost to Technology stocks, which are benefitting from a significant increase in artificial intelligence (AI) capital expenditure (capex) both in China and the US. Elsewhere, South Korean equities also outperformed and remain the best-performing regional market year-to-date, helped by expectations of corporate reform following the election of a new President. Taiwanese stocks also rallied, supported by ongoing AI-driven chip demand.

In Japan, the market closed modestly higher as protracted trade negotiations with the US continued, before a deal was finally struck. Political uncertainty was a further headwind as the country's ruling coalition lost its majority following Upper House elections. Japanese core inflation cooled modestly to 3.3% over the year to June from 3.7% in May and once again, the Bank of Japan (BoJ) held rates steady at 0.5%. ASEAN equities were generally stronger, led by Thailand after a ceasefire was agreed with Cambodia in their longstanding border dispute as a pre-condition to trade talks with the US.

The Fund outperformed the benchmark in July. Stock selection in the Health Care sector was particularly beneficial, with the Chinese biotech area being a strong positive contributor. One of our long-term holdings in this space is a clinical-stage biotech company with a focus on oncology. The company is building out an increasingly diverse product pipeline with a number of promising new drugs at final stages of clinical trials. Domestic sales are ramping up quickly, and we believe it is likely they will form a partnership with a global pharmaceutical company to support sales and marketing activity outside China.

Conversely, a global logistics and freight management business headquartered in New Zealand has been a detractor. We have held this stock in the portfolio for more than a decade and continue to believe it is an exceptionally well-managed business with a highly competitive service and customer-focused culture. The share price has traded sideways for most of the last year in the face of headwinds from slower global growth projections.

Earlier in the year, we raised cash levels and added to fixed income given the high level of market and macro uncertainty, especially related to geopolitics. We have since reduced this more defensive exposure to take advantage of specific stock opportunities. During July, for example, we entered several new names in China including two biotechnology companies. The first specialises in protein technology and reagent development, while the second has a number of oncology-focused drug candidates in clinical trial stages.

Overall, since last year we have been incrementally increasing the portfolio exposure to China. This is partly a reflection of improved valuations as well as increasingly supportive government policy action. The announcement of an open-sourced AI model developed by an emerging Chinese startup also demonstrated China's impressive advances in technology and AI which, in our view, have not yet been widely understood. We have added to ecommerce/internet stocks as well as insurance and Health Care companies.

Conversely, we have significantly reduced the allocation to Taiwan from 24% at the beginning of the year to 11% at the end of July. Although AI names staged a sharp rebound in July, we continue to see signs of weakening demand for certain Technology companies, related in part to the fast-moving changes in AI-related developments. In Japan, we are focused on stocks where we see potential for enhanced shareholder returns and an improved earnings outlook as a result of governance reforms and a more inflationary environment. Many of these names sit in the Industrials and Financials sectors.

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

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

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

Market Outlook

Overall, we are quite cautious about the near-term outlook for regional equities. Global trade developments, especially the ongoing decoupling of the US and China, are likely to result in weaker growth. As well as putting pressure on corporate earnings, the visibility of growth is also reduced with some companies declining to provide their usual guidance.

Offsetting this to some degree is lower inflation across most Asia Pacific markets. With policy rates sitting at or below the neutral range across many key markets, there is flexibility for Asian central banks to lower interest rates. In China, we anticipate there will be more decisive support in order to achieve the annual economic growth target. Structural drivers such as ongoing governance reforms also remain in place for a more positive longer-term outlook in Japan.

In this environment, we are looking for opportunities to add to stocks that have been overly punished in the market volatility, as well as potential beneficiaries of Asian domestic policy stimulus measures to offset the tariff impact. Companies with strong balance sheets, exposure to long-term structural trends, and a competitive edge remain in focus.

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

Market Review

Asian equities rose in July, with China being a top performer. The market was spurred by the US decision to revoke some of its previous export controls on chip design software. This provided a boost to Technology stocks, which are benefitting from a significant increase in artificial intelligence (AI) capital expenditure (capex) both in China and the US. Elsewhere, South Korean equities also outperformed and remain the best-performing regional market year-to-date, helped by expectations of corporate reform following the election of a new President. Taiwanese stocks also rallied, supported by ongoing AI-driven chip demand.

Elsewhere, ASEAN equities were generally stronger, led by Thailand after a ceasefire was agreed with Cambodia in their longstanding border dispute as a pre-condition to trade talks with the US. India equities gave back gains in July as a weak earnings season and tariff uncertainty weighed on market and portfolio returns. These dynamics offset positive trends in the form of a favourable monsoon season, moderating inflation, and improved domestic liquidity.

The Fund underperformed the index in July. From a market perspective, stock selection in Taiwan was a source of relative detraction, while selection effects in India contributed positively. At the sector level, selection effects in Information Technology and Consumer Discretionary were weak, offsetting positive contributions from Communication Services and Health Care.

At a stock level, a key detractor in July was Xiaomi. Previously known for its smartphones, the Chinese company has expanded across a range of consumer products including smart home devices and more recently electric vehicles. The strategy of targeting higher quality, premium priced products has been well executed so far, leading to enhanced revenue growth and profitability. The stock has also benefitted from the rerating of China Technology companies since the announcement of an open-sourced AI model developed by an emerging Chinese startup and we see the share price weakness last month being some profit taking after the previous rally.

Conversely, a key contributor was a clinical-stage Chinese biotech company with a focus on oncology. The company is building out an increasingly diverse product pipeline with a number of promising new drugs at final stages of clinical trials. Domestic sales are ramping up quickly, and we believe it is likely they will form a partnership with a global pharmaceutical company to support sales and marketing activity outside China.

During the month, we selectively added new Health Care names in China. The Chinese biotech area has been recovering on the back of surging investor enthusiasm on strategic partnerships and new drugs. We also introduced exposure to the Industrials sector in South Korea which is set to benefit from supply chain diversification in the area of naval and commercial shipbuilding and also from smart infrastructure and clean power solutions.

At the market level, the portfolio is overweight in Taiwan and the Philippines. This is balanced out by an underweight position in India. At a sector level, Health Care, Industrials and Financials are the primary overweight positions, while the Consumer areas and Materials are among the main underweights. Top names in the portfolio at month end included TSMC, Tencent, and Samsung.

Market Outlook

Overall, we are quite cautious on the near-term outlook for regional equities. Global trade developments, especially the ongoing decoupling of the US and China, are likely to result in weaker growth. As well as putting pressure on corporate earnings, the visibility of growth is also reduced with some companies declining to provide their usual guidance.

Offsetting this to some degree is lower inflation across most Asian markets. With policy rates sitting at or below the neutral range across many key markets, there is flexibility for Asian central banks to lower interest rates. In China, we anticipate there will be more decisive support in order to achieve the annual economic growth target.

In this environment, we are looking for opportunities to add to stocks that have been overly punished in the market volatility, as well as potential beneficiaries of Asian domestic policy stimulus measures to offset the tariff impact. Companies with strong balance sheets, exposure to long-term structural trends, and a competitive edge remain in focus.

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

Market Review

Global equities and convertible securities finished higher in July, while global corporate bonds were mixed. The Q2 earnings season got off to a strong start. Thus far, most S&P 500 companies have surpassed top- and bottom-line estimates and earnings growth has paced well ahead of projections. Trade deals were announced with Japan, Vietnam, and the European Union (EU). The One Big Beautiful Bill Act was signed into law and released economic data was mixed. Unemployment remained low, manufacturing and services surveys advanced, and retail sales and gross domestic product (GDP) growth surprised to the upside; however, inflation measures accelerated, and the housing market cooled. Against this backdrop, the US Federal Reserve (Fed) kept interest rates steady despite some dissent from the committee.

In this environment, key markets were higher:

- Global equity markets, as measured by the MSCI World Index, returned +1.31%.*
- Global convertible securities, as measured by the ICE BofA Global 300 Convertible Index, returned +1.31%.**
- Global high yield bonds, as measured by the ICE BofA Global High Yield Index, returned +0.19%.**
- Global fixed income, as measured by the Bloomberg Global Aggregate Index, returned -1.49%.^

The portfolio benefitted from strength across global equities, convertibles, and high yield bonds.

Top contributors in July were driven by continued optimism around the artificial intelligence (AI) buildout following further colour from management teams around capital expenditures (capex). Beneficiaries comprised several semiconductor companies, including Nvidia, as well as hyperscalers such as Microsoft, Amazon, Alphabet, and Meta. The other top contributors in the period were a pharmaceutical company that reported a beat-and-raise quarter, a diversified asset manager that announced a share repurchase programme, and a heavy equipment manufacturer that benefitted from macro tailwinds.

Top detractors in the period included a video streaming service provider that declined on weaker outlooks for ad revenue, and an ecommerce company was lower on projected near-term margin pressures. A video game developer was impacted by tariff headwinds, an enterprise software provider faced decelerating backlog growth, and a surgical robotics company navigated regulatory uncertainty. Another software company declined early in the period but finished off the lows after boosting subscription revenue guidance. Other top detractors for the period were a specialty insurer, a marketing research company, a pet care retailer, and an internet services holding.

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

Market Outlook

Despite a strong recovery in risk assets, the macroeconomic outlook remains clouded given uncertainty around trade and monetary policy. On the other hand, economic data has been resilient, trade tensions while elevated have stabilised, earnings estimates may have inflected, Fed commentary has been less hawkish, capital markets have been active, and government spending has emerged as a tailwind.

Outside of the US, monetary and fiscal policy stimulus measures could help to stabilise the global economy. The US economy should expand in 2025, even with tariffs potentially hampering growth. Trade policy clarity could begin to improve and as the range of outcomes narrow, uncertainty should lessen, and spending, investment, hiring, and mergers and acquisitions (M&A) activity can resume. Further out, fiscal stimulus, deregulation measures, capex tailwinds, productivity gains, and a reindustrialisation movement are potential growth drivers.

A resumption of monetary policy easing – currently, the market is pricing in three 25-basis point (25-bps) interest rate cuts in 2025 – would closer align the Fed with accommodation by central banks overseas. Early signs of labour market softening or minimal tariff price pass through could pull forward rate cuts, while steady employment or higher inflation could cause the Fed to move later.

Global large-cap equities have recovered this year's losses as odds of a recession and global shock receded and quarterly earnings results are better than expected. Tailwinds include dollar weakness, lower oil prices, and falling interest rates, while tariffs remain a headwind, and valuations will continue to be debated. Ultimately, any change on the margin around

For Allianz Life Global Income Fund:

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

expectations for corporate earnings, management outlooks and the economy will determine the direction of the stock market over the remainder of the year.

Global convertible securities have an attractive asymmetric return profile, providing upside participation potential when stock prices rise and downside mitigation when stock prices fall. The asset class may outperform the broad equity market if volatility continues. USD 75-80 billion of new issuance[#] is now expected in 2025 due to coupon savings demand and elevated refinancing needs. Aside from diversification benefits, new issuance expands the opportunity set of investments with attractive terms and the desired risk/reward characteristics.

The global high yield market, yielding more than 7%^{^^}, could deliver a coupon-like return in 2025. As a result, the asset class continues to offer equity-like returns but with less volatility. The market's attractive total return potential is a function of its discount to face value and higher coupon, which also serves to cushion downside volatility. Credit fundamentals are stable, near-term refinancing obligations remain low, and management teams continue to exercise balance sheet discipline. In this environment, new issuance is expected to remain steady, and the default rate should stay below the historical average.

Global investment grade corporate bond's risk/reward opportunity is compelling. Rising interest rates are a risk for high grade corporates, however the investment opportunity remains attractive given higher coupons and yields, and a positive fundamental outlook with limited default risk. The asset class trades at a discount to par, offering compelling total return potential and downside cushioning. If the 10-year US Treasury yield finishes 2025 near the lower bound of the expected range of 3.5-4.5%, the asset class return could exceed mid-single digits.

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

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

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

All data are sourced from Allianz Global Investors dated 31 July 2025 unless otherwise stated.

* Source: MSCI, as at 31 July 2025

^ Source: Bloomberg, as at 31 July 2025

** Source: BofA Merrill Lynch, as at 31 July 2025

^^ Source: ICE Data Services, as at 31 July 2025

Source: BofA Research, as at 31 July 2025

Target Fund Manager's Comment (For Allianz Thematica)

Market Review and Outlook

Global equities rose modestly in July, bolstered by progress in US trade talks for most of the period. A positive start to the Q2 earnings seasons also boosted stocks, although gains were capped after President Trump stepped up his campaign against US Federal Reserve (Fed) Chair Jerome Powell, raising concerns about the central bank's independence, as well as by ongoing geopolitical tensions. Turning to sectors, Information Technology and Energy were the strongest sectors in the MSCI All Country World Index, followed by Utilities. Conversely, the Health Care and Consumer Staples sectors generated negative returns in July.

In currency markets, the US dollar clawed back some of its recent losses in July as US economic data remained resilient. In contrast, the euro weakened in the aftermath of the trade deal announced by Washington and Brussels. European leaders subsequently argued that the deal disproportionately favours the US. The British pound also fell against the dollar and the euro on softer-than-expected gross domestic product (GDP) and retail sales data. Meanwhile, having risen on news of a US-Japan trade deal, the Japanese yen subsequently pulled back on post-election political uncertainty to end July down against the dollar and the euro.

Oil prices rose modestly in July with Brent crude closing the month just below USD 72 per barrel as trade deal optimism spurred hopes of increased global demand. President Trump's threats to ramp up sanctions on Russia unless it reached a peace deal with Ukraine further supported oil prices towards month-end. Meanwhile, gold prices remained elevated, although prices moved modestly lower to end the month around USD 3,300 per ounce as increased risk appetite undermined the precious metal's safe-haven appeal.

Both theme and stock selection weighed on results. Exposure to Infrastructure and Clean Water and Land supported returns, while Digital Finance and Generation Wellbeing detracted. An underweight position in index heavyweight – a graphics processing unit manufacturer – also hurt performance amid its strong rallies.

July saw notable gains from a manufacturer of solid oxide fuel cells that produce electricity on-site; a manufacturer of electronic components; and Synopsys - all outperforming global equities. Synopsys benefitted from completing its USD 35 billion acquisition of an engineering simulation software company and the US government lifting export restrictions to China, boosting long-term growth confidence. The manufacturer of solid oxide fuel cells mentioned above surged on record Q2 results, a new deal with a computer technology company, and clean energy tax-credit optimism, attracting strong retail investor demand. The manufacturer of electronic components rallied on double-digit sales and earnings growth, driven by AI infrastructure and energy demand, appealing to growth-focused investors. These company-specific catalysts stood out despite broader market caution.

Conversely, a food corporation, a cyber security company, and a sportswear company lagged. The food corporation suffered from softer consumer volumes in Europe and currency headwinds, overshadowing solid earnings. The cyber security company dropped after announcing a USD 25 billion acquisition of a provider of identity and access management security, as investors worried about execution risks and the high valuation amid slowing organic growth. The sportswear company delivered strong Q2 revenue and profit growth, but its stock declined due to concerns over demand sustainability in a competitive market and perceived overvaluation. While global equities advanced, the Fund's performance was held back by underexposure to market leaders and select stock-specific setbacks, offsetting gains from other themes and stocks.

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

Market Review

Investor sentiment improved in July, as reduced political noise brought greater clarity around future U.S. trade. In terms of economic data, the U.S. labour market added a downwardly revised 14k jobs in June. Elsewhere, the annual inflation rate in the US accelerated for the second consecutive month to 2.7% in June 2025, the highest level since February, up from 2.4% in May and in line with expectations. In the Euro Area, the annual inflation rate was confirmed at 2% in June 2025, up from May's eight-month low of 1.9% and in line with the European Central Bank's official target. At the same time, the annual inflation rate in the UK rose to 3.6% in June 2025, the highest since January 2024, up from 3.4% in May and above expectations that it would remain unchanged.

In fixed income markets, developed sovereign bond yields were broadly higher in July in response to ongoing policy volatility and U.S. trade negotiations. Against this backdrop, U.S. 10-year Treasury yields increased 15bps to 4.37% as the Fed remained on hold, with the rare dissent from two governors simultaneously. German 10-year Bund yields rose 9bps to 2.70% as the ECB paused its cutting cycle, while U.K. 10-year gilt yields rose 8bps to 4.57%. Japanese 10-year JGB yields increased 13bps to 1.56% amid political and fiscal concerns.

Equities in developed and emerging markets saw broad gains, helped by U.S. trade agreements working to limit some potential tariff impacts. U.S. equities hit record highs intra-month, ending modestly up as growth expectations rebounded. The S&P 500 Index continued its upward trajectory, rising 2.2%, supported by new trade deals, notably with South Korea and Japan, which enhanced trade stability and investor confidence. Within credit, U.S. investment grade spreads tightened 7bps to 79bps, while Euro investment grade spreads tightened 13bps to 78bps. Meanwhile, U.S. high yield spreads tightened 10bps to 286bps, while Euro high yield spreads tightened 37bps to 284bps.

During the month, the PIMCO GIS Income Fund returned 0.05% after fees (in USD, for the Institutional class, Accumulation share), bringing YTD '25 performance to 5.41%.

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

Market Review and Outlook

Market:

- In July 2025, broad global equity indices posted positive returns, with the S&P 500 up +2.2%, the Dow Jones rising +0.1%, and the Nasdaq 100 rising +2.4%. Markets consolidated after a strong June, as investors weighed corporate earnings against macro uncertainty and evolving central bank guidance.
- European equities posted their second negative month of 2025, as the MSCI Europe Index returned -1.8% amid renewed tariff concerns, corporate caution, and a stronger US Dollar.
- Emerging markets equities continued to advance, with the MSCI Emerging Markets Index gaining +2.0%. China and South Korea were notable outperformers, while India lagged amid tariff concerns during the month.
- Sector performance was selective in July, with information technology, energy, and utilities leading gains. In contrast, consumer staples and health care underperformed the broader market during the month.
- The US Federal Reserve kept interest rates unchanged in its late-July meeting, which reversed the earlier outperformance of small-cap equities. Conversely, cyclical sectors, particularly U.S. technology stocks, continued to benefit — with tech marking its third consecutive month of relative outperformance.
- Overall, July continued summer's positive investor sentiment, as attention turned to strong earnings resilience, leadership from the information technology sector, and resilient economic data.

Stocks:

- An off-benchmark position in Rhythm Pharmaceuticals was the top contributor to relative performance for the month. The company's stock rose after releasing positive clinical data from its Phase 2 trial of bivamelagon.
- An overweight position in AstraZeneca also contributed to relative returns, as the company posted strong quarterly results that drove positive stock performance.
- An underweight position in Centene was another contributor to relative performance. The managed health care company underperformed after reporting weaker-than-expected financial results and lowering forward guidance.
- The largest detractor from relative performance was an overweight position in Waters Corporation, which came under pressure due to overhang following its acquisition of Becton Dickinson's Biosciences & Diagnostics business.
- An overweight position in Abbott Laboratories also detracted from returns, as the stock declined following a disappointing quarterly earnings report.
- Lastly, not holding a position in Hoya detracted from relative returns. The Japanese health care supplies company outperformed after reporting solid fiscal results, including notable year-over-year revenue growth.

Changes:

- During the month, the fund reduced its exposure to the health care providers & services subsector, notably scaling back positions in managed care and health care services companies. In contrast, the fund increased its allocation to Johnson & Johnson, driven by expectations of improved growth following the expiration of key patents this year. Additional exposure was added to Thermo Fisher Scientific, reflecting a favourable risk-reward profile, and to Novartis, supported by the company's strong fundamentals. Conversely, the fund reduced its position in Alcon due to weaker-than-expected financial performance and trimmed its holding in AbbVie amid concerns about future competitive pressures. The fund also exited its position in Elevance, given deteriorating fundamentals.

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

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

Key Positioning & Outlook:

- We continue to expect a high degree of stock dispersion in the sector driven by increasing scientific innovation, emerging technologies and policy shifts underscoring a flexible approach to investing across the sector while emphasising scientific attributes at the company level.
- The tariff landscape remains fluid, and we continue to monitor developments closely. From a sector perspective, healthcare is not immune, but it may be less affected than others. Its defensiveness stems from non-discretionary demand—healthcare consumption typically holds steady even during periods of economic stress.
- While certain healthcare industries may see continued volatility under the new federal government leadership, change is unlikely to be immediate or unilateral. With a more stable earnings profile and valuations trading below long-term averages we see a favourable risk-reward profile for the sector.
- Over the long-term, secular drivers for the sector remain in place; firstly, aging demographics in both developed and developing countries and secondly, innovation in medical science and technology. The combination of these secular trends, with favourable valuation creates an attractive long-term investment opportunity.

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

Market Review and Outlook

Market Review:

July marked a renewed sense of confidence in the US economy, underpinned by solid economic data, strong corporate earnings, and a de-escalation in trade tensions. Markets responded positively to the passage of a major US fiscal package, which added to the already resilient growth backdrop. At the same time, the White House secured a series of trade agreements with key partners, helping to reduce the risk of a broader tariff escalation. However, the agreements left uncertainty around implementation timelines, enforcement mechanisms, and whether the promised investment commitments would ultimately materialise. Inflation data sent mixed signals, indicating that underlying price pressures persist. As a result, the Fed opted to keep rates on hold, striking a cautious tone and prompting markets to scale back expectations for further rate cuts this year.

Equities responded positively to the improved macroeconomic backdrop, particularly in the US where optimism around the technology sector re-emerged. Strong earnings from major tech sector companies helped lift broader sentiment and reinforced confidence in the resilience of the sector, while receding trade fears supported gains across several global markets. Emerging market equities mostly finished higher, though some regions came under pressure from new US tariffs. Investor confidence was notably weaker in Brazil and India, where higher duties raised concerns about the outlook.

Fixed income markets faced headwinds as government bond yields moved higher across major regions. In the US, yields rose in response to strong economic data and concerns around the sustainability of fiscal policy. Similar dynamics played out in Europe and Japan, where additional fiscal stimulus and political uncertainty added to upward pressure on yields. In contrast, credit markets held up more firmly. Strong corporate earnings and stable default expectations helped support credit spreads, with higher yielding assets continuing to outperform more rate-sensitive parts of the market.

Elsewhere, commodity markets delivered mixed performance. Oil prices moved higher on the back of improving demand indicators and renewed geopolitical tensions, while gold rose steadily early in the month before easing amid pressure from President Trump on the Federal Reserve to cut rates at their policy meeting. In the FX space, the US dollar regained strength, reversing some of its year-to-date decline, while the Japanese yen weakened further amid lingering fiscal concerns and a cautious central bank stance.

Performance:

In this context, the ESG Multi-Asset fund delivered a positive return. From an asset class perspective, the allocation to Developed Market Equities was the key contributor to returns, however, with the exception of Cash and FX, all other asset classes were additive.

Within Developed Market Equities, the allocation to Thematic Equity baskets was the key contributor. The Sustainable Energy, Japan High Dividend, and Technology focused baskets were amongst the top performers, whereas the Gold Miners ESG basket marginally detracted. Allocations to active managers also added to returns with both the BlackRock Systematic Active Equity and the BlackRock Global Unconstrained Equity portfolios providing positive performance.

The allocation to Fixed Income was positive in aggregate with the BlackRock Sustainable High Yield portfolio benefitting from the risk on sentiment, whereas the Investment Grade credit portfolio detracted. The exposure to US Government Bonds was additive despite yields moving upwards as the strength in the US dollar relative to Euro base currency of the fund aided returns and helped to offset the detraction from UK Gilts and Japanese Government Bonds.

Diversifying assets in the form of precious metals, most notably Silver, and Listed Alternatives also added to returns.

Positioning:

Throughout the month, we maintained a marginally constructive equity weighting, favouring US and Emerging Markets over Europe, while keeping the fund's duration exposure at a conservative level.

We introduced new strategic positions within both Equities and Alternatives. Notably, we implemented two thematic equity baskets: the AI Ecosystem ESG Basket, providing focused exposure to companies facilitating advancements in Artificial

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

Intelligence, and the Safety and Security ESG Basket, which targets companies in cybersecurity, aerospace and infrastructure that are poised to benefit from increased government expenditure on National Security amid growing geopolitical fragmentation. Within Alternatives, we added the Ayres Latin American Opportunities Fund—a macro-driven strategy targeting alpha generation across equity and fixed income markets in Latin America.

On a more tactical basis, we realised profits on a Nasdaq call spread following a rally in US Technology equities earlier in the month. The position, initiated in July, was intended to capture potential upside in US Technology given the cautious market stance prior to tariff announcements presented an attractive entry point. In light of strong recent momentum among US megacap technology stocks, we subsequently reduced our allocation to the Mega Cap Tech Completion basket, bringing overall portfolio exposure back to neutral. Later in the period, we rolled a call spread on the Russell 2000 Index, positioning the portfolio to benefit should US domestic equities rally.

Elsewhere, we tactically reduced our structural short US dollar hedge. A diminished outlook for Federal Reserve interest rate cuts and strong corporate earnings supporting the US exceptionalism theme led us to anticipate a short-term strengthening of the USD. Accordingly, we closed our tactical allocation to Silver at a profit. Nevertheless, we maintain our structural view that we are in a de-dollarisation trend, which informed our decision to increase our strategic exposure to Gold.

Market Outlook:

The macroeconomic backdrop for the second half of the year remains complex. While inflation has moderated from its peaks, we continue to see potential for a renewed pickup, particularly as tariff effects filter through. Labour markets, though showing some signs of cooling, remain broadly resilient and continue to support wage growth. Global trade remains a key area of focus, with evolving tariff dynamics adding to uncertainty.

Within developed markets, we broadly favour the US over Europe, where growth remains subdued and policy flexibility is limited. US companies are delivering strong earnings, particularly in sectors tied to artificial intelligence, where early signs of productivity gains are starting to emerge. This has supported upward revisions to both earnings and revenue expectations. In contrast, European corporates are seeing more muted revenue performance. This divergence reinforces our view that US profitability remains stronger, although valuations appear stretched and market breadth remains narrow.

We find attractive opportunities within emerging markets, supported by persistent disinflation, reduced trade-related uncertainty and constructive policy settings. Recent tariff announcements have had limited impact, while a steady pipeline of new trade agreements provides a further tailwind. Local currency debt continues to offer compelling carry, while emerging market equities remain attractively valued relative to their developed peers.

While equity performance remains constructive, we are mindful of elevated valuations. Further, risks from tariff shocks remain on the table, particularly if reciprocal responses materialise or provisional measures to the current tariff arrangements are escalated. Tariff revenues in June suggest that trade policy remains an active tool. Greater clarity could help businesses move forward with hiring and pricing decisions, but we expect the impact of recent changes to become more visible in economic data over the coming months.

We maintain a positive view on gold as a strategic diversifier, supported by ongoing inflation risks and elevated geopolitical tensions. By contrast, we have become more cautious on silver following a sharp rally and growing uncertainty around demand. We are prepared to manage currency exposure, particular US dollar positions, tactically. While long-term themes such as dedollarisation remain relevant, we are cognizant that there may be pockets of shorter term dollar appreciation. This creates an important balance between managing risk and opportunities over multiple time periods.

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

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

Market Review

Equities, convertible securities, and high yield bonds finished higher in July. The Q2 earnings season got off to a strong start. Thus far, most S&P 500 companies have surpassed top- and bottom-line estimates and earnings growth has paced well ahead of projections. Trade deals were announced with Japan, Vietnam, and the European Union (EU). The One Big Beautiful Bill Act was signed into law and released economic data was mixed. Unemployment remained low, manufacturing and services surveys advanced, and retail sales and gross domestic product (GDP) growth surprised to the upside. However, inflation measures accelerated, and the housing market cooled. Against this backdrop, the US Federal Reserve (Fed) kept interest rates steady despite some dissent from the committee.

The portfolio benefitted from strength across equities, convertibles, and high yield bonds.

Top contributors in July were driven by continued optimism around the artificial intelligence (AI) buildout following further colour from management teams around capital expenditures. Beneficiaries comprised several semiconductor companies, including Nvidia and Broadcom, as well as hyperscalers such as Microsoft, Amazon, and Meta. The other top contributors in the period were an online real estate marketplace that has been prioritising expense management, and a heavy equipment manufacturer that benefitted from macro tailwinds.

Top detractors in the period included multiple streaming service providers in video and audio that declined on weaker outlooks for ad revenue and pricing, respectively. A fast-food chain guided for lower same-store sales, and an electric vehicle manufacturer missed free cashflow estimates, while a software company declined early in the period but finished off the lows after boosting subscription revenue guidance. Several Health Care holdings detracted, including a surgical robotics company that faced regulatory uncertainty, and a health insurance provider that reduced forecasts. Other top detractors for the period were a rideshare operator, a specialty ecommerce company, and an internet services provider.

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

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

Market Outlook

Despite a strong recovery in risk assets, the macroeconomic outlook remains clouded given uncertainty around trade and monetary policy. On the other hand, economic data has been resilient, trade tensions while elevated have stabilised, earnings estimates may have inflected, Fed commentary has been less hawkish, capital markets have been active, and government spending has emerged as a tailwind.

The US economy should expand in 2025, even with tariffs potentially hampering growth. Trade policy clarity could begin to improve and as the range of outcomes narrow, uncertainty should lessen, and spending, investment, hiring, and mergers and acquisitions (M&A) activity can resume. Further out, fiscal stimulus, deregulation measures, capital expenditure (capex) tailwinds, productivity gains, and a reindustrialisation movement are potential growth drivers.

A resumption of monetary policy easing – currently, the market is pricing in three 25-bps interest rate cuts in 2025 – would closer align the Fed with accommodation by central banks overseas. Early signs of labour market softening or minimal tariff price pass-through could pull forward rate cuts, while steady employment or higher inflation could cause the Fed to move later.

US large-cap equities have recovered this year's losses as odds of a recession and global shock receded and quarterly earnings results are better than expected. Tailwinds include dollar weakness, lower oil prices, and falling interest rates, while tariffs remain a headwind, and valuations will continue to be debated. Ultimately, any change on the margin around expectations for corporate earnings, management outlooks and the economy will determine the direction of the stock market over the remainder of the year.

US convertible securities have an attractive asymmetric return profile, providing upside participation potential when stock prices rise and downside mitigation when stock prices fall. The asset class may outperform the broad equity market if volatility continues. USD 75-80 billion# of new issuance is now expected in 2025 due to coupon savings demand and elevated refinancing needs. Aside from diversification benefits, new issuance expands the opportunity set of investments with attractive

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

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

terms and the desired risk/reward characteristics.

The US high yield market, yielding more than 7%, could deliver a coupon-like return in 2025. As a result, the asset class continues to offer equity-like returns but with less volatility. The market's attractive total return potential is a function of its discount to face value and higher coupon, which also serves to cushion downside volatility. Credit fundamentals are stable, near-term refinancing obligations remain low, and management teams continue to exercise balance sheet discipline. In this environment, new issuance is expected to remain steady, and the default rate should stay below the historical average.

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

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

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

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

Market Review and Outlook (Apr - Jun 2025)

(Target Fund Manager only produces commentaries on quarterly basis)

Market Review:

Markets crashed at the start of April as investors were negatively surprised by the President Trump's "Liberation Day" tariff announcements. Despite this, the MSCI World Index returned to new all-time highs in June, highlighting the extent of volatility over the quarter. A strong Q1 earnings season and a pause in the implementation of many US tariffs to allow more time for negotiation reassured the market even as geopolitical events in the Middle East escalated.

Following a period of outperformance in Q1, Europe's advance stalled in Q2, as the corporate result season once again demonstrated superior aggregate earnings trend in the US. This was linked to a strong return to favour for the information technology sector. Earlier fears of a slowdown in artificial intelligence investment eased off, while sectors facing a more difficult outlook in the new policy environment, most notably healthcare stocks, lagged the wider market. Sectors commonly viewed as "safe havens"¹ including consumer staples, real estate, telecoms and legacy utilities also underperformed as the market rallied and sentiment turned risk on, and we maintain that they offer little to get excited about by way of long-term earnings growth.

The market rebound and reversal in leadership from Q1 is an important reminder of the need to stay both fundamentally focused and long-term when investing in equity markets. While macro narratives can be persuasive at any given point in time, their durability is dependent on the manifestation of real-world evidence to back them up. Frequently, in a world of ever more information being spread at ever faster speeds, these narratives foreshadow a reality that does not come to pass, creating significant whipsaw risk. It is why our process relies on building a world view from a mosaic of insights gathered at the company level. It allows us to judge what is actually happening to supply and demand trends, and thus the wider economy, in a way which is frequently different from those deploying other approaches.

Outlook:

We remain optimistic in our outlook. Employment trends remain strong, consumers are continuing to spend and corporates are continuing to invest. Tariffs pose an ongoing threat to inflation and corporate profitability in some sectors, but we believe they will be manageable at an aggregate level. We continue to think stock selectivity will be key: growth remains modest across the economy and relatively concentrated in certain areas.

The US government's fiscal position is something we continue to monitor. This has been running at a deficit for many years but may deteriorate further with the plans outlined in the Administrations "Big Beautiful Bill". Although concerning, such imbalances only become problematic when people stop being willing to fund them, and we see no signs of material stress in bond markets today.

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

Market Review and Outlook

Performance Overview:

- The BGF World Technology Fund returned +4.1% in July (A2 share class in USD, net of fees), outperforming its benchmark, the MSCI ACWI Information Technology 10/40 Index, which returned +2.7%.

Market:

- In July 2025, global equities posted moderate gains, with developed markets rising 1.3% overall. The S&P 500 and other US large caps benefited from strong Q2 earnings and policy clarity, while emerging markets outperformed, gaining 2.0%, led by Greater China and Korea.
- European equities saw mixed performance. The announcement of a new trade agreement with the EU helped sentiment, but higher tariffs on autos and other imports (15%) introduced uncertainty. The Euronext 100 and FTSE 100 were relatively flat.
- Asian markets were buoyed by improving liquidity and sentiment in China, and continued AI-driven momentum in Taiwan. The Shanghai Composite and Nikkei both advanced, supported by easing trade tensions and monetary stimulus.
- Sector performance favored cyclical and growth stocks, with technology leading gains (+2.1%), while value stocks lagged (+0.5%). Defensive sectors underperformed as investor appetite for risk increased.
- Macro data showed resilience in the US economy, with the Federal Reserve leaving rates unchanged. Fiscal expansion via the One Big Beautiful Bill Act (OBBBA) supported growth expectations, though rising yields pressured bond markets.
- Geopolitical developments remained central. The US signed new trade deals with Vietnam, Japan, and the EU, reducing the risk of escalation but maintaining elevated tariff levels (15–40%). A 50% tariff on copper imports briefly roiled commodity markets before exemptions were announced.
- Overall, July closed with cautious optimism. While investor confidence improved, risks from trade policy, inflation expectations, and geopolitical shifts remain in focus.

Sectors:

- Nvidia Hits \$4 Trillion Milestone: Nvidia became the first company to surpass a \$4 trillion market cap and resumed AI GPU exports to China after U.S. clearance.
- TSMC Reports Record Profits: TSMC delivered record earnings and raised its full-year outlook, while ASML shares fell on weaker customer spending signals.
- Figma's Blockbuster IPO: Figma surged over 250% on its July 31 debut, signaling renewed investor appetite for tech IPOs.
- xAI Raises \$10 Billion: Elon Musk's xAI secured major funding to scale its Grok AI platform and build massive data centers.
- Google Commits \$25 Billion to AI: Google announced a large-scale investment in AI infrastructure and clean energy initiatives.
- Mega Q2 earnings for AI
 - Microsoft posted \$76.4B in revenue (+18% YoY) and EPS of \$3.65, driven by Azure growth (+39%) and AI integration.
 - Meta reported \$47.5B in revenue (+22% YoY) and EPS of \$7.14, with strong ad performance and AI-driven engagement. Both stocks rallied on bullish guidance
- OpenAI Secures Defense Contract: OpenAI landed a \$200 million U.S. defense deal and partnered with the UK government for AI in public services.

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

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

- Palo Alto Networks Buys CyberArk: A \$25 billion acquisition of CyberArk triggered a 15% stock drop on dilution concerns, highlighting consolidation in cybersecurity.

Key Positioning & Outlook:

- The technology sector remains a key market driver in 2025, supported by easing macroeconomic pressures and accelerating AI adoption. While geopolitical risks and tariff uncertainties persist, they are increasingly viewed as manageable. The sector's fundamentals remain strong, underpinned by secular growth in AI, cloud computing, and quantum technologies.

- We are transitioning from the "picks and shovels" phase of AI—dominated by semiconductor and hardware providers—toward broader adoption at the application layer. Companies delivering enterprise AI solutions, automation platforms, and agentic AI capabilities are gaining traction, creating new opportunities for software-driven growth.

- The current AI infrastructure cycle is being driven by both the rollout of next-generation Blackwell-class GPUs and a significant ramp-up in compute capacity by hyperscalers and sovereign governments alike. National AI and cloud initiatives are now matching or exceeding the scale of traditional hyperscaler investments, fueling robust demand for advanced semiconductors, networking, and supporting technologies, while also accelerating the development of regional supply chains.

- AI, cloud computing, and quantum computing continue to anchor our core holdings. The current environment of renewed optimism and selective volatility provides a constructive backdrop for active stock selection, as the AI infrastructure buildout and expanding technology moats are expected to drive sustained outperformance.

- We are selectively adding to companies with proven AI monetization strategies and durable competitive moats, particularly where valuations remain attractive relative to long-term growth prospects.

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

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

Market Review

Equity Market:

- The MSCI ACWI Index closed July with a 1.4% gain, driven by trade agreements that averted pre-set tariffs ahead of the Trump Administration's August 1 deadline. In the U.S., the S&P 500 Index continued its upward trajectory, rising 2.2%, supported by new trade deals, notably with South Korea and Japan, which enhanced trade stability and investor confidence. European equities¹ rose 0.7% in July after the U.S. and EU reached a trade deal that lowered tariffs to 15% from the 30% threatened rate, easing fear of a trade war.

- Emerging market equities² rose 1.9% in July, driven by increased inflows into EM currencies amid growing investor confidence in undervalued regions. South Korea's KOSPI Index³ gained 5.7% following the finalization of a U.S.-South Korea trade deal, which lowered tariffs to 15% from the initially expected 25%. Chinese equities⁴ rose 5.2%, driven by investor optimism around a renewed AI initiative aimed at competing globally with the U.S., alongside Beijing's intensified efforts to address deflationary pressures.

Bond Market:

- Developed market sovereign bond yields were broadly higher in July in response to ongoing policy volatility and U.S. trade negotiations. The U.S. 10- and 30-year Treasury yields rose 15 bps to 4.37%, and 13 bps to 4.90%, respectively, as the Fed voted to hold rates constant amid higher goods inflation. The U.K. 10-year gilt yield rose 8 bps to 4.57%, while the German 10-year Bund yield rose 9 bps to 2.70%, as Eurozone inflation levels held steady. In Japan, the 10-year JGB yield rose 13 bps to 1.56%, as the BOJ held rates steady.

- Global IG credit posted positive returns of 0.3% for the month, outperforming like duration government bonds by 0.6%, as spreads tightened 7bps in July. Global HY delivered positive returns, with the lowest quality segment of the high yield market, CCC rated bonds, outperforming BB-rated and B-rated.

- Agency MBS⁵ delivered negative returns of 0.4% in July, performing in line with like duration Treasuries. Higher coupons outperformed lower coupons, as performance was driven by strong flows and demand from CMOs.

Market Outlook

Recent macroeconomic data releases point to slowing real consumption, a softening labor market, and cooling growth in the US. Tariff-related uncertainty remains an overhang on growth, despite expectations for tax cuts from Trump's One Big Beautiful Bill to be marginally accretive to growth over the cyclical horizon. We expect the Fed to cut rates in September and again in December, and we forecast continued monetary policy normalization across most other developed markets as inflation continues to trend closer to target levels.

Within fixed income, we continue to favor US front-end and intermediate rates and maintain a steepening bias. We believe the short-end and belly of the curve can benefit as growth slows and the labor market softens, and our short exposure to the long-end is driven by fiscal deficit concerns. In other developed markets, we remain overweight U.K. and Australian intermediate rates given our expectation for more rate cuts than markets are currently pricing and more immediate pass-through of cuts to each country's economy.

With continued trade policy uncertainty, upside inflation risk remains elevated, informing our positioning in US TIPS as an attractive hedge that also captures elevated real yields. We maintain an up-in-quality bias in securitized credit, focusing on non-Agency MBS given low delinquencies, tight lending standards, and a structural lack of new supply. We also see value in senior tranches of consumer-backed ABS amid resiliency in household balance sheets, especially for higher income cohorts.

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

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

We continue to have a preference for agency MBS over generic investment grade corporate credit, given wider "risk-free" spreads for agencies versus risky corporate credit. With softening macroeconomic data and elevated valuations in US equities, we have conviction in PIMCO's systematic approach to stock selection that provides global diversification across four equity factors – value, quality, momentum, and growth - linked to long-term excess return potential. Against this backdrop, we remain focused on diversified, global, and high-quality exposures.

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